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The Questionable Use of Custom in Intellectual Property

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THE QUESTIONABLE USE OF CUSTOM IN INTELLECTUAL PROPERTY

*Jennifer E. Rothman**

| | |
|--|------|
| INTRODUCTION..... | 1900 |
| I. THE INFLUENCE OF CUSTOM ON DE FACTO IP RIGHTS | 1909 |
| A. <i>Litigation-Avoidance Customs</i> | 1909 |
| 1. <i>The Clearance Culture</i> | 1911 |
| 2. <i>Formalized Trade Practices and Agreements</i> | 1916 |
| a. <i>The Gentleman's Agreement</i> | 1916 |
| b. <i>The Classroom Guidelines</i> | 1918 |
| c. <i>In-House Guidelines</i> | 1922 |
| d. <i>Best Practices</i> | 1922 |
| B. <i>Normative and Aspirational Customs</i> | 1924 |
| 1. <i>Chefs and Cyberspace</i> | 1924 |
| 2. <i>University IP Ownership Policies</i> | 1926 |
| 3. <i>Alternative IP Regimes and Open-Access Norms</i> | 1928 |
| II. THE INCORPORATION OF CUSTOM INTO IP LAW | 1930 |
| A. <i>Custom as Evidence of Market Effects, Commerciality, and Damages</i> | 1931 |
| B. <i>Custom as a Proxy for What Should Be Done</i> | 1937 |
| C. <i>Custom as a Proxy for What Is Reasonable</i> | 1941 |
| D. <i>Custom as Evidence of What Is Generally Done</i> | 1944 |
| E. <i>Custom as Evidence of What Parties Intended</i> | 1945 |
| III. CRITIQUE OF THE INCORPORATION OF CUSTOM INTO IP LAW | 1946 |

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I would like to thank Sam Bagenstos, Sarah Boyd, Sam Buell, Rebecca Hollander-Blumoff, Ann Carlson, Emily Hughes, Jerry Kang, Rob Kar, Larissa Katz, Scott Kieff, Jennifer Mnookin, Neil Richards, Laura Rosenbury, Seana Shiffrin, Eugene Volokh, and participants in workshops at Cardozo Law School (Yeshiva University), Loyola Law School (Los Angeles), UCLA, Washington University, and at the 2006 Intellectual Property Scholars Conference at U.C. Berkeley (Boalt Hall). I would also like to thank Kent Syverud and the Washington University School of Law for a summer research grant that made this project possible. Finally, I want to thank the editors and staff of the *Virginia Law Review* for their contributions, as well as Michael Hori-kawa and Jessica Muto for able research assistance in the final rounds of this project.

| | | |
|------|--|---------------|
| 1900 | <i>Virginia Law Review</i> | [Vol. 93:1899 |
| | A. <i>Questionable Optimality of Industry-Driven Solutions...</i> | 1947 |
| | 1. <i>Customs Often Develop to Avoid Litigation or to Preserve Relationships</i> | 1951 |
| | 2. <i>Reactive Customs and Slippery Slopes</i> | 1953 |
| | 3. <i>Market Inequities Skew the Development and Proof of Custom</i> | 1956 |
| | 4. <i>Many Uses of IP Do Not Involve Parties with Ongoing Relationships</i> | 1959 |
| | B. <i>Intellectual Property Should Not Be Expectations Driven</i> | 1961 |
| | C. <i>Autonomy Interests Weigh Against Incorporation of IP Customs</i> | 1965 |
| IV. | TOWARD A THEORY OF CUSTOM FOR IP | 1967 |
| | A. <i>Certainty of Custom</i> | 1968 |
| | B. <i>Motivation for Custom</i> | 1970 |
| | C. <i>Representativeness of Custom</i> | 1972 |
| | D. <i>Application of Custom</i> | 1974 |
| | 1. <i>Against Whom</i> | 1974 |
| | 2. <i>For What Proposition</i> | 1975 |
| | E. <i>Implications of Custom</i> | 1976 |
| | F. <i>Combining the Vectors</i> | 1977 |
| | CONCLUSION | 1980 |

INTRODUCTION

THE treatment of custom has been widely debated in many areas of the law.¹ In contract law, for example, there is a devel-

¹ Custom has been used to mean many different things, from regularly occurring industry practices, to social norms, to ongoing practices that have existed from time immemorial. See, e.g., Lisa Bernstein, *The Questionable Empirical Basis of Article 2's Incorporation Strategy: A Preliminary Study*, 66 U. Chi. L. Rev. 710, 712 n.7 (1999) (defining custom as "an unwritten practice that would be considered a usage of trade under the [Uniform Commercial] Code" or that would be used to interpret a contract under the Code); Richard A. Epstein, *International News Service v. Associated Press: Custom and Law as Sources of Property Rights in News*, 78 Va. L. Rev. 85, 85 (1992) [hereinafter Epstein, *INS*] (defining custom in unfair competition context as "what the community has customarily regarded as binding social rules"); Richard A. Epstein, *The Path to The T.J. Hooper: The Theory and History of Custom in the Law of Tort*, 21 J. Legal Stud. 1, 1 (1992) [hereinafter Epstein, *The T.J. Hooper*] (defining custom in the tort context as industry practices); Jody S. Kraus, *Legal Design and the Evolution of Commercial Norms*, 26 J. Legal Stud. 377, 377 n.1 (1997) (defining a

oped literature analyzing whether industry practices should be read into contracts as implied terms and also, less controversially, whether such practices should inform the interpretation of existing contract terms.² Similarly, in tort law, there is an ongoing discussion about whether the development of customary safety precautions by a particular industry should be an absolute defense to tort liability, no defense at all, or simply some evidence of negligence or lack thereof.³ In property law, the public's long-standing customary use of an area of land has sometimes formed the basis of a right to continue to use this land despite competing private property claims.⁴

Despite all this talk of custom in other areas of law, there has been relatively little theoretical discussion of how custom is and should be treated in the context of intellectual property ("IP"). One reason for this is that scholars have not appreciated the role of customary practices in IP law. Professor Clarisa Long, for example, has observed that in contrast to real property, intellectual goods

"norm" as a "common pattern of commercial behavior, rather than a 'moral norm' that purports to distinguish between good and bad behavior"); Richard H. McAdams, *The Origin, Development, and Regulation of Norms*, 96 *Mich. L. Rev.* 338, 340 (1997) (defining norms as "informal social regularities that individuals feel obligated to follow because of an internalized sense of duty, because of a fear of external non-legal sanctions, or both"); Eric A. Posner, *Law, Economics, and Inefficient Norms*, 144 *U. Pa. L. Rev.* 1697, 1699 (1996) (defining a "norm" as a nonlegal rule developed and enforced by a community rather than the state); Carol Rose, *The Comedy of the Commons: Custom, Commerce, and Inherently Public Property*, 53 *U. Chi. L. Rev.* 711, 740 (1986) (referring to "custom" in the Blackstonian sense of continuous uses of land by the public since time immemorial).

Despite their differences, all of these forms of custom share the common characteristic of being rules developed outside the legal system by communities or industries that have extra-judicial enforcement mechanisms. I therefore use the term "custom" broadly to include industry practices, community-developed standards of behaviors (sometimes referred to as norms), common community practices, and practices dating from time immemorial. A more detailed examination of the distinctions between the categories of custom is outside the scope of this Article. See generally Jack P. Gibbs, *Norms: The Problem of Definition and Classification*, 70 *Am. J. Soc.* 586 (1965) (discussing the difficulties of defining the term "norm").

² See, e.g., Bernstein, *supra* note 1; Richard A. Epstein, *Confusion About Custom: Disentangling Informal Customs from Standard Contractual Provisions*, 66 *U. Chi. L. Rev.* 821 (1999) [hereinafter Epstein, *Confusion*].

³ See, e.g., William M. Landes & Richard A. Posner, *The Economic Structure of Tort Law* 132–33 (1987); Epstein, *The T.J. Hooper*, *supra* note 1; Clarence Morris, *Custom and Negligence*, 42 *Colum. L. Rev.* 1147 (1942).

⁴ See, e.g., *Thornton v. Hay*, 462 P.2d 671, 676–78 (Or. 1969); see also 1 William Blackstone, *Commentaries* *76; Rose, *supra* note 1, at 713–14.

and legal regimes are “unaided by long-standing customary definitions, communal norms, or widespread social understandings.”⁵ Professor Stephen Carter has concluded that IP transactions are “so heavily regulated that there is less and less space for private ordering to emerge.”⁶ Similarly, litigants and courts in IP cases have failed to identify when they are relying on customary practices, and even in the few instances where there is some recognition that custom is involved, they do not consider the broader implications of considering such practices.

Nevertheless, custom has a tremendous influence on IP law. Custom has a powerful impact on what is happening in the trenches of creative and other industries and spills over into the governing legal regimes. For example, there is a general industry practice among most users of IP, especially those who work for larger institutions or who intend to distribute their works publicly, to clear or license all uses of others’ IP. This is true even when there are strong fair use, First Amendment, or other defenses to the uses and even when the underlying work is not, in fact, protected by IP laws. These industry clearance practices then influence the governing legal regime because courts often consider nonconformity with an industry’s clearance practices as a basis to reject any defense to the use of another’s IP without the explicit consent of the IP owner.

In *Ringgold v. Black Entertainment Television*, for example, the producers of a television sitcom used a poster of the plaintiff’s artwork in the background of a set without permission.⁷ The poster was visible for less than thirty seconds, was never the focal point of any shot, was not referred to in the dialogue, and was lawfully purchased.⁸ Nevertheless, the court rejected a fair use defense in the copyright infringement action because the producers had failed to follow the TV and film industry custom of licensing copyrighted works used as set-dressing.⁹ If not for the consideration of industry

⁵ Clarisa Long, *Information Costs in Patent and Copyright*, 90 Va. L. Rev. 465, 484 (2004).

⁶ Stephen L. Carter, *Custom, Adjudication, and Petrushevsky’s Watch: Some Notes from the Intellectual Property Front*, 78 Va. L. Rev. 129, 131 (1992).

⁷ 126 F.3d 70, 73 (2d Cir. 1997).

⁸ *Id.* at 72–73.

⁹ *Id.* at 81 (quoting *Harper & Row v. Nation Enters.*, 471 U.S. 539, 562 (1985)) (relying on failure to pay the “customary price” as a basis for rejecting a fair use defense to

2007]

The Questionable Use of Custom in IP

1903

clearance practices, the producers would likely have prevailed in their fair use defense.¹⁰

Even when courts do not get involved, the gatekeepers in the science, media, and publishing worlds enforce the customary practices and norms. For example, the talented American writer Don DeLillo wanted to title a novel “Panasonic.” He has described his reasons for viewing “Panasonic” as essential for use as his title:

“The novel is filled with the sounds of people’s voices, with sirens, loudspeakers, bullhorns, kitchen appliances, with radio and TV transmissions, with references to beams, rays, sound waves, etc. . . . Jack, listening to people talk on the telephone and musing on his own death, thinks ‘all sounds, all souls.’ . . . Again the notion of *pan-sonus* connected to a fear of death. . . . Jack associates the god Pan with his fear of death.”¹¹

DeLillo’s publisher sought permission from the electronics company, Panasonic, for use of the name as the book title. When the company denied permission, DeLillo’s publisher demanded that DeLillo change the title of his book.¹² Thus, even though nothing in trademark law should have prevented DeLillo from using Panasonic as his title, his publishing company’s insistence on conformity with industry custom limited his artistic expression.

While both of these examples reflect deeply engrained yet informal clearance practices, many more formal customary practices

copyright infringement). The court cited an amicus brief filed by the Artists Rights Society and the Picasso estate that listed numerous examples of other shows and films that licensed artwork in similar circumstances. *Id.* at 81 n.15; see also Brief for the Artists Rights Society and the Picasso Administration as Amicus Curiae Supporting Respondents at 4–5, *id.*

¹⁰The district court in *Ringgold* had held the use fair when it did not consider the film and television industry’s practice of licensing set dressing. *Ringgold v. Black Entm’t Television*, 40 U.S.P.Q. 2d 1299, 1302 (S.D.N.Y. 1996); see also *Amsinck v. Columbia Pictures Indus.*, 862 F. Supp. 1044, 1046, 1050 (S.D.N.Y. 1994) (holding unlicensed use of plaintiff’s mobile in a film was a fair use even though it was sometimes shown in close-up and appeared on screen for over one and one-half minutes); cf. *Sandoval v. New Line Cinema Corp.*, 147 F.3d 215, 216, 218 (2d Cir. 1998) (holding use of plaintiff’s photographs in the motion picture *Seven* noninfringing and de minimis because the photographs were visible for less than thirty-six seconds and were not the focal point of the relevant shots).

¹¹D.T. Max, *Final Destination: Why Do the Archives of So Many Great Writers End Up in Texas?*, *New Yorker*, June 11 & 18, 2007, at 54, 66.

¹²*Id.* at 66.

also govern the use of IP. Such practices include industry guidelines, agreements, and statements of “best practices.” One of the most influential of the IP guidelines is the Classroom Guidelines,¹³ which were developed during the drafting of the 1976 Copyright Act. The Classroom Guidelines were developed and negotiated primarily by large publishers and a few author organizations with minimal to no input from educators and students.¹⁴ The Classroom Guidelines set forth recommended principles for determining when it is “fair” or lawful to use another’s copyrighted work in an educational setting.¹⁵ These guidelines, which were never adopted by statute, restrict how copyrighted works are used by educators and greatly influence courts when they analyze fair use claims.¹⁶ The Classroom Guidelines restrict the making of copies for students to circumstances in which tests for brevity, spontaneity, and cumulative effect are met.¹⁷ The extreme specificity of the Classroom Guidelines stands in stark contrast to the open-ended nature of the statutory and common law fair use criteria, greatly restricting the possible uses of IP works by researchers, educators, and students.¹⁸

These are just a few examples of the wide variety of ways that custom influences the scope of IP—both what IP owners can demand and what users can do with others’ IP. The failure to recognize the enormity of the role of custom in IP law not only exacerbates the current trend of expanding owners’ rights at the expense of users, but also jeopardizes several projects that seek to remedy this trajectory of IP law by expanding public access to IP. In particular, recent efforts by those who wish to expand the public’s access to copyrighted and trademarked works by developing “best practices” and fair use guidelines have implicitly adopted a model of IP law that incorporates custom as law. A best practices state-

¹³ Agreement on Guidelines for Classroom Copying in Not-for-Profit Educational Institutions, H.R. Rep. No. 94-1476, at 68–70 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5681–83.

¹⁴ See discussion *infra* Subsection I.A.2.b.

¹⁵ See H.R. Rep. No. 94-1476, at 67–74, *as reprinted in* 1976 U.S.C.C.A.N. at 5680–88; see also discussion *infra* Subsection I.A.2.b.

¹⁶ See discussion *infra* Subsection I.A.2.b.

¹⁷ H.R. Rep. No. 94-1476, at 68–70, *as reprinted in* 1976 U.S.C.C.A.N. at 5680–88; see also discussion Subsection I.A.2.b.

¹⁸ Compare 17 U.S.C. § 107 (2000), with H.R. Rep. No. 94-1476, at 68–70, *as reprinted in* 1976 U.S.C.C.A.N. at 5681–83. See also discussion *infra* Subsection I.A.2.b.

2007]

The Questionable Use of Custom in IP

1905

ment developed for documentary filmmakers, for example, suggests that “[f]air use is shaped, in part, by the *practice* of the professional communities that employ it.”¹⁹ The statement then sets forth guidelines for when, in the context of documentary filmmaking, uses of others’ IP should be permissible and when such uses should not be. Without considering the impact of such guidelines on courts or the theoretical basis for considering such customs, these “best practices” projects risk limiting rather than expanding public access to IP. Similarly, the effect of the recent development of alternative IP regimes by the “copyleft,”²⁰ such as the Creative and Science Commons projects and the free and open-source software movements, cannot be fully understood without evaluating how courts will enforce the community norms that play a large role in each movement.²¹

In this Article, I challenge the widespread, though mostly implicit, preference for incorporating custom into IP law. In Parts I and II of the Article, I discuss the significant impact that custom has on IP rights. I begin the discussion in Part I by surveying the most influential IP-related practices and norms. Most of the practices that I discuss have not previously been considered under the rubric of custom. Indeed, this is the first attempt to collect and analyze all of these practices in one place. I divide my discussion into two main categories of custom. The first category is practices and norms that have developed to avoid litigation when laws are uncertain or the expense of litigation discourages resort to the legal system. The second category is practices that have developed with the

¹⁹ Ass’n of Indep. Video & Filmmakers et al., *Documentary Filmmakers’ Statement of Best Practices in Fair Use 1* (2005), available at <http://www.centerforsocialmedia.org/rock/backgrounddocs/bestpractices.pdf> [hereinafter *Filmmakers’ Statement*] (emphasis added).

²⁰ A number of different origins have been attached to the term “copyleft,” but I use the term broadly to refer to the movement to limit the scope of copyright and provide greater public access to copyrighted works.

²¹ Both the Creative and Science Commons movements and the free and open-source software movements have developed licenses for copyrighted works and patents that can be used to provide greater access to those works than the default law allows. See Creative Commons Homepage, <http://creativecommons.org> (last visited Sept. 20, 2007); Science Commons Homepage, <http://sciencecommons.org> (last visited Sept. 20, 2007); GNU Project Homepage, <http://www.gnu.org> (last visited Sept. 20, 2007); OSS Homepage, <http://opensource.org> (last visited Sept. 27, 2007); see also discussion *infra* Subsection I.B.3.

goal of creating a preferred or aspirational allocation of IP rights. Industry practices, agreements, guidelines, and social norms have created a decentralized IP regime that has enormous influence on the use of IP and the scope of rights that, as a practical matter, IP holders can exercise. Such privately generated rules have substantially expanded IP rights without the opportunity for the public to debate or participate in the governing regimes.

In Part II, I build on this understanding of the de facto role of custom by developing a picture of the tremendous influence custom has on de jure IP law. In almost every instance in which courts have considered customary practices in IP cases, they have pointed to nonconformity with industry practices as a basis to reject defenses to infringement or as a basis for finding infringement itself. Only rarely have courts referred to conformity with industry practices or community norms as a possible basis for a defense. Courts often rely on custom as a proxy in making other inquiries, such as determining the market effects of using another's IP or deciding what are fair or reasonable uses of another's IP. In this Part of the Article, I begin my critique of using custom as a proxy for these independent propositions. Courts also look at customary practices to determine what parties intended, often in the context of contracts related to IP or when interpreting patent claims, or to determine what is generally done in an industry. I conclude that such direct uses of custom generally are legitimate.

In Part III of the Article, I elaborate on my critique of the incorporation of custom into IP law. I consider the three primary justifications for incorporating custom into the law and reject each in the context of IP. These justifications are the adoption of optimal rules, the fulfillment of expectations, and the promotion of autonomy interests. None is a convincing basis to incorporate custom into IP law. First, there is no reason to think that the customary practices that develop in the context of IP transactions will lead to an optimal development or allocation of IP.²² Industry-developed

²² In discussions of custom, scholars have often used the term "optimal" when evaluating whether particular customs should be preferred over judge-made or statutory laws. "Optimal" suggests that a rule is the best possible one. In the real world, one may never be able to achieve the best, nor, given differing opinions of what the evaluative metric should be for determining the best outcome, even agree on what the best outcome ought to be. I nevertheless continue to use the term, both because it is

2007]

The Questionable Use of Custom in IP

1907

practices are likely to be suboptimal because they are often generated by efforts to avoid litigation or to preserve relationships, rather than by efforts to develop optimal IP rules or even rules preferred by the involved parties. Customs that develop in the IP context are also likely to be suboptimal because the IP industries are not particularly close-knit and have fewer repeat transactions between the same parties than other industries in which the use of custom has been favored by scholars. Moreover, the different economic and political power of parties in IP markets means that the customary practices do not fairly represent the parties but instead skew toward the interests of the most powerful IP owners.

Second, the use of custom in the context of IP generally does not further parties' expectations of what should be the governing rules, and, even when it does, such expectations should not drive the determination of IP rights because of countervailing public interests at stake that demand a minimum level of access to others' IP.

Third, my final criticism of a reliance on custom to determine the scope of IP rights is that autonomy interests that justify a preference for private ordering in other areas of the law point in the opposite direction in IP law. The public goals inherent in affording IP rights cut against deference to private ordering in the IP context.

Even though I conclude that custom should never provide a basis for creating dispositive legal rules in any IP case, custom continues to have some relevance and value as evidence for a variety of inquiries. There are inquiries in IP law, and elsewhere, for which customary practices are relevant and not unduly prejudicial. In such instances, it is appropriate and may be necessary for courts to consider evidence of custom.

The central task of Part IV of this Article is to provide a theoretical framework for determining when particular customs are more or less valuable in IP cases. Although my analysis focuses on issues that arise in IP law, these insights also shed light on how custom should be evaluated in other areas of the law. I present six main vectors along which a custom should be situated to determine whether the custom is likely to provide meaningful information.

common to the literature with which I engage and also because the alternatives carry with them their own baggage. My intention is for readers to interpret an "optimal" rule as the best possible one given certain real world constraints. See also *infra* note 176.

The vectors evaluate the certainty of the custom, the motivation for the custom, the representativeness of the custom, how the custom is applied (both against whom and for what proposition), and the implications of the custom's adoption. To have any value, a custom must be certain. To determine whether there is a clear custom, it must be determined that the custom is uniformly recognized and supported, and that there are no contradictory or competing customs. Customary practices or norms that develop with the express purpose of formulating an aspirational set of practices should be given more weight than those that develop simply to avoid litigation or to preserve relationships. Customs that develop with a diverse representation of interests, such as those of owners and users and big and small players in the IP industries, should be given more credence than those that are driven by self-interested subgroups. For similar reasons, a custom should generally only be applied against parties who participated in its development or, at least, who were adequately represented in the development of that custom. When custom is used simply to determine what is generally done or what parties intended in a contract or quasi contract, custom is at its most useful because it is not standing in for any second-order inquiries. Even when customary practices have some value under the proposed framework, there should always be an independent analysis of what the adoption of a particular custom would mean for IP owners and users going forward.

Left unchecked, customary practices threaten to swallow up IP law and replace it with industry-led IP regimes that give the public and other creators more limited rights to access and use intellectual property. The approach that I present for evaluating custom in the IP context is vital in the process of recalibrating IP and an important step toward developing a more theoretical approach to evaluating the allocation of IP rights. Such an approach also encourages both users and owners of IP to dissent from customary practices with which they disagree and to expressly identify the motivations behind particular practices and norms.

Looking at custom through the lens of IP also provides powerful evidence for limiting the role of custom in the law more broadly and adds a compelling framework for understanding when preference should be given to top-down government regulation and adjudication over decentralized private rulemaking. To the extent

2007] *The Questionable Use of Custom in IP* 1909

custom can provide relevant data points, the framework that I develop provides solid direction for future theorists and courts.

I. THE INFLUENCE OF CUSTOM ON DE FACTO IP RIGHTS

To date there has been little acknowledgement of the breadth of the customary practices and norms involved in IP and the vast influence that they wield. In this Part, I therefore have collected many different examples of IP practices and norms, and I examine the impact that they have on de facto IP rights. I divide my discussion of the most influential IP practices and norms into two main categories on the basis of the primary motivation for the development of the relevant practice or norm. The first category consists of practices or norms that have developed to avoid litigation when laws are uncertain or the expense of litigation discourages resort to the legal system. The second category of practices and norms that I consider are those that have developed with the goal of creating an ideal or aspirational allocation of IP rights, at least from the point of view of the party generating the norm or practice.

A. Litigation-Avoidance Customs

Litigation-avoidance customs are motivated by IP players' (both owners and users) interests in providing greater certainty in the face of unpredictable legal outcomes and in reaction to skyrocketing litigation costs.²³ Not only does the cost of litigation often outweigh alternative arrangements between parties who want to use one another's IP, but the consequences of losing in court are substantial. Even if no actual damages are caused by the use of a plaintiff's work, statutory damages can be significant. Moreover, damages, statutory or otherwise, greatly increase if a willful violation is shown—something that courts often find when defendants fail to conform to customary practices.²⁴ Additionally, attorney's fees are

²³ The current average cost of copyright litigation through the trial level ranges from \$290,000 to \$1 million. American Intellectual Property Law Association, Report of the Economic Survey 2007, at 25 (2007). Patent cases run substantially higher, averaging from \$600,000 to more than \$5 million depending on the sum at risk. *Id.* Trade-mark infringement litigation costs average from \$255,000 to more than \$1 million. *Id.*

²⁴ See, e.g., 15 U.S.C. § 1117(b) (2000) (authorizing treble damages for intentional use of counterfeit marks); 17 U.S.C. § 504(c)(2) (2000) (authorizing statutory damages up to \$150,000 for willful copyright infringements); Cal. Civ. Code § 3344 (West 1997)

routinely awarded to the prevailing party, so a loss can mean paying legal fees that significantly exceed damages.²⁵ The threat of injunctive relief also looms large because, if granted, such relief can destroy any chance of recovering the initial investment in a project. Recent expansions of criminal liability for copyright infringement further deter IP users from fighting court battles.²⁶

Not only do the costs and risks associated with litigation encourage the development of alternative practices, but uncertainties in IP law also encourage the creation of custom. Some of this uncertainty is generated by the significant impact that changing technology has had on the production and distribution of IP. For example, consider the evolution from copying by hand to the making of photocopies to the exchanging of digital files online. Other uncertainties in IP law are generated by unpredictable legal standards. The prototypical example of this is copyright's fair use defense. The defense permits nonconsensual uses of another's copyrighted work under certain circumstances, but those precise circumstances are not abundantly clear. Congress has set forth a four-factor analysis to evaluate fair use that is largely based on the common law.²⁷ The

(authorizing punitive damages for knowingly using "another's name, voice, signature, photograph, or likeness" without consent under California's right of publicity statute); N.Y. Civ. Rights Law § 51 (McKinney 1992) (authorizing exemplary damages under New York's privacy statute for knowing use of another's "name, portrait or picture" without consent); see also discussion *infra* Section II.B. Generally, only injunctive relief is awarded in trademark infringement cases, but when a showing of willfulness is made, courts can award monetary damages for lost profits, costs, and fees. See 15 U.S.C. §§ 1114(1), 1117(a).

²⁵ See, e.g., 15 U.S.C. § 1117; 17 U.S.C. § 505; 35 U.S.C. § 285 (2000).

²⁶ See 17 U.S.C. § 506; cf. 18 U.S.C. § 2320 (2000) (authorizing criminal liability for trafficking in counterfeit goods or services).

²⁷ See 17 U.S.C. § 107; see also *Folsom v. Marsh*, 9 F. Cas. 342, 344–45 (D. Mass. 1841) (No. 4901). Section 107 provides that:

[T]he fair use of a copyrighted work, including such use by reproduction in copies or phonorecords . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107.

2007] *The Questionable Use of Custom in IP* 1911

multi-factor fair use analysis has been termed “muddled,” “troublesome,” and “ad hoc.”²⁸ Because of the uncertainty surrounding what constitutes a fair use, many players in the IP industries prefer to agree among themselves on some boundaries of fair use or play it safe by conforming to industry practices, such as licensing, rather than risk adverse court decisions if they guess wrong about a potential fair use.

1. *The Clearance Culture*

One of the most dramatic examples of customary practices controlling both de facto and de jure IP rights is the licensing practices of content and technology producers, creators, publishers, distributors, insurers, and other users of IP, including universities and libraries. Producers, publishers, and distributors of works and inventions often require content producers and authors to license or “clear” all potentially protected IP works,²⁹ even when there are strong defenses for such uses or when the protectability of the work or invention is questionable. Instead of challenging the validity of the copyright, trademark, or patent, or relying on fair use, First Amendment, or other defenses, IP users seek clearance. Professors Patricia Aufderheide and Peter Jaszi have dubbed this preference for licensing the “clearance culture.”³⁰ The clearance

²⁸ *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939) (describing “the issue of fair use” as “the most troublesome in the whole law of copyright”); Pierre N. Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1105 (1990) (expressing concern that because of the fair use doctrine’s lack of clarity, judges may evaluate fair use on the basis of “ad hoc perceptions of justice”); Lloyd L. Weinreb, *Fair’s Fair: A Comment on the Fair Use Doctrine*, 103 Harv. L. Rev. 1137, 1138–40 (1990) (terming fair use a “thicket” and the statutory provision “muddled” and “inconsistent”).

²⁹ I use the term “IP works” broadly to include any potentially copyrightable, trademarkable, or patentable properties, as well as publicity rights. Though I group trademarks and the right of publicity into this discussion, I do not endorse the treatment of either as property. See, e.g., Jennifer E. Rothman, *Copyright Preemption and the Right of Publicity*, 36 U.C. Davis L. Rev. 199, 206 (2002) [hereinafter Rothman, *Copyright Preemption*]; Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 Cardozo L. Rev. 105, 146–49 (2005) [hereinafter Rothman, *Initial Interest Confusion*].

³⁰ Patricia Aufderheide & Peter Jaszi, *Ctr. for Soc. Media, Untold Stories: Creative Consequences of the Rights Clearance Culture for Documentary Filmmakers* 22 (2004), http://www.centerforsocialmedia.org/files/pdf/UNTOLDSTORIES_Report.pdf. Aufderheide and Jaszi define the clearance culture as “the shared set of expectations that all rights must always be cleared.” *Id.* at 22. Others have also used this term. See, e.g.,

culture is primarily motivated by efforts to avoid litigation and operates without regard to what IP law requires or what, as a normative matter, should be protected by IP rights.

These clearance practices are firmly entrenched in all media, including music, the fine arts, and publishing, as well as the biotech and high-tech industries. The excesses of the clearance culture can be seen, for example, in limits on the content of biographies. Even though courts have traditionally given great latitude to authors to refer to individuals, trademarks, and copyrighted works without permission in historical, nonfiction works,³¹ publishers routinely demand clearance of a subject's copyrights, trademarks, and publicity rights.³² Many of the potential IP claims in such circumstances are facially meritless, but risk-averse publishers and authors nevertheless are willing to abandon projects or follow the restrictions set forth by property holders.³³

The film and television industry also has a well-established practice of clearing all potentially copyrighted or trademarked works, as well as images and references to individuals, especially well-known public figures.³⁴ Even when fair use and First Amendment

Marjorie Heins & Tricia Beckles, Brennan Ctr. for Justice, *Will Fair Use Survive? Free Expression in the Age of Copyright Control* 5 (2005), available at <http://www.fepproject.org/policyreports/WillFairUseSurvive.pdf>; cf. Lawrence Lessig, *Free Culture: How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity* (2004) [hereinafter Lessig, *Free Culture*] (contrasting current "lock down culture" with his preferred "free culture").

³¹ See, e.g., *New Era Publ'ns Int'l v. Carol Publ'g Group*, 904 F.2d 152, 157 (2d Cir. 1990); *Rosemont Enters. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966); *Seale v. Gramercy Pictures*, 949 F. Supp. 331, 337-38 (E.D. Pa. 1996).

³² See, e.g., D.T. Max, *The Injustice Collector: Is James Joyce's Grandson Suppressing Scholarship?*, *New Yorker*, June 19, 2006, at 34, 38.

³³ For example, James Joyce's grandson, Stephen Joyce, has intimidated numerous Joyce scholars and biographers into abandoning or severely cutting material out of projects about Joyce. Max, *supra* note 32, at 34, 38; see also Max, *supra* note 11, at 66 (describing publishing companies' restrictive IP policies).

³⁴ See, e.g., Testimony of Arthur Frankel, *Roy Exp. Co. Establishment of Vaduz v. CBS, Inc.*, 503 F. Supp. 1137 (S.D.N.Y. 1980) (No. 78-Civ. 2417), *reprinted in* *Excerpts of Record* at 419, 672 F.2d 1095 (2d Cir. 1981) (Nos. 81-7027, 81-7109) (testimony of former senior vice president of Paramount Television); Michael C. Donaldson, *Clearance and Copyright: Everything the Independent Filmmaker Needs to Know* 64, 214-15 (2d ed. 2003); Lloyd J. Jassin & Steven C. Schechter, *The Copyright Permission and Libel Handbook: A Step-by-Step Guide for Writers, Editors, and Publishers* 7, 43 (1998) (recommending clearing all potentially copyrighted works without regard to possible fair use defenses and also recommending clearing public domain works); Aufderheide & Jaszi, *supra* note 30, at 5; Heins & Beckles, *supra* note 30, at 5; Ronald H. Gertz et al., *Clearance of Rights for Motion Picture and Tele-*

2007] *The Questionable Use of Custom in IP* 1913

defenses are quite strong, if not indisputable, clearances are demanded. Publicity rights are often cleared unnecessarily, such as when a publicity holder's contract with a copyright holder clearly grants publicity rights for subsequent licensing purposes.³⁵ For example, the production and sale of an action figure of Obi-Wan Kenobi from the *Star Wars* movies should not require separate permission from Ewan McGregor and Alec Guinness if both actors have already assigned their publicity rights to the movie studio.³⁶ Similarly, television producers, networks, and studios will only approve the use of proper names if no one has that name in the region where the show takes place, or if at least three, and sometimes as many as ten, people have that name.³⁷ The right of publicity neither mandates such numerical limits nor imposes liability for coincidental use of a person's name. Further, the right of publicity traditionally has not been thought to apply to entertainment or fiction.³⁸ Routine licensing of publicity rights in entertainment con-

vision Productions, Century City Bar Ass'n J., Summer 1983, at 42, 43, 47–50 (recommending clearance of all “identifiable names, products, locations, companies[,] fictional characters[,]” film clips, and music used); Suzy Vaughan Assocs., Producers Guidelines, http://www.suzyvaughan.com/producers_guidelines.htm (last visited Sept. 21, 2007) (recommending licensing of any copyrighted work no matter how little is used or context and recommending clearing of some publicity rights, such as for individuals who appear on news programs); What Is Clearance, <http://www.creativeclearance.com/whatisclearance.html> (last visited Sept. 21, 2007) (recommending “clearance” of any work created by another person(s)); discussion *infra* Part II and *infra* note 37.

³⁵ Most contracts today include such provisions, but even those from the relatively recent past often do not. See, e.g., *Wendt v. Host Int'l*, 125 F.3d 806, 811 (9th Cir. 1997) (holding that there could be a right of publicity violation when derivative work based on characters from television show was prepared without permission of actors from original series).

³⁶ I have contended elsewhere that even if a contract does not grant such rights, copyright law should preempt publicity rights in such instances. See Rothman, *Copyright Preemption*, *supra* note 29, at 208–14, 259–62. I note that the Screen Actors Guild and the relevant collective bargaining agreements also influence clearance practices with regard to publicity holders' rights, as well as concerns over actions for invasion of privacy, false light, and defamation.

³⁷ Email from Gregg Nations, Script Coordinator, *Lost*, ABC/Touchstone, to Jennifer Rothman, Assoc. Professor of Law, Loyola Law School, L.A. (Aug. 27, 2007, 2:16:00 PDT) (on file with author); see also Donaldson, *supra* note 34, at 63, 214–15, 237–38 (suggesting removal of all references in films to real people, whether living or dead, even if references were unintentional).

³⁸ See, e.g., *Matthews v. Wozencraft*, 15 F.3d 432, 439–40 (5th Cir. 1994) (“Courts long ago recognized that a celebrity's right of publicity does not preclude others from incorporating a person's name, features or biography in a literary work, motion pic-

texts means that this understanding has virtually disappeared as a practical matter and is eroding as a de jure matter.³⁹

Consider the clearance demands for publicity rights in one recent documentary, *Camp Out*, about teens who attend a Bible camp for gay Christian youth. The documentary features a teenage girl who is a huge fan of Elvis Presley. Her room is filled with Elvis postcards, tributes to Elvis, and other Elvis memorabilia. It would be impossible to show her room, or even understand her as a person, without reference to the late singer. Nevertheless, the filmmakers were informed by their attorney that they should clear Elvis's publicity and trademark rights with his estate or remove all images of him from the film.⁴⁰ The attorney's position was largely driven by knowledge that the Elvis estate routinely sues parties that use images of Elvis without obtaining permission from the estate.⁴¹

Although the filmmakers were ultimately able to use the images of Elvis after paying a licensing fee, the Elvis estate easily could have declined to grant rights because of the film's controversial subject or because the filmmakers could not afford the substantial

ture, news or entertainment story. Only the use of an individual's identity in advertising infringes on the persona." (quoting George M. Armstrong, Jr., *The Reification of Celebrity: Persona as Property*, 51 La. L. Rev. 443, 467 (1991)); *Seale v. Gramercy Pictures*, 949 F. Supp. 331, 336 (E.D. Pa. 1996) (holding that "use of a person's name and likeness in news, entertainment, and creative works does not infringe on the right of publicity"); see also Restatement (Third) of Unfair Competition § 47 (1995); J. Thomas McCarthy, *The Rights of Publicity and Privacy*, §§ 8:90–99, 8:302–321 (2006); Rothman, *Copyright Preemption*, supra note 29, at 206–07 & n.20; Eugene Volokh, *Freedom of Speech and the Right of Publicity*, 40 Hous. L. Rev. 903, 908 (2003).

³⁹ See, e.g., *Landham v. Lewis Galoob Toys*, 227 F.3d 619, 623–24 (6th Cir. 2000) (applying right of publicity to an action figure from a movie); *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 193 (5th Cir. 1998) (applying right of publicity to nightclub name); *Estate of Presley v. Russen*, 513 F. Supp. 1339, 1358–59 (D.N.J. 1981) (allowing right of publicity action against Elvis impersonators); *Apple Corps Ltd. v. Leber*, 229 U.S.P.Q. 1015, 1016 (Cal. Super. Ct. 1986) (applying right of publicity to musical show about the Beatles); *Doe v. TCI Cablevision*, 110 S.W.3d 363, 370–72 (Mo. 2003) (applying right of publicity to a comic book); see also Rothman, *Copyright Preemption*, supra note 29, at 206–07 & n.19.

⁴⁰ Email from Kirk Marcolina, Director & Producer, *Camp Out*, to Jennifer Rothman, Assoc. Professor of Law, Loyola Law School, L.A. (June 20, 2007, 12:35:20 PDT) (on file with author).

⁴¹ *Id.*

licensing fees.⁴² Even if the filmmakers would ultimately have prevailed in any litigation involving the use of Elvis in the documentary, they would have had trouble insuring, screening, or distributing the film absent proof of clearance.⁴³ Moreover, the filmmakers would not have been able to afford the legal fees that would have been required to establish their legal right to use Elvis's name and likeness.

The clearance culture is not limited to the creative arts. Inventors and developers often license patents when the validity of a patent is questionable or the infringing status of an inventor's product is uncertain. Companies and attorneys often license to avoid expensive patent litigation and to avoid hold-up problems with a product that has already been developed or marketed.⁴⁴

Clearance culture practices have a profound influence on what gets made and the content of works that get produced. When li-

⁴² Clips from films can cost, depending on the value of the underlying work, up to \$10,000 a minute. Aufderheide & Jaszi, *supra* note 30, at 19. Some networks charge upwards of \$90 per second for news footage. *Id.* at 8. To clear the song Happy Birthday costs \$15,000–20,000 per verse. *Id.* at 11; see also Richard Feiner & Co. v. H.R. Indus., 10 F. Supp. 2d 310, 314 n.13 (S.D.N.Y. 1998) (noting that licensing fees for photographs are \$5,000 to \$6,500 per photograph).

⁴³ Heins & Beckles, *supra* note 30, at 5–6. Films regularly are covered by errors and omissions insurance, which, among other things, compensates a producer or distributor for litigation costs and damages related to claims for infringement of others' IP. This type of insurance is commonly referred to as "E & O." E & O insurers usually demand clearances for all potentially protected IP works even where there is no possible cause of action. For example, one leading E & O broker, Dennis Reiff, explains that he would require clearance from Disney before showing the Disney Concert Hall in the background of a commercial set in Los Angeles. *Id.* at 5–6. This conclusion is especially troubling since Disney does not own the venue but simply donated money toward its construction. More importantly, regardless of whether Disney had an ownership interest, permission for displaying the building is not required by copyright or trademark law. See 17 U.S.C. §§ 106(5), 113(c) (2000); Rock & Roll Hall of Fame & Museum v. Gentile Prods., 134 F.3d 749, 755–56 (6th Cir. 1998) (holding photographer's use of picture of Rock and Roll Hall of Fame and use of that name in conjunction with the photograph did not constitute trademark infringement). Nevertheless, cautious E & O brokers and attorneys clear such uses because Disney is known to be very litigious and has the money to make litigation very expensive. Heins & Beckles, *supra* note 30, at 6; see also Donaldson, *supra* note 34, at 214 (recommending clearing all distinctive locations and buildings); Gertz et al., *supra* note 34, at 43.

⁴⁴ Joseph Farrell & Robert P. Merges, Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help, 19 Berkeley Tech. L.J., 943, 955–60 (2004); Mark Lemley & Carl Shapiro, Patent Holdup and Royalty Stacking, 85 Tex. L. Rev. 1991, 1992–93 (2007).

censing is not an option, either because it is cost-prohibitive or an IP owner doesn't like the way its IP will be used, creators and inventors must either alter their works or forgo some projects altogether. The clearance culture and licensing practices are enforced extrajudicially by fear of litigation costs, in-house policies mandating clearance, concerns over forfeiting large investment or start-up costs, and by limits on funding, insurance, and distribution. The clearance culture therefore does not reflect any evaluation by IP users of their preferred allocation of IP rights.

2. Formalized Trade Practices and Agreements

More formal customary practices have also been used in an effort to avoid litigation. Unsurprisingly, many of these guidelines and agreements have developed in the context of copyright's fair use doctrine. Many companies, industries, and trade groups have sought to insulate themselves from liability for copyright infringement by agreeing in a more formal manner to a set of standard copying practices.⁴⁵ I will touch upon the most influential of these customary policies, guidelines, and "best practices" statements.

a. The Gentleman's Agreement

One of the most well-known "agreements" in the copyright arena is the Gentleman's Agreement of 1935 ("the Agreement"), which was negotiated between a committee from the Social Science Research Council ("SSRC") and the National Association of Book Publishers. The Agreement was driven in large part by the advent of photocopying technology and uncertainty in the law that resulted from the new ease with which works could be copied. Members of the SSRC committee, led by Robert C. Binkley, worried that scholars and libraries might be viewed as infringing copyrights when making copies even though the purpose of such copying was purely for nonprofit research and personal use.⁴⁶ Binkley concluded

⁴⁵ See, e.g., Robert S. Bray, *Photocopying and Copyright: A Progress Report*, 48 *Special Libr.* 100, 101-03 (1957) (urging adoption of policy regarding library photocopying to avoid "unfavorable incident" in which publishers sue).

⁴⁶ See Robert C. Binkley, *Manual on Methods of Reproducing Research Materials*, at iii, 1-2 (1936); Jackson S. Saunders, *Origin of the "Gentleman's Agreement" of 1935*, in *Reprography and Copyright Law* app. B, at 159 (Lowell H. Hattery & George P. Bush eds., 1964).

2007] *The Questionable Use of Custom in IP* 1917

that his ideal solution of a statutory exemption for research and scholarship was unlikely to pass in Congress and thought that litigating such uses would be an unpredictable and expensive proposition.⁴⁷ Accordingly, Binkley decided the best approach was to develop an “understanding” with publishers that would insulate researchers and libraries from liability for copyright infringement.⁴⁸

The Gentleman’s Agreement was the result of Binkley’s compromise with publishers. The Agreement permitted libraries, archives, museums, and similar institutions to make single copies of works in their collections for scholars when scholars stated in writing that the use was solely for research purposes and to relieve the scholar of the burden of manual transcription.⁴⁹ The Gentleman’s Agreement was not viewed by the parties as an enforceable contract, but instead as an expression of the existing custom that permitted limited copying for research purposes.⁵⁰

Some scholars have criticized the Agreement because it extended copyright law to the personal and private sphere, a proposition that they contend was previously an open question.⁵¹ The Agreement also took for granted that noncommercial, not-for-profit uses could be copyright infringement. After the adoption of the Agreement, all uses that exceeded the stated limits in the Agreement “suddenly seemed suspect.”⁵²

The Gentleman’s Agreement has been highly influential. It has been adopted by the American Library Association (“ALA”) and was expressly incorporated into the ALA’s “Reproduction of Ma-

⁴⁷ Peter B. Hirtle, *Research, Libraries, and Fair Use: The Gentleman’s Agreement of 1935*, 53 *J. Copyright Soc’y* 545, 564–69 (2006).

⁴⁸ Letter from Robert C. Binkley, Chairman, Joint Comm. on Materials for Research, to W.W. Norton, President, Nat’l Ass’n of Book Publishers (May 25, 1935), *reprinted in* 2 *J. Documentary Reprod.* 29, 29–30 (1939); Saunders, *supra* note 46, at 165–66.

⁴⁹ The Gentleman’s Agreement, *reprinted in* 2 *J. Documentary Reprod.*, 29, 31–33 (1939).

⁵⁰ Letter from Robert C. Binkley, *supra* note 48, at 29–30; Saunders, *supra* note 46, at 171.

⁵¹ Hirtle, *supra* note 47, at 549, 567 (quoting a letter from Thomas P. Martin, Assistant Chief of Manuscript Division, Library of Congress). Some scholars continue to contend that there should be no copyright infringement on the basis of personal uses of copyrighted works. See, e.g., Jessica Litman, *Lawful Personal Use*, 85 *Tex. L. Rev.* 1871, 1918 (2007).

⁵² Hirtle, *supra* note 47, at 549; see also discussion *infra* Section II.B.

terials Code” (“the Code”) in 1941.⁵³ The ALA viewed the Gentleman’s Agreement as defining “the practical and *customary* meaning” of fair use with regards to the reproduction of research materials.⁵⁴ Accordingly, the Agreement, which very few parties had participated in developing, defined behavior among a much larger group. The ALA Code was even more limiting of scholars and copyright users than the Agreement—the Code expressly limits copying of *uncopyrighted* works.⁵⁵ The Code explains that copying such works would “deprive the publisher of income to which he appears to be entitled.”⁵⁶ Such limits are not required or even suggested by anything in copyright law or elsewhere.

The Agreement and the Code have been almost universally adopted and are now followed by almost every library both formally and as a matter of practice. Neither the Agreement nor the Code reflected researchers’, scholars’, or libraries’ views of what would be an appropriate rule for copying others’ works, but instead was primarily motivated by libraries’ concerns about how to best insulate themselves from potential legal liability and litigation expenses.

b. The Classroom Guidelines

Perhaps the most influential IP guideline, which was itself influenced by the Gentleman’s Agreement and related library codes, is the “Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions,” commonly referred to as the “Classroom Guidelines.” While drafting the fair use section of the 1976 Copyright Act,⁵⁷ Congress recruited industry representatives—in particular, publishers—to develop their own guidelines for what constituted fair use of writings and music in educational

⁵³ A.L.A. News, 35 A.L.A. Bull. 84, 84–85 (1941) (discussing contents of Reproduction of Materials Code); see also Abe A. Goldman, The Concept of the Law of Copyright, in *Reprography and Copyright Law*, supra note 46, at 15.

⁵⁴ Borge Varmer, Study No. 15: Photoduplication of Copyrighted Material by Libraries 52 (1959), reprinted in Subcomm. on Patents, Trademarks & Copyrights, S. Comm. on the Judiciary, 86th Cong., Copyright Law Revision 45, 52 (Comm. Print 1960) (quoting Reproduction of Materials Code) (emphasis added).

⁵⁵ A.L.A. News, supra note 53, at 84.

⁵⁶ *Id.*

⁵⁷ This section ultimately became 17 U.S.C. § 107 (2000).

settings.⁵⁸ The chairman and other members of the subcommittee working on the copyright revision “urged the parties to meet together independently in an effort to achieve a meeting of the minds as to permissible educational uses of copyrighted material.”⁵⁹ Congress contended that “workable voluntary arrangements” were the preferable solution to questions regarding the scope of fair use.⁶⁰

The Classroom Guidelines were developed and negotiated primarily by large publishers and a few author organizations. Educators, universities, and scholars were only minimally represented in the negotiations, students were given no voice, and at least two major university organizations, the American Association of University Professors and the American Association of Law Schools, actively opposed the Classroom Guidelines.⁶¹

The Classroom Guidelines provide that single copies of the following items may be made for or by teachers for use in teaching or research: a chapter from a book; an article from a periodical or newspaper; a short story, short essay, or short poem; and a chart, graph, diagram, drawing, cartoon, or picture from a book, periodical, or newspaper.⁶² Multiple copies, not exceeding one copy per enrolled student, are permitted under limited circumstances where such uses are deemed to meet tests for brevity, spontaneity, and cumulative effect.⁶³ Brevity is defined to limit copies to poems (or excerpts of poems) less than 250 words long and to limit prose excerpts to a range of 500 to 2500 words depending on the nature of

⁵⁸ The Author-Publisher Group, the Author’s League of America, the Association of American Publishers, Inc., and the Chairman of the Copyright Committee signed the resulting agreement on Classroom Guidelines with respect to books and periodicals. Agreement on Guidelines for Classroom Copying in Not-for-Profit Educational Institutions with Respect to Books and Periodicals, H.R. Rep. No. 94-1476, at 68–70 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5681–83.

⁵⁹ H.R. Rep. No. 94-1476, at 67, *as reprinted in* 1976 U.S.C.C.A.N. at 5680.

⁶⁰ H.R. Rep. No. 90-83, at 33, 36 (1967); see also H.R. Rep. No. 94-1476, at 67–68, *as reprinted in* 1976 U.S.C.C.A.N. at 5680.

⁶¹ H.R. Rep. No. 94-1476, at 72, *as reprinted in* 1976 U.S.C.C.A.N. at 5685. Although the letter to the Judiciary Committee transmitting the Classroom Guidelines suggests that some educators were involved in the umbrella ad hoc committee of educational institutions, no specific educator or university organization was a signatory to the agreement. See *id.* at 70; see also *Basic Books v. Kinko’s Graphics Corp.*, 758 F. Supp. 1522, 1535 n.10 (S.D.N.Y. 1991) (referencing testimony of Professor Peter Jaszi that the Guidelines were forced on, rather than developed by, educators).

⁶² H.R. Rep. 94-1476, at 68, *as reprinted in* 1976 U.S.C.C.A.N. at 5682.

⁶³ *Id.*

1920

Virginia Law Review

[Vol. 93:1899]

the work at issue.⁶⁴ The extreme specificity of the Classroom Guidelines stands in stark contrast to the open-ended nature of the fair use criteria set forth in Section 107.⁶⁵

Although the Classroom Guidelines purport to set forth the “minimum” allowable uses, in practice, universities, libraries, and other educational institutions treat them as if they represent the maximum allowable uses.⁶⁶ Many universities have handed out the Classroom Guidelines to their professors and mandated conformity with them.⁶⁷ The Berkman Center for Internet & Society recently estimated that eighty percent of American universities comply with the Classroom Guidelines.⁶⁸ This overwhelming level of compliance may have been driven by a lawsuit that a consortium of publishers filed against New York University (“NYU”) and individual profes-

⁶⁴ Id.

⁶⁵ Even though Congress included the Guidelines in the legislative history, there was never a floor debate over the Guidelines, no vote on their provisions, and no opportunity for public comment.

⁶⁶ See, e.g., Nat’l Comm’n on New Technological Uses of Copyrighted Works, Final Report of the National Commission on New Technological Uses of Copyrighted Works 52 (1979), available at <http://digital-law-online.info/CONTU/PDF/Chapter4.pdf> [hereinafter CONTU Guidelines] (treating the Classroom Guidelines as part of the 1976 Copyright Act). Individual members of the Judiciary Committee and, in particular, its Chairman, Representative Kastenmeier, may have hoped that educators and universities would adhere to the Classroom Guidelines, but there is no evidence either that this was a generally held position by Congress, nor even that Kastenmeier thought that uses exceeding those allowable by the Classroom Guidelines should be per se infringing.

⁶⁷ See, e.g., Robert C. Ellickson, *Order Without Law: How Neighbors Settle Disputes* 259 & n.73 (1991) (describing the Stanford University practice in the 1980s); Univ. of Cal., University of California Policy on the Reproduction of Copyrighted Material for Teaching and Research (1986), <http://www.ucop.edu/ucophome/coordrev/policy/4-29-86.html> [hereinafter UC Policy]. Many universities will only defend professors against copyright infringement actions if they conform to the Guidelines or if they acted with the express approval of university counsel. See, e.g., N.Y. Univ., University Policy on Photocopying Copyrighted Materials 2 (1983), <http://www.nyu.edu/students.guide/policies/photocopying.pdf> [hereinafter NYU Policy]; Univ. of Va., The University’s Policy on Copying of Copyrighted Material (1987), <http://www.lib.virginia.edu/reserve/copyright/infringe.html> [hereinafter Virginia Policy]. Some universities go even further than the Guidelines and require that all material circulated in the classroom be accompanied by a notice of copyright or be purchased. See, e.g., Virginia Policy, *supra*.

⁶⁸ William W. Fisher & William McGeeveran, Berkman Ctr. for Internet & Soc’y, *The Digital Learning Challenge: Obstacles to Educational Uses of Copyrighted Material in the Digital Age* 57 (2006), <http://cyber.law.harvard.edu/home/2006-09>. Admittedly, formal compliance with the Guidelines by universities likely exceeds actual compliance by individual university instructors.

2007]

The Questionable Use of Custom in IP

1921

sors in the early 1980s for copyright infringement arising out of the production of course readers for NYU's classes. As part of the settlement, NYU agreed to be bound by the Classroom Guidelines.⁶⁹

The Classroom Guidelines are not the only IP guidelines routinely followed. Similar Music Guidelines were developed to govern the use of musical works in classrooms.⁷⁰ Many libraries also conform to the guidelines issued by the Commission on New Technological Uses of Copyrighted Works ("CONTU") governing photocopying under interlibrary loan arrangements.⁷¹ These guidelines interpret Section 108(g)(2) of the Copyright Act, which allows libraries and archives to make copies "in such aggregate quantities . . . [that the copies do not] substitute for a subscription to or purchase of such work."⁷² Like the Classroom Guidelines, the CONTU Guidelines are not law and provide specific limits on copying (allowing only five copies of each journal article per calendar year)⁷³ that may fall below the amount allowed under an independent fair use analysis or under the express terms of Section 108.

In the 1990s, Congress convened the Conference on Fair Use ("CONFU") to develop fair use guidelines related to the use of digital images and other issues affected by new technology.⁷⁴ Although CONFU issued proposed guidelines, these guidelines never garnered consensus support by the conference participants and were never adopted by Congress.⁷⁵ Nevertheless, the CONFU guidelines have been followed by a number of educational institutions.⁷⁶ All of these copyright guidelines have been developed to address legal uncertainty rather than to set forth IP owners' or users' preferred rules for the use of copyrighted works.

⁶⁹ Addison-Wesley Publ'g Co. v. N.Y. Univ., No. 82-Civ-8333, 1983 WL 1134, at *1 (S.D.N.Y., May 31, 1983).

⁷⁰ H.R. Rep. 94-1476, at 70-74 (1976), as reprinted in 1976 U.S.C.C.A.N. 5659, 5684-88 (Guidelines for Educational Uses of Music).

⁷¹ CONTU Guidelines, supra note 66, at 55.

⁷² 17 U.S.C. § 108(g)(2) (2000).

⁷³ CONTU Guidelines, supra note 66, at 55.

⁷⁴ Bruce A. Lehman, Assistant Sec'y of Commerce & Comm'r of Patents & Trademarks, The Conference on Fair Use: Final Report to the Commissioner on the Conclusion of the Conference on Fair Use 7 (1998), available at <http://www.uspto.gov/web/offices/dcom/olia/confu/confurep.pdf>.

⁷⁵ Id. at 18.

⁷⁶ Heins & Beckles, supra note 30, at 6.

1922

Virginia Law Review

[Vol. 93:1899]

c. In-House Guidelines

The guidelines that I have discussed thus far have been formally negotiated and purport to cover uses of IP by multiple and sometimes adversarial parties. Many companies and organizations have also developed internal guidelines that govern the treatment of IP within their own institutions. In both the public and private sectors, guidelines have been developed to control internal copying and the use of others' inventions, works, marks, and identities.

The clearance practices that have been discussed are often specifically mandated by in-house guidelines. In the film and television industry, for example, networks, studios, and production companies develop "Standards and Practices" which control content, including the use of copyrightable works, trademarks, names, and images.⁷⁷ Most film studios require the clearance of all copyrighted works regardless of the manner in which they appear, the elimination of any references to trademarks in dialogue, the removal of or blurring of trademarks that appear on screen, and the clearance or removal of proper names.⁷⁸ Many libraries also have developed in-house guidelines to regulate photocopying, inter-library loans, and journal purchases.⁷⁹ The primary purpose of these guidelines is to protect companies from being sued and if sued to insulate them from a finding of bad faith when the company and its employees have conformed to their internal guidelines.⁸⁰

d. Best Practices

Another set of litigation-avoidance practices have recently been generated in the form of statements of "best practices." Professors Patricia Aufderheide, Peter Jaszi, Julie Cohen, William Fisher,

⁷⁷ See, e.g., Testimony of Robert Eaton, *Roy Exp. Co. Establishment of Vaduz v. CBS, Inc.*, 503 F. Supp. 1137 (S.D.N.Y. 1980) (No. 78-Civ. 2417), *reprinted in* Excerpts of Record at 696-97, 672 F.2d 1095 (2d. Cir. 1981) (Nos. 81-7027, 81-7109); see also George Dessart, Museum of Broad. Comm'ns, Standards and Practices <http://www.museum.tv/archives/etv/S/htmlS/standardsand/standardsand.htm> (last visited Aug. 24, 2007); Email from Gregg Nations, *supra* note 37.

⁷⁸ See discussion *supra* Subsection I.A.1; see also Heins & Beckles, *supra* note 30, at 20-21.

⁷⁹ See, e.g., *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1373-74 (Ct. Cl. 1973); see also American Association of Law Libraries, Model Law Firm Copyright Policy (2007), http://www.aallnet.org/about/model_law.asp.

⁸⁰ See discussion *infra* Section II.B.

2007]

The Questionable Use of Custom in IP

1923

William McGeeveran, and others have recommended the development of “best practices”⁸¹ to help educate gatekeepers and users of copyrighted works about the fair use doctrine and to define its scope.⁸² Although these best practices statements suggest that they present the “best” possible practices for the use of others’ IP, the statements do not purport to set forth the ideal or even a preferable set of rules to govern fair uses. Instead, the statements try to use industry-established guidelines to establish what are “reasonable” uses of others’ IP in the hopes that these industry statements will be adopted by courts when evaluating fair use defenses.⁸³

The Documentary Filmmakers’ Statement of Best Practices in Fair Use (the “Filmmakers’ Statement”), for example, describes its purpose as to “make[] clear what documentary filmmakers currently regard as [a] *reasonable* application of the copyright ‘fair use’ doctrine.”⁸⁴ The Filmmakers’ Statement contends that “[f]air use is shaped, in part, by the *practice* of the professional communities that employ it.”⁸⁵ The Filmmakers’ Statement sets forth limits on permitted and unpermitted uses of others’ IP within the context of documentary filmmaking.

⁸¹ The term “best practices” is imported from the corporate world where it is used as a way for businesses to improve their performance by comparing their practices to what other companies are doing that has worked well. David Zaring, *Best Practices*, 81 N.Y.U. L. Rev. 294, 308 (2006). It has a very different meaning, as I explain, in the IP context.

⁸² See Pat Aufderheide, *How Documentary Filmmakers Overcame Their Fear of Quoting and Learned to Employ Fair Use: A Tale of Scholarship in Action*, 1 Int’l J. Comm. 26, 33–35 (heralding the success of the Filmmakers’ Statement and calling for the adoption of similar best practices statements in other fields); Aufderheide & Jaszi, *supra* note 30, at 30–31; Fisher & McGeeveran, *supra* note 68, at 91, 103–05; see also Kristin Thompson, *Report of the Ad Hoc Committee of the Society for Cinema Studies, “Fair Usage Publication of Film Stills,”* 32 Cinema J. 3, 4, 12–14 (1993); *Electronic Reserves and Fair Use*, Ass’n Res. Libr. Bimonthly Report, Feb. 2004, at 1–3, available at <http://www.arl.org/bm~doc/ereserves.pdf>.

⁸³ See, e.g., Filmmakers’ Statement, *supra* note 19, at 1.

⁸⁴ *Id.* (emphasis added). The Filmmakers’ Statement was produced by the Association of Independent Video and Filmmakers, Independent Feature Project, International Documentary Association, National Alliance for Media Arts and Culture and the D.C. Chapter of Women in Film, in consultation with the Center for Social Media and the IP program at American University. The Statement was also endorsed by Arts Engine, the Bay Area Video Coalition, the Independent Television Service, P.O.V./American Documentary, and the University Film and Video Association. *Id.*

⁸⁵ *Id.* (emphasis added).

Another best practices statement was put forth by the Association of Research Libraries (“ARL”) in its Circular 232. Circular 232 establishes a statement of best practices based on current library practice with regards to material on electronic reserve for courses offered at educational institutions.⁸⁶ The ARL admits that simply setting forth its own practices may not insulate it from copyright infringement, but states that by doing so it hopes (1) to encourage other libraries to follow the same practice, making a finding of fair use more likely and (2) to establish that they have acted in “good faith” and therefore cannot be liable for additional damages if proven wrong in court. Once again these best practices statements are driven by an interest in avoiding litigation and do not reflect the drafters’ or constituents’ preferred set of rules for using another’s IP.⁸⁷

B. Normative and Aspirational Customs

Thus far, I have identified customs that have developed with knowledge and awareness of, and often in reaction to, the existing legal regime. The producers of these practices are generally law-savvy and the customary practices have developed as a way to cope with uncertain law or as a result of calculations about litigation costs. But customary practices and norms governing IP also have developed in circumstances where parties either think that formal IP law has little or no role, or where legal enforcement of existing IP laws is expressly disfavored by the community. In such communities, the practices and norms that develop often reflect community members’ preferred distribution of rights in intangible goods.

1. Chefs and Cyberspace

Several recent scholarly works have analyzed communities in which traditional IP law does not function well but creative works continue to be produced.⁸⁸ Even though most of this literature fo-

⁸⁶ Electronic Reserves and Fair Use, *supra* note 82, at 1–3.

⁸⁷ *Id.*

⁸⁸ See, e.g., Kal Raustiala & Christopher Sprigman, *The Piracy Paradox: Innovation and Intellectual Property in Fashion Design*, 92 *Va. L. Rev.* 1687 (2006) (discussing the continued productivity and creativity in the fashion industry despite the absence of IP protections).

2007]

The Questionable Use of Custom in IP

1925

cuses on critiquing the incentive rationale for protecting IP, these works also illuminate the ways in which communities can erect customary protections for creative and inventive works outside the judicial system and enforce them using community norms.

Recent work by economists Emmanuelle Fauchart and Eric von Hippel documents norms that have developed to protect recipes by French chefs in the absence of effective formal IP law.⁸⁹ Fauchart and von Hippel found that even when legal action was possible, chefs preferred to follow the norms of the community. The key identified norms were: (1) chefs must not copy recipes either in print or in the restaurant kitchen without permission; (2) chefs cannot pass along recipes when they are revealed by a colleague without permission; and (3) chefs must attribute all recipes and innovations to their source.⁹⁰ Enforcement of these norms is conducted through shaming and ostracizing the offenders.⁹¹

Social norms governing the use of IP have also developed in the context of cyberspace.⁹² The Internet has been viewed by some as a contemporary wild west in which laws are difficult to enforce. In such circumstances, community norms and practices are likely to fill the legal vacuum.⁹³ In the world of online fan fiction, for example, social norms demand that attribution be given when material is borrowed from another fan's website.⁹⁴ Copyright laws have little

⁸⁹ Emmanuelle Fauchart & Eric Von Hippel, Norms-Based Intellectual Property Systems: The Case of French Chefs, *Org. Sci.* (forthcoming 2008) (manuscript at 2, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=881781).

⁹⁰ *Id.* at 3–4, 17.

⁹¹ *Id.* at 18.

⁹² See generally Rebecca Tushnet, Payment in Credit: Copyright Law and Subcultural Creativity, 70 *Law & Contemp. Probs.* 135 (2007) (discussing the emerging community of online artists who create derivative pieces using established works and their subsequent attempts to legitimize and protect these unauthorized works); Mark A. Lemley, The Law and Economics of Internet Norms, 73 *Chi.-Kent L. Rev.* 1257 (1998) (considering skeptically the value of allowing private norms rather than public law to order the Internet).

⁹³ See Terry L. Anderson & Peter J. Hill, *The Not So Wild, Wild West* 108–09 (2004).

⁹⁴ Tushnet, *supra* note 92, at 155–56. Fan fiction creates storylines based on existing, generally popular works. Examples include Star Trek derivatives fantasizing about Kirk and Spock having a homosexual relationship and Harry Potter variations in which Hermione Granger plays the lead character. See Anupam Chander & Madhavi Sunder, Everyone's A Superhero: A Cultural Theory of "Mary Sue" Fan Fiction as Fair Use, 95 *Cal. L. Rev.* 597 (2007).

sway over fans, who frequently infringe the copyrights of both original works and fellow fan creations. Fans instead conform to their own social norms dictating that the sites be nonprofit, add creative material to the original works, and provide appropriate credit.⁹⁵ Deviation from the fan fiction norms may lead to shaming within that subculture, which is generally enough of a deterrent to keep the norms intact.⁹⁶ Many of the norms that have developed in the IP context require attribution when the IP or quasi IP of another is used. This attribution norm stands in stark contrast to the governing legal regimes which do not generally require, and certainly do not highlight, acknowledgement of sources or influences.

2. *University IP Ownership Policies*

Most, though not all, universities have adopted explicit policies vesting ownership of copyrighted works in the faculty; those which have not have generally conformed to a long-standing custom of allowing faculty to retain copyright ownership over their scholarship and course materials.⁹⁷ These formal and informal practices are primarily driven by a belief that it is proper as a normative matter for scholars to retain control over their work. These policies and practices, however, do not generally meet the requirements of Section 201 of the Copyright Act, which requires that any exception from the work-for-hire rules be set forth in a writing signed by both parties.⁹⁸

⁹⁵ Tushnet, *supra* note 92, at 142–43, 155–56.

⁹⁶ *Id.* at 155.

⁹⁷ See, e.g., Harvard Univ., Statement of Policy in Regard to Inventions, Patents, and Copyrights (1998), <http://www.fas.harvard.edu/~research/greybook/patents.html> [hereinafter Harvard Invention Policy]; N.Y. Univ., Statement of Policy on Copyrights (1972), <http://www.nyu.edu/oa/policies.html>; Univ. of Cal., University of California Policy on Copyright Ownership (1992), <http://www.ucop.edu/ucophome/coordrev/policy/8-19-92att.html> [hereinafter UC Ownership Policy]; Univ. of Va., Policy: Copyright Policy (2004), <https://etg07.itc.virginia.edu/policy/policydisplay?id='RES-001'>.

⁹⁸ The work-for-hire doctrine vests ownership of works of authorship in an employer rather than an employee when the work is produced in the scope of employment and at the direction of the employer. See 17 U.S.C. §§ 101, 201 (2000); *Comty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 750–51 (1989). There is little dispute that university faculty members who produce scholarly books and articles are fulfilling expected job tasks, but one could argue that the works are not prepared “at the direction” of the employer and therefore do not fall within the work-for-hire doctrine.

2007] *The Questionable Use of Custom in IP* 1927

The academic copyright regime is often justified in university policy statements by reference to “established academic *traditions*.”⁹⁹ In part because of the reliance on customary practices regarding copyright ownership, some universities treat computer software copyrights differently than other scholarly works.¹⁰⁰ NYU’s Computer Software Policy, for example, defers to “*practices* within the discipline,” as well as to the practices and views of individual schools and their deans to determine ownership of computer software.¹⁰¹

In contrast to the treatment of copyrightable works, most universities have adopted policies that assert ownership over all inventions produced by faculty within the scope of employment, even though patent law vests ownership of inventions in the hands of inventors, not employers.¹⁰² Thus, university practices with regard to IP ownership substantially differ from the default legal regimes. Instead, these practices reflect a normative evaluation by university communities of what they view as the preferable rules for determining IP ownership—one in which copyrightable works, but not

⁹⁹ N.Y. Univ., Statement of Policy on Computer Software Copyrights (1989), <http://www.nyu.edu/oaa/policies.html> [hereinafter NYU Software Copyright Policy] (emphasis added); see also UC Ownership Policy, *supra* note 97 (stating that the policy “is intended to embody the spirit of academic *tradition*, which provides copyright ownership to faculty for their scholarly and aesthetic copyrighted works” (emphasis added)); Univ. of Chi., New Information Technologies and Intellectual Property at the University (1999), <http://www.uchicago.edu/docs/policies/provostoffice/intprop.html> (“By *long-established practice*, individual faculty members enjoy the royalties on any book that they write . . .” (emphasis added)); Yale Univ., Yale University Copyright Policy (2001), <http://www.yale.edu/ocr/pfg/policies/copyright.html> (“It is *traditional* at Yale and other universities . . . for books, articles and other scholarly writings by a faculty member to be deemed the property of the writer . . .” (emphasis added)).

¹⁰⁰ See, e.g., NYU Software Copyright Policy, *supra* note 99.

¹⁰¹ *Id.* (emphasis added).

¹⁰² 35 U.S.C. §§ 101, 115, 116 (2000); see, e.g., N.Y. Univ., Statement of Policy on Patents (1983), <http://www.nyu.edu/oaa/policies.html#patents>; Univ. of Cal., University of California Patent Policy (1997), http://www.ucop.edu/ott/genresources/policy_pdf/PatentPolicy1997.PDF; Univ. of Chi., Statute 18: Patent Policy, 44–45 (2007), <http://trustees.uchicago.edu/articles/statutes.pdf>. But see Harvard Invention Policy, *supra* note 97 (permitting faculty to retain patent ownership over nonmedical inventions). The treatment of patentable inventions has changed somewhat over time and university ownership of inventions funded by the federal government is now established under the Patent Act. Bayh-Dole University and Small Business Patent Procedures Act of 1980, Pub. L. No. 96-517, 94 Stat. 3015 (codified as amended at 35 U.S.C. §§ 200–201).

patents, should be owned by the individual faculty members who created them.

3. Alternative IP Regimes and Open-Access Norms

The Creative Commons and open-source and free software movements are prime examples of norm-driven alternative visions of IP law. These alternative regimes build upon existing IP frameworks, altering the traditional boundaries of IP, and opting out of some established IP rights. Both movements combine norms and more formal practices to establish alternative IP frameworks that they view as preferable to the current IP regimes.

The open-source and free software movements seek to ensure that computer source code is available and software is free to be copied, modified, and altered. The “free software” movement began in the early 1980s, spearheaded by Richard Stallman, who founded the Free Software Foundation. The Free Software Foundation’s goal was to “preserve, protect and promote the freedom to use, study, copy, modify, and redistribute computer software.”¹⁰³ To facilitate this goal, the foundation developed a GNU¹⁰⁴ general public license (“GPL”). At its inception, the movement’s founders had a high-minded ethical purpose: “the GNU General Public License is intended to guarantee your freedom to share and change all versions of a program—to make sure it remains free software for all its users.”¹⁰⁵ By free software, the Free Software Foundation meant free of restrictions, not necessarily free of charge.¹⁰⁶

As the movement progressed, an alternative branch developed which sought to attract businesses into the open software movement; it renamed itself the open-source software (“OSS”) movement. The OSS movement expanded exponentially under the argument that the most economically efficient way to develop good software was to have open source code that others could build upon. The OSS movement covers not only copyrights, but patents as well. While under the OSS rubric a software inventor can still

¹⁰³ See GNU Project Homepage, <http://www.gnu.org> (last visited Aug. 20, 2007).

¹⁰⁴ GNU is short for a UNIX-compatible software system that is “not UNIX.” *Id.*

¹⁰⁵ GNU General Public License, ver. 3 (June 29, 2007), <http://www.gnu.org/licenses/gpl.txt>.

¹⁰⁶ The Free Software Foundation’s motto begins, “[f]ree software[]” is a matter of liberty, not price. [Y]ou should think of ‘free’ as in ‘free speech’” GNU Project Homepage, *supra* note 103.

obtain a patent, patented software must be licensed for all to use under the terms of the GNU GPL.

There is a social compact contained in both the GPL and OSS licenses which is a simple variation on the golden rule—you must distribute works with the same rights that you received. Enforcement is driven by community shaming, rewards for conformity, legal enforcement of licensing agreements, and market forces that promote open-source code as an optimal programming strategy.¹⁰⁷

Like the OSS movement, the Creative Commons movement, which developed at the beginning of 2001, layers on top of existing copyright law an alternative, formalized licensing regime that gives greater freedom of use than the default copyright regime permits.¹⁰⁸ The Creative Commons's motto is "some rights reserved," as opposed to traditional copyright law's "all rights reserved."¹⁰⁹

Creative Commons Public Licenses ("CCPLs") allow an author or copyright holder to select various types of licenses. The vast majority of licensors require attribution for any copying but permit the preparation of noncommercial derivative works in a "share-alike" manner (that is, users must use the same licensing scheme

¹⁰⁷ See, e.g., History of the Open Source Initiative, <http://opensource.org/history> (last visited Aug. 29, 2007); Open Source Case for Business: Advocacy, http://opensource.org/advocacy/case_for_business.php (last visited Aug. 29, 2007) (describing open-source mission as using market forces to encourage development of OSS); Bruce Perens, The Open Source Definition, *in* Open Sources: Voices from the Open Source Revolution 171, 172–173, 186–88 (Chris DiBona et al. eds., 1999) (tracing the community-based history of the OSS and free software movements and its community-based future); Richard Stallman, The GNU Operating System and the Free Software Movement, *in* Open Sources: Voices from the Open Source Revolution, *supra*, at 53, 55, 66–70 (describing free software movement as "a stark moral choice" and the importance of establishing community norms "buil[ding] up a strong feeling that free software is a matter of principle, and non-free drivers are intolerable").

¹⁰⁸ See Creative Commons, <http://creativecommons.org> (last visited Sept. 22, 2007). There have been a number of smaller scale efforts to provide alternative visions of copyright law. The American Library Association as early as the 1970s started distributing journals with notices that the journals could "be photocopied for the non-commercial purpose of scientific or educational advancement" without permission. CONTU Guidelines, *supra* note 66, at 51.

¹⁰⁹ Creative Commons, *supra* note 108. Creative Commons enables individuals to dedicate their work to the public domain by offering "no rights reserved" licenses. Creative Commons Frequently Asked Questions, <http://wiki.creativecommons.org/faq> (last visited Aug. 20, 2007).

1930

Virginia Law Review

[Vol. 93:1899]

for the adapted work).¹¹⁰ The Creative Commons project has been extremely popular. By 2005, more than ten million CCPLs had been issued, and, today, major musicians, such as Pearl Jam and David Byrne, use the licenses for their own works.¹¹¹

Apart from any legal enforcement, there is strong pressure in certain communities to adopt CCPLs as opposed to the more restrictive traditional copyright regime. Numerous academics, especially IP law faculty, view the use of a Creative Commons license as a badge of honor, and the use of a traditional copyright as suspect.

Ultimately, the Creative Commons is more of a social movement than an alternative IP regime. The founders of the project and the website refer to the movement as seeking to create an “environmentalism for culture” or “ecology for creativity.”¹¹² Professor Lawrence Lessig in his book *Free Culture* and in his writings about the Creative Commons project emphasizes the importance of developing through voluntary “*practice*” a “free culture” as opposed to a permission (or clearance) culture.¹¹³ Lessig and others strive to use custom and social norms to develop a free culture layered on top of existing IP laws.

Such alternative IP frameworks are likely to continue to expand in the future. As an adjunct to the Creative Commons, a new project, the Science Commons, has developed as a way of making patented works more easily usable by researchers.¹¹⁴ The success of these alternative IP regimes will turn in part on the treatment of customary practices by the courts, a subject I turn to next.

II. THE INCORPORATION OF CUSTOM INTO IP LAW

In Part I, I described the most significant ways in which customary practices, agreements, guidelines, and norms control the de

¹¹⁰ Brief for Creative Commons as Amicus Curiae Supporting Respondents at 1, *Metro-Goldwin Mayer Studios v. Grokster, Ltd.*, 545 U.S. 913 (2005) (No. 04-480).

¹¹¹ *Id.* at 2; Pearl Jam Releases Its First Music Video in Eight Years Under a Creative Commons License, Creative Commons Press Release (May 19, 2006), <http://creativecommons.org/press-releases/entry/5912>.

¹¹² Lawrence Lessig, *The Creative Commons*, 65 *Mont. L. Rev.* 1, 11 (2004); *Creative Commons Frequently Asked Questions*, *supra* note 109.

¹¹³ Lessig, *Free Culture*, *supra* note 30 (emphasis added); see also James Boyle, *Shamans, Software, and Spleens*, at x (1996); Lessig, *supra* note 112, at 12–13.

¹¹⁴ See Science Commons: Biological Materials Transfer Project, <http://sciencecommons.org/projects/licensing/> (last visited Aug. 20, 2007).

2007]

The Questionable Use of Custom in IP

1931

facto scope of IP rights. These customary practices have also altered de jure IP rights by influencing court decisions and legislation. In almost every instance in which courts have considered custom in IP cases, they have pointed to nonconformity with industry practices as a basis to reject defenses to infringement or a basis for finding infringement itself. Only rarely have courts referred to conformity with industry practices as a possible basis for a defense.

In this Part, I present a systematic analysis of the ways courts incorporate custom in IP cases. When courts incorporate custom, either implicitly or explicitly, they often use customary practices as proxies for other considerations, such as what constitutes a “reasonable” or “ethical” use of another’s IP or what will be the market impact of allowing such uses. I begin here a critique of the incorporation of custom for such second-order questions—a critique that I will further develop in Parts III and IV. At the same time, I observe some less problematic uses of custom, such as when courts look at custom as evidence of what is generally done in an industry to assist with interpreting IP contracts or patent claims.

A. Custom as Evidence of Market Effects, Commerciality, and Damages

Courts often consider what is customarily done as evidence of whether there is a negative market effect from an unconsented use of another’s IP. The most prominent example of the use of custom to evaluate market effects is when courts look at “customary pricing” and evidence of licensing practices under the rubric of copyright’s fair use defense. Two of the four statutory factors for determining fair use in copyright cases involve consideration of the market for a copyrighted work.¹¹⁵ One factor, the first enumerated in Section 107 of the Copyright Act, looks at the character of the use and in particular whether the use is commercial.¹¹⁶ A nonprofit or noncommercial use weighs in favor of a finding of fair use, while a commercial use weighs against such a finding. The fourth enumerated factor also considers the market by asking courts to con-

¹¹⁵ 17 U.S.C. § 107 (2000).

¹¹⁶ This factor, as interpreted by the courts, also requires a consideration of whether the use is transformative. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578–79 (1994).

sider whether the relevant use will negatively affect the market for the copyrighted work. Under this rubric, clearance culture practices have an enormous impact on what courts consider allowable uses of others' IP because courts view both existing and potential licensing markets as an indication of whether a use is for profit and also whether a given use is likely to harm the market for the work at issue.¹¹⁷

The frequent incorporation of custom into copyright's statutory fair use analysis, and, in particular, its use as a proxy for market effects and the commercial or noncommercial character of a use, stems in large part from the Supreme Court's decision in *Harper & Row Publishers, Inc. v. Nation Enterprises, Inc.*¹¹⁸ In *Harper & Row*, the Court looked at customary practices to determine whether a use was commercial or noncommercial as part of its fair use determination: "[t]he crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the *customary price*."¹¹⁹ When a defendant is found to have not paid the "customary price," the defendant's use is often judged "unfair."¹²⁰

¹¹⁷ See, e.g., *Davis v. Gap, Inc.*, 246 F.3d 152, 166–68, 176 (2d Cir. 2001); *L.A. News Serv. v. Reuters Television Int'l*, 149 F.3d 987, 994–95 (9th Cir. 1998); *L.A. News Serv. v. KCAL-TV Channel 9*, 108 F.3d 1119, 1122–23 (9th Cir. 1997); *Ringgold v. Black Entm't Television*, 126 F.3d 70, 80–81 (2d Cir. 1997); *Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1385–86 (6th Cir. 1996); *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 926–27 (2d Cir. 1994); *Rogers v. Koons*, 960 F.2d 301, 311–12 (2d Cir. 1992); *Amsinck v. Columbia Pictures Indus.*, 862 F. Supp. 1044, 1048–49 (S.D.N.Y. 1994); *Frank Schaffer Publ'ns v. The Lyons P'ship*, 10 Ent. L. Rep. 9 (C.D. Cal. 1993); *Basic Books v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1532 (S.D.N.Y. 1991).

¹¹⁸ 471 U.S. 539 (1985).

¹¹⁹ *Id.* at 562.

¹²⁰ See, e.g., *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792, 801–02, 804 & n.19 (6th Cir. 2005) (questioning the availability of a fair use defense for the unlicensed sampling of another's song in an industry where most companies and artists "sought licenses as a matter of course"); *Davis*, 246 F.3d at 176 (rejecting fair use defense for incidental display of sunglasses in advertisement when defendant had failed to pay the customary price for use of a copyrighted design); *Ringgold*, 126 F.3d at 81 (rejecting fair use defense where defendant did not follow industry custom of clearing background scenery used in television show); *Princeton Univ. Press*, 99 F.3d at 1386–88 (rejecting fair use defense when defendant did not follow industry custom of licensing coursepack materials); *Am. Geophysical Union*, 60 F.3d at 930–31 (rejecting fair use defense when private corporation did not follow industry practice of licensing

2007]

The Questionable Use of Custom in IP

1933

The “customary price” analysis, although ostensibly a factor-one inquiry, more neatly fits into the logic of factor four. When there is a customary price for licensing a copyrighted work, courts often find that failure to pay that price amounts to market harm.¹²¹ The problem with this analysis is that given the clearance culture, licensing is the dominant practice. Accordingly, IP owners can almost always make the case for lost licensing fees as a likely market harm, making the fair use defense meaningless. The fact that licensing may be common should not be used to determine that a use is for profit; under such a “customary price” analysis, even “educational” uses could be viewed by courts as commercial.¹²²

Several scholars and a few courts have criticized the reliance on licensing evidence and have warned of the circularity dangers inherent in considering licensing opportunities as a basis for market harm.¹²³ The circularity concern arises because the existence of a licensing market for a work depends entirely on a court determination of whether a given use is fair or not. If a use is fair, there will be no licensing market, and if a use is not fair, a licensing market

journal articles used by its researchers); *Twentieth Century Fox Film Corp. v. Marvel Enters.*, 155 F. Supp. 2d 1, 47–48 (S.D.N.Y. 2001) (rejecting fair use defense when defendants failed to license footage used in a promotional clip in contravention of the industry practice to license such clips); *Richard Feiner & Co. v. Passport Int’l Prods.*, No. 97-Civ-9144, 1998 WL 437157, at *1 (S.D.N.Y. 1998) (finding defendants’ failure to license film trailers reckless because “defendants are not amateurs in video production” and it is film “industry practice to license trailers for exhibition”); cf. *Triangle Publ’ns v. Knight-Ridder Newspapers*, 626 F.2d 1171, 1176 (5th Cir. 1980) (holding that the use of plaintiff’s copyrighted magazine cover was fair use, in part because the advertising industry routinely follows a practice of using copyrighted works in comparative ads); *Frank Schaffer Publ’ns*, 10 Ent. L. Rep. at 13 (holding that use was fair where no license was sought, in part because the “customary price for the inclusion of [the plaintiff’s posters in the defendant’s show’s set] is gratis”).

¹²¹ See supra note 120.

¹²² 17 U.S.C. § 107(1) (2000) (listing an “educational” use as one that is nonprofit).

¹²³ See, e.g., *Princeton Univ. Press*, 99 F.3d at 1397 (Merritt, J., dissenting); id. at 1400–04, 1407–10 (Ryan, J., dissenting); *Am. Geophysical Union*, 60 F.3d at 929 n.17, 931; id. at 936–39 (Jacobs, J., dissenting); *Hofheinz v. A&E Television Networks*, 146 F. Supp. 2d 442, 449 (S.D.N.Y. 2001); *Hofheinz v. AMC Prods.*, 147 F. Supp. 2d 127, 140–41 (E.D.N.Y. 2001); James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 Yale L.J. 882, 895–98 (2007); Lydia Pallas Loren, *Redefining the Market Failure Approach to Fair Use in an Era of Copyright Permission Systems*, 5 J. Intell. Prop. L. 1, 38–41 (1997); Matthew Africa, *Comment, The Misuse of Licensing Evidence in Fair Use Analysis: New Technologies, New Markets, and the Courts*, 88 Cal. L. Rev. 1145, 1160–62, 1164 (2000); cf. *Comedy III Prods. v. Gary Saderup, Inc.*, 21 P.3d 797, 808 n.10 (Cal. 2001).

will develop. By looking to licensing markets, judges are abdicating their role as independent evaluators of what uses are fair. Moreover, one cannot truly say that a licensing market reflects an optimal market allocation of rights because the market itself is dependent on courts' assessments of what constitutes fair use.¹²⁴

Despite such concerns, courts continue to rely on evidence of licensing practices as a basis for rejecting fair use and other defenses. In *Ringgold v. Black Entertainment Television*, for example, the U.S. Court of Appeals for the Second Circuit rejected a fair use defense when a television sitcom used the plaintiff's artwork in the background of a set without permission.¹²⁵ The court pointed to the custom in the TV and film industries of licensing copyrighted works used as set-dressing.¹²⁶ If not for the consideration of industry clearance practices, Black Entertainment Television ("BET") had a very strong fair use defense—the poster containing the plaintiff's artwork was visible for less than thirty seconds, was never the focal point of any shot, was not referred to in the dialogue, and was lawfully purchased.¹²⁷ The *Ringgold* court concluded, however, that BET had failed to pay the "customary price" for using Ringgold's work by not licensing her art and therefore could not avail itself of the fair use defense.¹²⁸

¹²⁴ See discussion *infra* Section III.A.

¹²⁵ *Ringgold*, 126 F.3d at 81.

¹²⁶ The court cited an amicus brief filed by the Artists Rights Society and the Picasso Administration that listed numerous examples of other shows and films that had licensed artwork in similar circumstances. *Id.* at 81 n.15; see also Brief for the Artists Rights Society, Inc. and the Picasso Administration as Amici Curiae Supporting Respondents at 4, *Ringgold*, 126 F.3d 70 (No. 96-9329). But see *Sandoval v. New Line Cinema Corp.*, 147 F.3d 215, 217–18 (2d Cir. 1998) (rejecting similar claim on the basis that use of copyrighted photographs by artist was *de minimis* without considering the licensing market).

¹²⁷ The district court in *Ringgold* had held the use fair when it did not consider such industry licensing practices. *Ringgold v. Black Entm't Television*, 40 U.S.P.Q.2d 1299 (S.D.N.Y. 1996); see also *Amsinck v. Columbia Pictures Indus.*, 862 F. Supp. 1044 (S.D.N.Y. 1994) (holding unlicensed use of plaintiff's mobile in a film fair even though it was sometimes shown in close-up and appeared on screen for over one and a half minutes); cf. *Sandoval*, 147 F.3d at 215 (holding use of plaintiff's photographs in the motion picture *Seven* noninfringing and *de minimis* because photographs were visible for less than thirty-six seconds and were not the focal point of any shot).

¹²⁸ *Ringgold*, 126 F.3d at 81 (quoting *Harper & Row v. Nation Enters.*, 471 U.S. 539, 562 (1985)) (emphasis omitted).

2007]

The Questionable Use of Custom in IP

1935

Courts have also relied on industry licensing practices to evaluate the legitimacy of photocopying materials for educational and research purposes. In *Princeton University Press v. Michigan Document Services*, the Sixth Circuit, sitting en banc, rejected the fair use defense of a photocopying service that prepared course packets for a university, in large part because the defendant did not follow the industry practice of licensing the copyrighted works used in such packets.¹²⁹ Similarly, in *American Geophysical Union v. Texaco*, the Second Circuit rejected Texaco's fair use defense largely because of noncompliance with industry custom.¹³⁰ The court was substantially persuaded that the copying of journal articles by Texaco's research scientists was unfair because many major corporations got licenses for similar copying. The Court noted that Texaco itself had even paid for such licenses in the past.¹³¹ Again, both courts rejected fair use defenses because nonconformity with industry practices convinced the courts that the uses were commercial and that they caused market harm.

The use of custom as an indicator of market effects and commerciality is not limited to copyright's fair use analysis. Custom also comes into play in right of publicity cases.¹³² In particular, courts consider customary practices when evaluating First Amendment defenses to publicity violations. This is true in part because some courts have looked to copyright's fair use analysis as

¹²⁹ 99 F.3d 1381, 1385–88 (6th Cir. 1996).

¹³⁰ 60 F.3d 913, 930–31 (2d Cir. 1994).

¹³¹ *Id.* at 930.

¹³² I note that the existence of the right of publicity itself is in large part a result of the incorporation of custom. When courts first chose to adopt this quasi-property right, they pointed to the fact that the private sector was already licensing the use of celebrities' names and images, and that courts should help to enforce these industry practices. See, e.g., *Haelan Labs. v. Topps Chewing Gum*, 202 F.2d 866, 868 (2d Cir. 1953) (noting that one justification for the court's creation of a right of publicity was that celebrities, such as athletes and actors, "would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, busses, trains and subways"); see also Michael Madow, *Private Ownership of Public Image: Popular Culture and Publicity Rights*, 81 Cal. L. Rev. 125, 174 (1993) (suggesting that the adoption of a right of publicity by the courts was an effort to "[give] legal form (and protection) to a preexisting commercial practice").

a useful guide for evaluating First Amendment defenses to right of publicity claims.¹³³

Separate from the importation of copyright's fair use analysis, there is also a long-standing precedent in right of publicity cases for considering custom when analyzing First Amendment defenses. The Supreme Court in *Zacchini v. Scripps-Howard Broadcasting*¹³⁴ used language very similar to the "customary price" language from *Harper & Row* to reject a First Amendment defense to a right of publicity violation stemming from the unlicensed broadcast on the nightly news of the plaintiff's human cannonball act. The Court declared that "[n]o social purpose is served by having the defendant get free some aspect of the plaintiff that would have market value and for which he would normally pay."¹³⁵ The references in *Zacchini* to the market value and what is "normally" paid expressly tie the First Amendment defense in right of publicity cases to custom. If an industry "normally" licenses a use, then a defendant will have difficulty establishing a First Amendment defense.¹³⁶ Accordingly, because industry practice is to clear almost all references to proper names and in particular references to public figures, courts will increasingly favor publicity holders when defendants fail to license such uses.

Courts also look at evidence of customary licensing fees to award damages and reasonable royalties in IP cases.¹³⁷ When courts

¹³³ See, e.g., *Comedy III Prods. v. Gary Saderup, Inc.*, 21 P.3d 797, 807–08 (Cal. 2001); see also Restatement (Third) of Unfair Competition § 47 cmt. d (1993).

¹³⁴ 433 U.S. 562 (1977).

¹³⁵ *Id.* at 576 (quoting Harry Kalven, Jr., *Privacy in Tort Law—Were Warren & Brandeis Wrong?*, 31 *Law & Contemp. Probs.* 326, 331 (1966)) (emphasis added).

¹³⁶ See, e.g., *Doe v. TCI Cablevision*, 110 S.W.3d 363, 372 (Mo. 2003) (quoting "market value" language from *Zacchini* in analysis rejecting First Amendment defense to use of athlete's name in comic book series); *Comedy III Prods.*, 21 P.3d at 805 (quoting "market value" and "normally pay" language in discussion of why First Amendment did not protect use of celebrity images on t-shirts); *ETW Corp. v. Jireh Publ'g*, 332 F.3d 915, 955–56 (6th Cir. 2003) (Clay, J., dissenting) (quoting "market value" and "normally pay" language twice in his argument that the First Amendment should not have protected the unauthorized use of Tiger Woods's image).

¹³⁷ See, e.g., 17 U.S.C. § 104A(d)(3) (2000); *Wall Data Inc. v. L.A. County Sheriff's Dep't*, 447 F.3d 769, 786 (9th Cir. 2006) (affirming jury instructions that asked jury to consider past licensing fees in calculating damages); *Davis v. Gap, Inc.*, 246 F.3d 152, 164–72 (2d Cir. 2001) (allowing calculation of damages based on licensing market for similar works); *Victor G. Reiling Assocs. v. Fisher-Price, Inc.*, 406 F. Supp. 2d 175, 203 (D. Conn. 2005) (allowing industry licensing practices to form a possible basis of rea-

2007]

The Questionable Use of Custom in IP

1937

consider what a fair market value would have been for the use of a plaintiff's identity, trademark, copyrighted work, or patent, they usually consider customary rates in the industry.¹³⁸ If there is a strong licensing market, then a plaintiff will get a larger damages award.¹³⁹ Thus, risk-averse behavior by potential defendants at the front end has a multiplying effect on the back end when a defendant loses at trial. Courts generally do not consider whether a defendant might have removed the reference or use rather than licensing it at the market rate. Moreover, as I discuss in more detail in Part III, custom is not a good indicator of how a market should best allocate IP rights and therefore should not generally be used to determine the size of a judgment.¹⁴⁰

B. Custom as a Proxy for What Should Be Done

Courts have also looked at customary practices to make value judgments about a defendant's behavior. One way of understanding copyright's and trademark's fair use defenses is as a normative evaluation of whether a defendant's actions were "fair" in the colloquial sense.¹⁴¹ Failing to conform with industry practices is generally viewed by courts as "unfair." Courts have also looked at non-

sonable royalty recovery in misappropriation case); *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (setting forth widely adopted factors, including licensing fees on patent, used to calculate reasonable royalty); 7 Donald S. Chisum, *Chisum on Patents* § 20.03(2) (2007) ("A patent owner may recover as a measure of damages the royalty rate established by prior actual licenses for acts comparable to those engaged in by the infringer without authority.").

¹³⁸ See, e.g., *Doe v. McFarlane*, 207 S.W.3d 52, 74 (Mo. Ct. App. 2006); Lemley & Shapiro, *supra* note 44, at 2017–25; see also *supra* note 137.

¹³⁹ See, e.g., *McFarlane*, 207 S.W.3d at 69–70 (allowing testimony regarding licensing by well-known athletes in order to calculate both damages and reasonable royalties in a right of publicity case); see also *supra* note 137.

¹⁴⁰ See discussion *infra* Section III.A.

¹⁴¹ There are two fair use defenses in trademark law: a statutory defense and a common law defense. These defenses allow descriptive uses of others' trademarks, as well as references to others' trademarks in situations where a defendant needs to reference the trademark, does not use more of the mark than is necessary, and does not suggest sponsorship or affiliation. 15 U.S.C. § 1115(b)(4) (2000); *New Kids on the Block v. News Am. Publ'g*, 971 F.2d 302, 308 (9th Cir. 1992). I note that the Trademark Dilution Revision Act of 2006 explicitly refers to the common law doctrine of nominative fair use but does not define its scope or make clear whether it applies to infringement actions. See Pub. L. No. 109-312, 120 Stat. 1730 (2006) (codified as amended in various sections of 15 U.S.C., but primarily in 15 U.S.C. § 1125(c)).

conformity with industry custom as a basis to reject First Amendment defenses on normative grounds. Because courts view nonconforming uses as “unethical,” courts have concluded that defendants do not deserve First Amendment protection.

In *Roy Export Co. Establishment of Vaduz v. CBS, Inc.*, for example, both the district court and the Second Circuit held that failing to license film clips when it was industry custom to do so was unethical and a basis for rejecting both fair use and First Amendment defenses to copyright infringement.¹⁴² In *Roy Export*, CBS aired a retrospective on the great film actor and director Charlie Chaplin soon after his death. CBS incorporated footage from both Chaplin’s copyrighted and uncopyrighted films in its broadcast without licensing the footage. Roy Export held the copyrights to some of Chaplin’s films. CBS previously had asked Roy Export for licenses to use the film clips in a future obituary, but Roy Export rejected the request. A jury awarded more than \$700,000 in damages to the plaintiff for copyright infringement.¹⁴³

After a series of post-trial motions, the district court in *Roy Export* upheld the jury verdict and rejected a fair use defense. The district court found highly persuasive the fact that “CBS’ conduct violated not only its own guidelines but also *industry standards of ethical behavior*.”¹⁴⁴ The district court pointed to the industry’s licensing practices as evidence of harm to the potential market for the plaintiffs’ copyrighted works and of “*bad faith*.”¹⁴⁵ Although the issue of fair use was not raised on appeal, the Second Circuit, in affirming the district court decision, pointed to CBS’s violation of its in-house guidelines and industry licensing practices as evidence of “commercial *immorality*” and a basis for rejecting its First Amendment defense against the unfair competition and copyright infringement claims.¹⁴⁶

The holding in *Roy Export* is not an isolated instance of courts treating failure to conform to custom as unethical and as a basis for rejecting fair use and First Amendment defenses. The Supreme

¹⁴² 672 F.2d 1095, 1100, 1105 (2d Cir. 1982); 503 F. Supp. 1137, 1146–47 (S.D.N.Y. 1980).

¹⁴³ *Id.* at 1098.

¹⁴⁴ *Roy Exp.*, 503 F. Supp. at 1146–47 (emphasis added).

¹⁴⁵ *Id.* at 1146–47 (emphasis added).

¹⁴⁶ *Roy Exp.*, 672 F.2d at 1105 (emphasis added).

2007]

The Questionable Use of Custom in IP

1939

Court in *Harper & Row* cited *Roy Export* when it set forth its “customary price” standard,¹⁴⁷ suggesting that the customary price analysis is more an evaluation of what is “fair” in a colloquial sense than what is “fair” in a legal sense. The customary price language is more of a normative concept than an economic one; it suggests that if you are not paying what everyone else is to use an IP work, then your behavior is unethical and undeserving of protection from findings of infringement.

Courts have similarly rejected fair use defenses when defendants do not adhere to their own in-house guidelines. In *Roy Export*, the district court noted that CBS had a general policy of clearing clips that it used in its broadcasts.¹⁴⁸ The court therefore concluded that CBS’s failure to clear the clips from Chaplin’s films before airing them in a television retrospective of Chaplin that aired the day after his death was presumptively unfair.¹⁴⁹ Similarly, in *American Geophysical Union*, the court noted that Texaco had a policy of licensing material that it copied, and that its failure to conform with its own in-house guidelines weighed against a fair use defense.¹⁵⁰

Not only are findings of infringement more likely and defenses more likely to be rejected, but damages are often multiplied if a defendant is found to have *willfully or recklessly* infringed another’s IP rights. Findings of willfulness or recklessness are often made when a defendant has not followed the customary practices of a particular industry,¹⁵¹ has sought and been denied a license,¹⁵² or has exceeded the procedures set forth in internal policies.¹⁵³ Even when

¹⁴⁷ *Harper & Row*, 471 U.S. at 562.

¹⁴⁸ *Roy Exp.*, 503 F. Supp. at 1146.

¹⁴⁹ *Id.* at 1147. The court so concluded even though CBS had asked numerous times for permission and been denied a license to use the clips. *Id.* at 1146.

¹⁵⁰ 60 F.3d 913, 930–31 (2d Cir. 1994); see also *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1365–66 (Ct. Cl. 1973) (Cowen, J., dissenting) (contending that libraries’ photocopying should have been held unfair because the libraries failed to conform to their in-house guidelines).

¹⁵¹ See, e.g., *Richard Feiner & Co. v. Passport Int’l Prod.*, No. 97-Civ-9144, 1998 WL 437157, at *1 (S.D.N.Y. 1998) (finding that defendant had acted willfully and recklessly in copyright case because clips from film trailers had not been licensed, in contravention of industry custom).

¹⁵² See, e.g., *Univ. of Ga. Athletic Ass’n v. Laite*, 756 F.2d 1535, 1545 (11th Cir. 1985) (finding intent to infringe trademark because defendant asked for and was denied license).

¹⁵³ See, e.g., *Am. Geophysical Union*, 60 F.3d at 930–31; *Roy Exp.*, 503 F.2d at 1105.

a defendant can establish that an IP owner would not have licensed the work at any fee, courts have viewed a showing of nonconformity with custom as a basis to find bad faith¹⁵⁴—a finding that generates higher statutory damages, punitive damages, and possible criminal liability. Conformity with custom, by contrast, often provides a basis for a finding of good faith even if infringement is ultimately found.¹⁵⁵

The downside of using custom to determine what is “fair” is perhaps most clear in the context of the Classroom Guidelines. Even though these guidelines are not legally binding¹⁵⁶ and were intended to state a *minimum* floor of allowable uses, courts have routinely viewed copying exceeding the Classroom Guidelines as unfair and done in bad faith.¹⁵⁷ In *Basic Books v. Kinko’s Graphics*, Kinko’s infringement was viewed as committed in bad faith partly because Kinko’s in-house handbook noted that its copying practices exceeded the standards of the Guidelines.¹⁵⁸ Interestingly, there are no published cases in which a court has found a use that exceeded the scope of the Guidelines to be fair. The fact that these Guidelines and other trade “agreements” set a standard of “ethical behavior” in the minds of judges leads courts and fact finders to conclude that uses exceeding the standards are not fair, and that the resulting infringements were committed in bad faith.¹⁵⁹ The end re-

¹⁵⁴ See, e.g., *Roy Exp.*, 672 F.2d at 1105.

¹⁵⁵ See, e.g., *Moore v. Big Picture Co.*, 828 F.2d 270, 277 (5th Cir. 1987) (awarding no exemplary damages in right of publicity case where defendant adhered to industry practice).

¹⁵⁶ Agreement on Guidelines for Classroom Copying in Not-for-Profit Educational Institutions with Respect to Books and Periodicals, H.R. Rep. No. 94-1476, at 70–71 (1976), as reprinted in 1976 U.S.C.C.A.N. 5659, 5684 (noting that the Classroom Guidelines are not legally binding and are “not intended to limit the types of copying permitted under the standards of fair use under judicial decision”).

¹⁵⁷ See, e.g., *Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1390–91 (6th Cir. 1996) (rejecting fair use defense in part because preparation of course packets violated Classroom Guidelines); *Am. Geophysical Union*, 60 F.3d at 919 (rejecting a fair use defense when private sector copying exceeded that permitted by Classroom Guidelines); *Marcus v. Rowley*, 695 F.2d 1171, 1178 (9th Cir. 1983) (rejecting fair use defense in part because copying for class materials exceeded guidelines); *Basic Books v. Kinko’s Graphics Corp.*, 758 F. Supp. 1522, 1537 (S.D.N.Y. 1991) (holding preparation of course packets not a fair use in part because it violated the Guidelines’ prohibition on anthologies).

¹⁵⁸ 758 F. Supp. at 1544–45.

¹⁵⁹ A number of additional explanations for the limiting role of guidelines are possible. Courts may prefer the certainty of the Guidelines to less predictable, independ-

sult is that the negotiated guidelines—rather than independent fair use analysis—unnecessarily narrow fair use and control both the de facto and de jure scope of IP rights.

C. Custom as a Proxy for What Is Reasonable

Courts often look to customary practices to evaluate what reasonable uses or behaviors are. Defenses to uses of others' IP are generally rejected when deemed, either explicitly or implicitly, "unreasonable," and courts frequently defer to customary practices to determine whether a use is reasonable.¹⁶⁰ It is not easy to define what constitutes a *reasonable* use of another's IP. A reasonable use is not the same as a just or moral use; instead, like the reasonable person standard in tort law, it asks more generally what is *appropriate* in a given circumstance, not what is optimal or ethical. Because it is difficult to determine when a use of another's IP is reasonable and there is little available guidance, courts often use custom as a shortcut or proxy for such determinations.

Nowhere is this approach more evident than in copyright's fair use doctrine. The traditional common law fair use standard in fact asked courts to evaluate whether a use was "reasonable and customary."¹⁶¹ Although this traditional formulation of fair use asks courts to consider both what is reasonable *and* what is customary, courts have generally conflated the two inquiries so that what is customary *becomes* what is reasonable.

Accordingly, a number of courts have judged uses fair solely on the basis that such uses have customarily been practiced.¹⁶² This ap-

ent, or ad hoc determinations. Courts also may be treating the fair use inquiry as a form of a reasonable use inquiry, in which uses exceeding guidelines are viewed as unreasonable. I discuss this point in the next Section, II.C.

¹⁶⁰ I note that despite this tendency the scope of IP ownership and use rights do not expressly turn on whether uses are reasonable. Nevertheless, for purposes of this discussion, I assume reasonableness is a legitimate consideration and simply inquire whether courts' use of custom as an indicator of reasonableness makes sense.

¹⁶¹ *Shapiro, Bernstein & Co. v. P.F. Collier & Son Co.*, 26 U.S.P.Q. 40, 42 (S.D.N.Y. 1934); see also *Harper & Row v. Nation Enters.*, 471 U.S. 539, 550 (1985) (describing a fair use at common law as "predicated on the author's *implied consent* to '*reasonable and customary*' use when he released his work for public consumption" (emphasis added)); Richard C. De Wolf, *An Outline of Copyright Law* 143 (1925).

¹⁶² See, e.g., *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1353 (Ct. Cl. 1973) (suggesting that "years of accepted practice" can form a basis for establishing a fair use). The British defense of fair abridgement, which predates the American con-

proach appears to turn on courts' conclusions that uses that have long been allowed are reasonable ones.¹⁶³ One primary example of this type of analysis is the courts' general acceptance of the use of copyrighted works without permission in biographical works because such uses are "customary."¹⁶⁴ This example highlights one of the potential problems with using custom as a proxy for reasonableness—the ability to use copyrighted works may shift over time as customary practices shift. In fact, we can already see this happening in the context of biographies. As part of the ever-growing clearance culture, publishers routinely insist on clearing copyrighted works that are used in biographies.¹⁶⁵ If custom provides the only, or even simply the primary, basis for viewing such uses as reasonable, then this shifting custom is likely to result in new rules that prohibit rather than permit the use of others' IP in biographies.¹⁶⁶ Whereas if an independent fair use evaluation were conducted, courts might well conclude that permitting such uses in biographies is reasonable and fair, regardless of whether it is customary.

Another area, besides biographies, in which courts have relied on long-standing practices as a basis for fair use findings is in the

cept of fair use, also historically considered adherence to "custom and usage" as evidence of a fair abridgement. Customs and usages, however, were never conclusive of that inquiry. See, e.g., *Dodsley v. Kinnersley*, (1761) 27 Eng. Rep. 270, 270–71 (Ch.).

¹⁶³ Several scholars also have suggested that long-standing fair uses should be considered when evaluating whether a given use is fair, both because of their historical legacy and also because of a view that these customary practices reflect a normative evaluation of what is "fair" or "reasonable." See, e.g., Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 *Wm. & Mary L. Rev.* 1525, 1628–29 (2004); Gideon Parchomovsky, *Fair Use, Efficiency, and Corrective Justice*, 3 *Legal Theory* 347, 371 (1997); Weinreb, *supra* note 28, at 1152–61; cf. Ann Bartow, *Electrifying Copyright Norms and Making Cyberspace More Like a Book*, 48 *Vill. L. Rev.* 13, 17 (2003) (suggesting that Congress adopt "consumer use norms" as part of copyright law to encourage compliance). As I discuss in Part IV, allowing uses based on customary practices can be as problematic as barring uses on the basis of such practices.

¹⁶⁴ See, e.g., *New Era Publ'ns Int'l v. Carol Publ'g Group*, 904 F.2d 152, 157 (2d Cir. 1990); *Rosemont Enters. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966).

¹⁶⁵ See discussion *supra* Section I.A and note 32.

¹⁶⁶ This discussion raises the question of whether courts use custom to establish fixed rules or whether they instead look to custom more generally at a given moment in time, whatever that custom might be. This is a difficult question to answer given the general lack of awareness about the use of custom in IP cases, as well as the fact that when courts adopt a particular custom they often reinforce the existing practices. See discussion *infra* Part IV.

context of copyright's work-for-hire doctrine. As discussed, many universities expressly allow faculty members to retain copyrights over their lectures, course materials, and scholarly works. Even though most of these university policies do not meet the statutory requirements set forth in Section 201,¹⁶⁷ several courts have relied on the customary "faculty exception" to vest copyright ownership in faculty rather than universities.¹⁶⁸ This conclusion treats the long-standing nature of the exception as an indication of its reasonableness. This approach is particularly troubling because these courts are directly contravening explicit statutory language on the basis of custom.

Courts have also looked to customary practices as indicia of what uses *reasonable* authors would permit of their works. The Supreme Court adopted this view in dicta in *Harper & Row*.¹⁶⁹ Applying this analysis in *Harper & Row*, the Court held that the publication of excerpts from a previously *unpublished* work was unfair and noted that a reasonable author would not customarily agree to allow the dissemination of his work in advance of his own publication.¹⁷⁰

Many courts have picked up the implied consent analysis from *Harper & Row*.¹⁷¹ There are two significant problems, however, with the Court's suggested approach. First, fair use ceases to make

¹⁶⁷ See discussion *supra* Subsection I.B.2.

¹⁶⁸ See, e.g., *Hays v. Sony Corp. of Am.*, 847 F.2d 412, 416–17 (7th Cir. 1988) (describing the "universal assumption and practice" that academic writing belongs to the faculty member and not to the university, and concluding that if forced to decide whether the 1976 Act abolished the teacher exception, the court would hold "that the exception had survived"); *Weinstein v. Univ. of Ill.*, 811 F.2d 1091, 1094 (7th Cir. 1987) (noting the "academic tradition" that professors own their scholarly writing); cf. *Shaul v. Cherry Valley-Springfield Cent. Sch. Dist.*, 363 F.3d 177, 185–86 (2d Cir. 2004) (suggesting that faculty exception after the 1976 revisions may be limited to circumstances in which university has written policy so indicating). But see *Forasté v. Brown Univ.*, 290 F. Supp. 2d 234, 238–39 (D.R.I. 2003) (concluding that teacher exception did not survive 1976 revision); *Pittsburg State Univ. v. Kan. Bd. of Regents*, 122 P.3d 336, 345–47 (Kan. 2005) (same).

¹⁶⁹ 471 U.S. at 550–51.

¹⁷⁰ *Id.* at 553.

¹⁷¹ See, e.g., *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 916 (2d Cir. 1994) (referring to the *Harper & Row* dicta regarding author's implied consent and one traditional understanding of fair use); *Clean Flicks of Colo., LLC v. Soderbergh*, 433 F. Supp. 2d 1236, 1242 (D. Colo. 2006) (invoking *Harper & Row*'s implied consent approach to the "reasonable and customary" use analysis, but finding inapplicable when a use is in a market that is not sought out by the copyright holder).

any sense if it turns on whether an author would consent to the use, since the guiding principle of fair use is to allow uses when there is no consent, implied or otherwise.¹⁷²

Second, and of more relevance to the discussion here, customary practices often indicate decisions by IP owners not to enforce their rights for pragmatic reasons, such as litigation costs, rather than suggest what uses a reasonable owner would consent to. For example, prior to the advent of photocopying technology, publishers generally did not enforce copyright laws against scholars or others who copied material by hand from books and journals. This lack of enforcement was not driven by a view that such copying was reasonable but instead reflected a lack of concern over such copying; once the same type of copying could be done faster and more easily using photocopying technology, publishers stepped in to enforce their rights. My point here is not to take sides about whether such copying is or is not fair, but instead to highlight that whether such uses are customary should not be the primary basis for determining whether the given copying is reasonable or fair. It may be that the change in the ease of copying alters an analysis of what uses are reasonable or appropriate, but one could also conclude that it is the purpose for which the copy is made that matters rather than the method of copying. In other words, one could conclude that single, personal copies for research are reasonable uses regardless of whether done by hand, by photocopier, or by scanner, and regardless of what the common practices are.

D. Custom as Evidence of What Is Generally Done

Sometimes courts look at evidence of custom simply to determine what is generally done in a given industry without using custom for second-order evaluations of what is reasonable, ethical, or optimal. Such evidence may be highly relevant for particular inquiries in IP cases. For example, custom matters in trademark in-

¹⁷² The Supreme Court's recent decision in *Eldred v. Ashcroft*, 537 U.S. 186, 219–20 (2003), confirms this view. *Eldred* establishes that fair use is a built-in free speech guard that furthers First Amendment principles. *Id.* Accordingly, fair use cannot be based solely on authorial consent. Even if an author were likely to reject a particular use, such as the use of clips of Charlie Chaplin in an obituary (as in *Roy Export*) or the use of lyrics in a parody (as in *Acuff-Rose*), fair use should still be available as a defense to copyright infringement.

fringement and false endorsement cases, which turn on consumer confusion. In these instances, what is generally done will influence consumer perceptions of whether the uses of trademarks or celebrity names were sponsored or endorsed by the given trademark holder or personality.

A number of other legal issues in IP law require consideration of industry practices. For example, whether, in copyright cases, something is a *scene à faire* (a stock or commonplace element that is not protectable) is driven in part by customary practices. As the court described in *Twentieth Century Fox Film v. Marvel Enterprises*, whether one can use copyright law to protect characters that are mutant superheroes with special powers turns on the conventions of the superhero genre.¹⁷³ Perhaps unsurprisingly, superheroes with special powers who are also mutants are a dime a dozen in the comic book world and therefore are not protectable. Similarly, in computer software, the doctrine of externalities denies copyright protection to aspects of software that are standard programming features. What is a standard programming feature may be driven in part by the demands of the industry served and by widely accepted programming practices within the computer industry.¹⁷⁴ Accordingly, custom provides some evidence of what those programming conventions are.

E. Custom as Evidence of What Parties Intended

Courts also consider custom in IP cases when determining parties' intentions in explicit and implied contracts, and in the analogous contexts of interpreting terms in patent claims or specific statutory language. In such instances, custom is sometimes applied under the rubric of contract law rather than IP law.¹⁷⁵ These uses of

¹⁷³ 155 F. Supp. 2d 1, 37–38, 42–43 (S.D.N.Y. 2001).

¹⁷⁴ See, e.g., *Dun & Bradstreet Software Servs. v. Grace Consulting*, 307 F.3d 197, 214–15 (3d Cir. 2002); *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 709–10 (2d Cir. 1992).

¹⁷⁵ See, e.g., *May v. Morganelli-Heumann & Assocs.*, 618 F.2d 1363, 1367–68 (9th Cir. 1980) (looking to industry practices in architecture field to alter default rule that employer or commissioning party owns architectural drawings in pre-1976 Copyright Act case); *Jim Henson Prods. v. John T. Brady & Assocs.*, 16 F. Supp. 2d 259, 262, 267–77, 282, 285–86 & n.6, 288–90 (S.D.N.Y. 1997) (relying on advertising industry practices and entertainment attorney conventions to determine that Henson retained copyright in puppets created for use in defendant's commercials). But see *Avedon v.*

1946

Virginia Law Review

[Vol. 93:1899]

custom are the least problematic, as I discuss at greater length in Parts III and IV.

III. CRITIQUE OF THE INCORPORATION OF CUSTOM INTO IP LAW

In Parts I and II, I established that there are numerous customary practices and norms that have a profound influence on both de facto and de jure IP rights. As courts incorporate more and more customary practices into IP decisions, a feedback loop is created in which custom influences the law, the law reinforces the custom, and the custom then becomes further entrenched. While there are good reasons to criticize the de facto and de jure role of custom both as practical and doctrinal matters, I focus my analysis in this Part on a more theoretical critique of the incorporation of custom.

There are three main justifications for incorporating custom into the law that have been asserted in other areas of the law. The first is the view, not without controversy, that a given industry has unique expertise to best determine the rules governing its own transactions. This is often phrased as the development of “optimal” practices or rules.¹⁷⁶ The second main justification for incorporating custom is the fulfillment of parties’ expectations. This justification most clearly applies in the setting of contract law where the body of law is fundamentally about the satisfaction of the intentions of parties who negotiated and agreed to the relevant contract. The third main justification for incorporating custom into the law is that autonomy interests indicate that individuals or industries should establish their own governing rules, as opposed to the state ordering their relations. Accepting for purposes of this discussion that these justifications are generally legitimate, none of them justifies the incorporation of custom into IP law.

Exstein, 141 F. Supp. 278, 279–80 (S.D.N.Y. 1956) (holding that a general rule that copyright in commissioned work rests in the patron absent a specific contrary provision in the governing contract could not be overcome by contradictory trade usage).

¹⁷⁶ As I have noted, see *supra* note 22, looking at whether a legal rule is “optimal” requires an evaluation of what is the best possible outcome or rule given whatever metric of evaluation one is interested in. Law and economics scholars, for example, often evaluate whether a given rule is the most efficient or welfare-maximizing given the competing interests at stake.

2007] *The Questionable Use of Custom in IP* 1947

A. Questionable Optimality of Industry-Driven Solutions

One of the main reasons to consider adopting customary practices and norms into the law is if an assessment is made that an industry or community is likely to establish optimal practices, or at least rules preferable to those that would be independently developed by courts or legislatures.¹⁷⁷ The development of custom in the IP context, however, confirms the concerns of some scholars in other fields that custom will develop in suboptimal ways and ultimately be inferior to court or legislative resolutions.¹⁷⁸

As a preliminary matter, defining what is meant by an optimal allocation of IP rights is a challenging endeavor. A determination of what constitutes the best allocation of IP rights may depend on why one protects IP in the first place—a question for which there is

¹⁷⁷ See Robert D. Cooter, *Decentralized Law for a Complex Economy: The Structural Approach to Adjudicating the New Law Merchant*, 144 U. Pa. L. Rev. 1643, 1655–56, 1682–84, 1690, 1694–96 (1996) (suggesting that when industry-developed norms are likely to be efficient, courts should incorporate them into the law); Epstein, *Confusion*, supra note 2, at 831–32 (supporting the UCC’s incorporation of trade practices into contracts so long as the implied terms do not contradict or undermine explicit language in the relevant contract); Epstein, *The T.J. Hooper*, supra note 1, at 4, 24–25 (contending in the tort context that a given industry is better situated than courts are to determine the optimal safety measures); cf. Kraus, supra note 1, at 409–10 (concluding that although customs are not likely to be optimal, there are reasons to doubt that judge-made laws will be superior).

¹⁷⁸ In the tort context, for example, a number of well-regarded jurists and scholars have rejected the use of custom as a defense in negligence cases and concluded that, without independent legal analysis, industries are likely to develop suboptimal safety precautions. See, e.g., *Tex. & Pac. Ry. v. Behymer*, 189 U.S. 468, 470 (1903) (Holmes, J.) (rejecting custom as a defense in negligence case); *The T.J. Hooper*, 60 F.2d 737, 740 (2d Cir. 1932) (Hand, J.) (same); *Mayhew v. Sullivan Mining Co.*, 76 Me. 100, 112 (1884); Morris, supra note 3, at 1159–60 (arguing against treating conformity with custom as a complete defense in tort cases). The vast majority of courts in tort cases have agreed and rejected conformity with custom as a defense to a negligence action. See Epstein, *The T.J. Hooper*, supra note 1, at 8; Morris, supra note 3, at 1160 n.36.

Several prominent scholars have also challenged the optimality of customary practices and norms in the context of the UCC’s incorporation provisions, as well as more generally. See, e.g., Bernstein, supra note 1, at 715, 736, 738–39, 751–52, 756 (noting that “there is no reason to expect [customs] to be optimal legally enforceable contract provisions or necessarily better provisions than a court could construct using any of a number of interpretive methods” and demonstrating that industries do not view their trade practices as optimal and that they will often change them if given a chance to reflect on what would be the best practices); Eric A. Posner, supra note 1, at 1698 (noting that there is no reason to think that customs will develop in ways that are particularly optimal).

no single answer. There are many different views on the underlying reason(s) for protecting IP, ranging from an incentive-rationale theory to a labor-reward theory to moral rights and personality-based theories.¹⁷⁹ It is not necessary, however, to choose between these competing explanations or rationales in order to come to an understanding of what it means for an IP rule to be optimal.

Whichever justification (or combination of justifications) for protecting IP rights is advanced, any governing IP rule requires consideration of both IP owners' interests in protecting their works and IP users' and the public's interests in accessing and using those works. This is true in part because of the justifications for IP protection in and of themselves, but also because of countervailing free speech and liberty interests. The incentive rationale has a built-in argument for allowing access to and use of works. Under the incentive-rationale theory, copyrightable and patentable works are protected to encourage the production of creative and inventive works more generally. The ultimate justification for the protection is to produce works that the public can enjoy and that other creators and inventors can build upon. If IP ownership rights were absolute, then this constitutionally protected goal would be thwarted. Moreover, the incentive rationale has a built-in ceiling, which eliminates the need for protection once no further incentive to produce exists. Accordingly, fulfilling the goals of the incentive rationale requires consideration of both IP creators and users. Moral and personality-based approaches also require some use of pre-existing works both for creative, artistic purposes and because there must be some recognition that users also have personality-based rights in using others' IP. When the integrity of the underly-

¹⁷⁹ See William Fisher, *Theories of Intellectual Property*, in *New Essays in the Legal and Political Theory of Property* 168, 169–72 (Stephen R. Munzer ed., 2001). For critiques of some of these justifications, see Stephen Breyer, *The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs*, 84 *Harv. L. Rev.* 281, 289–91 (1970) (finding labor-reward and personality-based theories for copyright to be inadequate and advocating the incentive rationale as the primary justification for copyright law); Seana Valentine Shiffrin, *Lockean Arguments for Private Intellectual Property*, in *New Essays in the Legal and Political Theory of Property*, supra, at 138, 141 (arguing that the Lockean labor-reward theory should not apply to IP); Raustiala & Sprigman, supra note 88, at 1717–18 (calling into question the validity of the incentive-rationale theory). Trademark law and the right of publicity have somewhat different justifications for their existence, which I will address shortly. See *infra* 1949.

2007]

The Questionable Use of Custom in IP

1949

ing work is not damaged and the creator's interests are satisfied through attribution, these approaches should generally encourage the use of others' IP. Perhaps a pure labor-reward rationale would exclude all unpermissive uses as a stand-alone theory, but it does not stand alone. It cannot justify all IP laws independently and is unquestionably limited by countervailing free speech, free expression, and liberty interests both within and external to IP laws.

The question of how best to allocate patented and copyrighted works centers on whether a decentralized, industry-governed IP system is likely to adequately incentivize the production and distribution of patents and copyrights and adequately protect authors' and inventors' interests, while at the same time guaranteeing adequate use and access to other authors and inventors, and to the public at large. Trademark protection similarly must consider the protection of businesses' goodwill and the prevention of consumer confusion, as well as the need for both consumers and competitors to refer to others' trademarks. In the context of publicity rights, the law must consider both the need for the public to comment on and refer to public figures and also the rights of those figures to control and profit from the use of their identities. How exactly one would divide up these rights is a matter of much debate, but most people would agree that an optimal allocation of IP rights requires consideration of these sometimes competing interests.¹⁸⁰

Given this model of optimal IP rules, the customary practices that develop in the IP context are not likely to best assess when the right to exclusive protection should yield to permit access and use. First, many of the prevalent customs are not developed with private parties' preferred allocations of rights in mind—much less the optimal societal allocation of rights. Instead, such customs often address more practical concerns, such as avoiding litigation or preserving relationships by avoiding conflict. While these practices may be efficient between the parties themselves, for example when

¹⁸⁰ This is true regardless of whether one thinks an optimal allocation should be the most efficient one or the most just one. Depending on which of these metrics is used, the allocation might differ, but each requires some consideration of both owner and user interests. When efficiency and justice conflict, I would err on the side of a just rather than an efficient allocation, but, as I suggest, this distinction is not crucial for either the proposed framework in Part IV or my critique here of the incorporation of custom.

1950

Virginia Law Review

[Vol. 93:1899]

weighing litigation versus licensing costs, they should not be extrapolated to define IP rights more generally or even in future transactions between the same parties. This is similar to the situation that arises when parties to a contract wish to be bound by gap-filling terms based on custom for efficiency's sake. These gap-filling terms will not bind nonparties and outsiders to these industry practices, and even the parties themselves will be able to opt out of the customary practices in future contracts.

Second, even assuming that industry participants adopt practices with the intent to define IP rights in a way consistent with their private preferences, the inequalities of IP markets and the underrepresentation of the public in the development of customary practices will lead to suboptimal allocations of rights. In fact, one of the main arguments against the incorporation of custom into tort law is that the market cannot adequately protect the interests of third parties or the public at large because neither has a direct role in the production of industry practices. Even plaintiffs who are in a direct relationship with a potential defendant, such as a consumer or an employee, may still lack bargaining power or sufficient market options to exert pressure on potential tortfeasors to develop optimal practices.¹⁸¹

Third, to the extent optimal customs have been identified in other areas of law, they have generally arisen in close-knit communities in which community members have ongoing relationships and in which the same types of transactions are repeatedly conducted. While these conditions are sometimes present in IP transactions, they are not nearly as common as in many other industries.

Finally, in the context of IP, the governing customs are often generated in response to legal regimes rather than on a clean slate. Those who argue that the private sector is superior at allocating rights because it is free to "independently" develop ideal rules overlook the legal shadow in which IP transactions take place. Cus-

¹⁸¹ I note that the disagreement over the optimality of customs with regards to safety measures is not driven entirely by the use of different metrics for evaluating optimality. Both Judge Hand and Professor Epstein agree that the evaluation of optimal safety measures requires a balancing of cost and effectiveness. See *United States v. Carroll Towing Co.*, 159 F.2d 169, 173 (2d Cir. 1947). The difference is simply that Judge Hand concluded that courts are better situated than industries to conduct this balancing.

2007] *The Questionable Use of Custom in IP* 1951

tomary practices are, therefore, unlikely to reflect an ideal private ordering and may not even reflect the intentions of the participants in the IP transactions. Instead, the practices often either reflect the exaggerated impact of single court decisions or represent rational, though suboptimal, reactions to legal uncertainty. Below, I will discuss in more detail each of these reasons to suspect that the customary practices that develop in the realm of IP will be suboptimal.

1. Customs Often Develop to Avoid Litigation or to Preserve Relationships

As discussed in Part I, many of the industry practices that develop in the IP context arise out of an interest in avoiding litigation and, to a lesser extent, an interest in preserving relationships between parties who repeatedly transact with one another. Given the downside of losing and the cost of litigation, paying licensing fees and engaging in other clearance culture practices can be rationally viewed as cost-effective business decisions.¹⁸² Why risk an expensive lawsuit when a reasonable license fee can be paid? Why show a trademark in a television episode when digital technology (for a minor visual effects fee) facilitates its removal or blurring?¹⁸³ There is no question that it is usually easier to ask permission to use another's IP and pay a fee for such a use than to litigate whether you needed permission to use such material in the first place.¹⁸⁴ As the Sixth Circuit has noted, it is simply "cheaper to license than to litigate."¹⁸⁵

The development of more formal customs, such as guidelines, agreements and statements of best practices, is also driven by efforts to avoid conflict and litigation. These guidelines and agreements are not made because of any understanding of legal entitlement or aspirational views of the optimal scope of IP rights. Instead, these customs simply reflect risk assessments by IP players

¹⁸² See discussion *supra* Subsection I.A.1.

¹⁸³ Some of the decisions to remove or obscure trademarks are driven by an interest in promoting a strong market for payments for product placement in films and television rather than by fear of trademark infringement or dilution actions.

¹⁸⁴ I use the term "another's IP" somewhat loosely because the material for which clearance is sought often does not rise to the level of protectable IP, either because it does not meet the standards of patentability, copyrightability, or trademarkability, or because any such protection has expired.

¹⁸⁵ *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792, 802 (6th Cir. 2005).

1952

Virginia Law Review

[Vol. 93:1899]

who have determined that these more formal guidelines or statements are more cost-effective than expensive litigation in an uncertain area of law. When courts look at these practices as a basis for rejecting infringement defenses, they are incorporating customs that were never intended to address the scope of IP rights and which do not reflect either an optimal or even a preferred allocation of such rights.

The danger of allowing risk-averse customs to define the scope of IP rights should be apparent. As discussed, incorporating such behavior greatly expands infringement findings under trademark, copyright, patent, and publicity laws, while narrowing defenses to such infringements. Industry practices establish a highly restrictive IP regime—one in which virtually nothing is free and no use is a fair one.

IP owners and users do not view licensing practices or copying guidelines as optimal nor as an expression of their preferred allocations of rights. Instead, users of IP, even those who routinely license, want the latitude to contest and sometimes litigate when a license is not granted or is prohibitively expensive. Moreover, even IP owners may not want clearance culture practices to establish IP rights because IP owners are often also users of IP. Although many IP owners seek broad IP rights and often unreasonably threaten litigation to expand the scope of their rights, most IP owners want to be able to use others' IP without permission or payment in some circumstances. Accordingly, when IP owners and users license, there is no reason to assume that they want or intend the customary licensing practices to alter the governing legal rules.¹⁸⁶

Not all customs that have developed in the context of IP are driven by litigation avoidance; some have also been motivated by an interest in maintaining harmonious relations and easy access to IP works among repeat players. This is primarily true when the parties are likely to work with one another again over a period of time and may find themselves on either side of the IP owner/IP user divide. These relationship-preserving norms have been identified in other industries by Professor Lisa Bernstein as a basis for

¹⁸⁶ Although it is true that more powerful players, who are most often on the owners' side of transactions, will likely favor customs that promote owners' interests, it is nevertheless also true that almost every IP owner uses others' IP.

2007] *The Questionable Use of Custom in IP* 1953

rejecting the incorporation of custom into contracts.¹⁸⁷ These customs are not developed to be optimal governing rules but instead simply to promote harmony outside of the legal system.¹⁸⁸ Nor is there any reason to conclude that customary practices will produce a fair compromise between the interests of IP owners and users because of the method of their development. Accordingly, there is no reason to conclude that such customs are likely to establish an optimal allocation of IP.

2. *Reactive Customs and Slippery Slopes*

A related reason that custom in the IP context is likely to develop in a suboptimal manner is that the law has a tremendously powerful influence on its development—not just by motivating the adoption of litigation-avoidance practices, but more generally by encouraging a host of practices informed by great awareness of the surrounding IP law. Many IP owners employ attorneys and are knowledgeable about the governing legal regimes; therefore, much of the development of custom in IP has been driven by the law itself. Many scholars who have noted the value of privately generated norms have done so in large part because those norms have developed independently of the law.¹⁸⁹ The heightened awareness of IP law by players in IP industries contrasts with many of these other communities in which custom has developed with little knowledge or awareness of the applicable laws.¹⁹⁰

The influence of law on IP custom can be seen, for example, in the increased licensing of photocopies for both research and classroom use. The development of these practices was primarily a reaction to the filing of a single lawsuit, a resulting settlement, and one subsequent trial court decision that rejected fair use. The settle-

¹⁸⁷ Lisa Bernstein, *Merchant Law in a Merchant Court: Rethinking the Code's Search for Immanent Business Norms*, 144 U. Pa. L. Rev. 1765, 1796–802 (1996).

¹⁸⁸ *Id.* (concluding that parties are likely to make concessions when relationships are harmonious that they would not want to make when the relationships are breached).

¹⁸⁹ See Ellickson, *supra* note 67, at 255–56 (suggesting that close-knit communities, such as the cattle ranchers of Shasta County, are more likely to develop welfare-maximizing rules than outsider judges).

¹⁹⁰ Professor Robert Ellickson's work exploring the practices of Shasta County cattle ranchers, for example, focused on a community that had a much less sophisticated understanding of the governing laws, little interaction with attorneys, and strong norms against resort to the legal system. See Ellickson, *supra* note 67, at 48–51, 60, 62.

1954

Virginia Law Review

[Vol. 93:1899]

ment in the NYU lawsuit,¹⁹¹ involving copying of materials for classroom use, led many universities and copy stores to license material, even though there was no governing case law on the legitimacy or legality of copying works for use as course materials.¹⁹² A New York federal district court, in *Basic Books v. Kinko's*, then incorporated these reactive licensing practices, holding that it was not a fair use to copy articles and other materials for the classroom, in part because of industry clearance practices.¹⁹³ Those clearance practices, however, had only developed following the NYU settlement. After the single trial court decision in *Basic Books*, most holdout universities and private companies started licensing materials.¹⁹⁴ When the remaining holdouts challenged the trial court's holding, appellate courts pointed to the prevalent licensing practices as a basis for rejecting fair use defenses.¹⁹⁵ Thus, the practices that followed in the wake of a single settlement and a single court case further entrenched the custom and also reinforced legal precedents.

Such "reactive" customs do not reflect the bottom-up, optimal private ordering that Adam Smith, with his "invisible hand," or Professors Richard Epstein and Robert Ellickson have promoted. Instead, these customs simply reflect and amplify questionable court decisions.¹⁹⁶ Unfortunately, because courts routinely look to customary practices as determinative of the fair use defense, these single court decisions and settlements have set in stone customary practices without appellate courts fully inquiring into whether the practices establish optimal allocations of IP. Customs developed in such circumstances are not market-driven solutions but instead are

¹⁹¹ *Addison-Wesley Publ'g v. N.Y. Univ.*, No. 82-Civ-8333, 1983 WL 1134, at *2 (S.D.N.Y. 1983).

¹⁹² See Steven J. Melamut, 92 *Law Libr. J.* 157, 182 (2000); Bernard Zidar, *Fair Use and the Code of the Schoolyard: Can Copyshops Compile Coursepacks Consistent with Copyright?*, 46 *Emory L.J.* 1363, 1377 (1997) (citing Kenneth D. Crews, *Copyright, Fair Use, and the Challenge for Universities* 45 (1993)).

¹⁹³ *Basic Books v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1534 (S.D.N.Y. 1991).

¹⁹⁴ See, e.g., *Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1384 (6th Cir. 1996).

¹⁹⁵ See *id.* at 1387–88.

¹⁹⁶ Cf. Omri Ben-Shahar, *The Tentative Case Against Flexibility in Commercial Law*, 66 *U. Chi. L. Rev.* 781, 784 (1999) (commenting on the danger that the UCC's incorporation provision will influence and alter development of customary practices); McAdams, *supra* note 1, at 397–408 (describing interplay between norms and law).

2007] *The Questionable Use of Custom in IP* 1955

reactive behaviors with little value for determining optimal IP rules.

Consideration of custom in the law also prevents the continued evolution of custom by producing a lock-in effect—as discussed, the incorporation of custom further entrenches the same suboptimal customs.¹⁹⁷ Professor James Gibson’s recent work on the use of IP licensing evidence has documented the troubling rights accretion that stems from the courts’ consideration of licensing practices.¹⁹⁸ When courts consider licensing evidence, parties are more likely to license, which makes courts more likely to once again rely on licensing evidence. This “doctrinal feedback”¹⁹⁹ is emblematic of the much larger impact of incorporating customary practices and exacerbates herd behavior.²⁰⁰ At a certain tipping point, it makes more sense for an individual to follow the norm or custom, even if it is suboptimal, than to assert theoretical use rights. IP licensing practices exemplify this behavior. It is always more difficult to swim upstream. As more and more companies and individuals follow the licensing and other litigation-avoidance practices, these customs drive conformity rather than the evolution of better practices.

Moreover, there is a real danger that the incorporation of custom will create significant slippery slopes. If in every instance where a license could be purchased but is not a court concludes that the “customary price” has not been paid, and therefore rejects a fair use, First Amendment, or other defense, then such defenses will cease to exist. Consider the fact that individual songs can now be purchased on iTunes and other services for ninety-nine cents. If this fee is considered the customary price, then are all exchanges of songs without paying this fee unfair? Under the customary price language, the answer is yes—even if a song is exchanged among close friends or family, used as background music for a classroom project, or by a copyright professor making a point. The incorpora-

¹⁹⁷ See Bernstein, *supra* note 187, at 1814–15.

¹⁹⁸ Gibson, *supra* note 123, at 884; see also Loren, *supra* note 123, at 6–7; Africa, *supra* note 123, at 1148–49.

¹⁹⁹ Gibson, *supra* note 123, at 885.

²⁰⁰ Abhijit V. Benerjee, A Simple Model of Herd Behavior, 107 Q.J. Econ. 797, 798 (1992); Sushil Bikhchandani et al., A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascades, 100 J. Pol. Econ. 992, 994 (1992); Eric A. Posner, *supra* note 1, at 1717–18.

1956

Virginia Law Review

[Vol. 93:1899]

tion of custom into the market-effect and customary-pricing analyses is therefore a slippery slope that will ultimately lead to the practical demise of copyright's fair use defense.

3. Market Inequities Skew the Development and Proof of Custom

Some of the scholarly support for preferring custom over congressional and court-made law is driven by concerns over the influence of special interest groups in the drafting and passage of legislation. Epstein, for example, contends that reliance on custom "provides an effective bulwark against [the] bias and corruption" that pervade the legislative system.²⁰¹ This idealized view of customary practices fails to take into account the fact that the same powerful interest groups that influence legislation also control the creation and development of customary practices. The situation is arguably worse than the legislative process because there is no established procedure that assures the open debate and public commentary guaranteed in the context of pending legislation.²⁰² Customary IP practices and norms demonstrate the substantial influence of special interests in the development of customary practices.

The development of custom in IP takes place in highly asymmetrical markets and is generally driven by the most powerful IP owners. When parties do not have equal bargaining power and are not in reciprocal positions, suboptimal practices and norms are likely to develop. As Professor Eric Posner has observed in his critique of the reliance on norms as a source for legal rules, "once one abandons the unrealistic assumption that parties have symmetrical positions, traditional theories of the efficiency of norms lose their power."²⁰³ He suggests that "highly unequal endowments of group members may be evidence of inefficient norms. The more powerful members may prefer and enforce norms that redistribute wealth to

²⁰¹ Epstein, *INS*, supra note 1, at 86 (1992); see also Jessica Litman, Copyright Legislation and Technological Change, 68 *Or. L. Rev.* 275, 312 & n.206 (1989) (describing the lack of representation of the public during copyright revision debates).

²⁰² Cf. Zaring, supra note 81, at 345–47 (criticizing administrative agencies' reliance on industry statements of best practices in the absence of a public rulemaking and comment process).

²⁰³ Eric A. Posner, supra note 1, at 1709.

them, even when those norms are inefficient.”²⁰⁴ Professor Lloyd Weinreb, in his response to Epstein’s advocacy of the use of custom in unfair competition cases, expressed a similar concern that the result of reliance on custom will be that “the better financed private interest” will prevail, rather than the development of a “careful, systematic” rule that “will serve the community as a whole.”²⁰⁵ Weinreb’s intuition has been borne out by both the development and incorporation of custom in IP law.

The most powerful IP owners have the greatest influence on both the creation and establishment of IP customs. The end result of this inequitable evolution is that smaller players in the IP markets and the public at large are inadequately represented by the emerging customs. The customary practices therefore tend to expand property holders’ rights and limit the use and access of IP by others. Although Epstein has hypothesized that no customs will develop when parties are in nonreciprocal, unequal circumstances,²⁰⁶ the development of customs in the IP context convincingly demonstrates otherwise. Customs *do* develop under such circumstances, but they are likely to be suboptimal customs as a result of their asymmetrical development.

Many of the practices and norms that I discussed in Part I demonstrate this skewed development. Both the Gentleman’s Agreement and the Classroom Guidelines were negotiated and drafted primarily by publishers and therefore unsurprisingly forwarded the agenda of publishing companies with little concern or representation of the interests of scholars, educators, students, or research institutions. The Gentleman’s Agreement was negotiated by representatives of a handful of nonresearch libraries and a single publishing trade group. The library representatives who were present had strong ties to New York publishing houses and seemed more concerned with protecting themselves from liability than in furthering the cause of research and scholarship. Even if the library

²⁰⁴ *Id.* at 1727.

²⁰⁵ Lloyd L. Weinreb, Custom, Law and Public Policy: The INS Case as an Example for Intellectual Property, 78 Va. L. Rev. 141, 146–47 (1992). I note that Weinreb’s criticism of the use of custom in intellectual property cases seems somewhat inconsistent with his position taken elsewhere advocating that fair uses be determined on the basis of long-standing customary practices. See Weinreb, *supra* note 28, at 1138–40.

²⁰⁶ Epstein, *INS*, *supra* note 1, at 123; Epstein, *The T.J. Hooper*, *supra* note 1, at 12–13.

1958

Virginia Law Review

[Vol. 93:1899]

representatives had more actively pursued researchers' goals, they still would have been outmatched. The publishing association came armed with attorneys who drove much of the negotiations, while the library representatives had no legal representation and deferred to the views of the publishing house lawyers.²⁰⁷ Similarly, the Classroom Guidelines were negotiated with little participation by educators and no participation by students, and were adopted over the opposition of major universities and scholarly organizations, such as the American Association of Law Schools.²⁰⁸

The clearance culture is also driven by big players—both owners and users—for whom licensing fees are much cheaper than the potential litigation down the road. Less well-financed users of IP cannot always afford licensing fees and therefore must rely on fair use and other defenses to infringement. The smaller players in the IP markets are also much more likely to need to use others' IP works than are more powerful IP holders. The most powerful IP holders therefore have little incentive to generate reciprocal customs or to grant licenses at reasonable rates. While there are unquestionably many IP transactions between equally powerful players and a significant number of cases involving custom in which both parties are heavy hitters, the IP industry, overall, is not a place where most players are equally matched. Moreover, the customs developed and litigated by the most powerful IP owners and users then govern what the less powerful IP owners and users can do.

The problem is not only that large IP producers establish custom instead of smaller producers or IP users, but also that the public is rarely represented in the development of the practices, codes, guidelines, or agreements that influence how IP can be used. The public should be entitled to use IP in many circumstances without permission: for example, to refer to trademarked products by name, to sing "Happy Birthday" at a child's birthday party, or to criticize or comment on a public figure. By establishing customs that work for the largest IP owners and users, however, all unlicensed uses of IP in circumstances where licensing is customary become suspect. It is therefore particularly important to consider, as a first-order matter, the impact of IP laws on the public at large

²⁰⁷ Saunders, *supra* note 46, at 165.

²⁰⁸ See discussion *supra* Subsection I.A.2.b & note 61.

and on third parties who may be negatively affected by rules governing the scope of IP rights.²⁰⁹

Another troubling result of the asymmetrical power differentials that lead to the creation of suboptimal rules is that more powerful parties are better able to prove their version of the governing practices. To determine what is the prevailing custom, courts must evaluate testimony of industry experts as to what are the relevant practices. It is not at all clear that it is easier for courts to determine what industry custom is than to conduct an independent analysis of what the law should be.²¹⁰ Proving custom in court is difficult and costly, and better financed parties are likely to have their description of industry practices govern a court's adjudication.²¹¹ Additionally, larger companies are more likely to have written evidence of industry practices in the form of guidelines or in-house policies. Courts are more likely to defer to these written expressions of custom, and accordingly, these written guidelines are likely to be extremely influential, even if they do not accurately describe actual practice.²¹²

4. Many Uses of IP Do Not Involve Parties with Ongoing Relationships

Sociological and legal literature examining the development of customary practices and the emergence of norms suggests that customary practices are most likely to develop in circumstances where there are ongoing relationships and where similar transactions take

²⁰⁹ See discussion *infra* Section III.B & Part IV.

²¹⁰ See generally Carter, *supra* note 6, at 132 (arguing against courts' consideration of custom in IP cases due to the difficulty of jurists accurately determining what the applicable custom is).

²¹¹ Bernstein, *supra* note 1, at 778–80.

²¹² There is an opportunity for strategic behavior in the development of these guidelines and policies—parties can write down what they wish the custom were, rather than what it actually is. The statements of best practices are examples of this strategy, although from the perspective of the smaller players. See discussion *supra* Subsection I.A.2.d; *infra* Sections IV.C–D. A prominent example of such behavior outside the IP context is in international law, where states often try to create an evidentiary record to establish or oppose customary law without regard to what the actual customary practice is. See Mark Janis, *An Introduction to International Law* 54–55 (2003).

1960

Virginia Law Review

[Vol. 93:1899]

place over and over again.²¹³ It is also in this context that customs are more likely to develop in an optimal manner because parties who repeatedly work together are likely to develop particular practices over time to facilitate their transactions. Epstein has concluded that “custom should be followed in those cases in which there are repeat and reciprocal interactions between the same parties, for then their incentives to reach the correct rule are exceedingly powerful.”²¹⁴ Ellickson has similarly concluded that close-knit communities are most likely to develop welfare-maximizing norms.²¹⁵ In criticizing the enforcement of norms in the context of the Internet, Professor Mark Lemley has pointed out that “[i]t is no accident that virtually all of the empirical work on norms has taken place in small, close-knit communities with little change in membership over time.”²¹⁶ As a community becomes larger and more diverse, there is less likely to be a “commonality of interest” and norms are both less likely to develop and more likely to develop without uniform agreement.²¹⁷

Assuming that Epstein, Ellickson, and Lemley are correct about close-knit communities, IP customs are unlikely to be optimal or even preferable rules for allocating IP ownership and use rights because IP transactions often involve interactions in attenuated and unrelated communities. In contrast to many industries analyzed by scholars considering the development of customary practices and norms, many IP transactions do not involve repeat players or individuals who have any relationship with one another. A documentary filmmaker likely has no relationship with the Elvis estate or Disney, and neither Disney nor the Elvis estate are likely to subsequently want to license or use any material created by a documentary filmmaker. Nor does a person sitting at home making a mix tape, CD, or MP3 playlist have a relationship with particular bands or record companies, other than as a generic consumer. Thus, practices developed in the IP context are not as likely to set forth opti-

²¹³ See, e.g., Edna Ullmann-Margalit, *The Emergence of Norms* 85–89 (1977); Bernstein, *supra* note 1, at 714; Ellickson, *supra* note 67, at 177–83; Epstein, *INS*, *supra* note 1, at 101.

²¹⁴ Epstein, *INS*, *supra* note 1, at 126. But see Eric A. Posner, *supra* note 1, at 1698 (questioning the conclusion that close-knit communities develop optimal practices).

²¹⁵ Ellickson, *supra* note 67, at 167, 187, 228, 267, 283.

²¹⁶ Lemley, *supra* note 92, at 1267.

²¹⁷ *Id.* at 1268–69.

2007] *The Questionable Use of Custom in IP* 1961

mal industry-wide standards as those developed in more closely knit communities.

B. Intellectual Property Should Not Be Expectations Driven

Another primary justification for incorporating custom into the law is that custom often reflects parties' expectations. Much of the literature supporting the incorporation of custom into contract law reflects the goal of furthering contracting parties' intentions and expectations. Contract law is itself about facilitating agreements between private parties. To the extent that custom plays a role in those expectations, it makes sense to incorporate custom into contracts as an expression of the contracting parties' understanding.²¹⁸

Even Lisa Bernstein, who is highly critical of the incorporation of custom into contracts, bases her critique on an expectations-based model. She points to the fact that parties would not, absent the explicit UCC provision, expect or want customs to be read into contracts because, based on her empirical work, such customary practices were developed primarily to preserve relationships rather than to apply in "end-game" disputes when both the contract and relationship are breached.²¹⁹ Bernstein contends that courts improperly apply custom by using it in ways other than those intended by the parties who create and follow these practices.

Similarly, in the IP context, parties would not want their customary practices to govern court determinations of rights. For example, Warner Brothers might want to license a Disney clip, not because it thinks it has to, but because the two companies are likely to do many similar exchanges with one another and Warner Brothers will want to maintain goodwill with Disney; however, when Warner Brothers chooses not to license a Disney clip, or any other clip for that matter, it will certainly not want the fact that it gener-

²¹⁸ See, e.g., Epstein, *Confusion*, supra note 2, at 822–29 (suggesting that parties may use custom in contract setting as a common ground of understanding or as an efficient shortcut for needing to negotiate specific contract terms); cf. Epstein, *The T.J. Hooper*, supra note 1, at 7 (suggesting that following custom may provide useful certainty for involved parties).

²¹⁹ Bernstein, supra note 187, at 1796; Bernstein, supra note 1, at 769–70; see also David Charny, *Hypothetical Bargains: The Normative Structure of Contract Interpretation*, 89 Mich. L. Rev. 1815, 1859 (1991).

1962

Virginia Law Review

[Vol. 93:1899]

ally does so when promoting its relationships to govern the legal outcome in a case where it has chosen not to license.

Not only are expectations and parties' preferred choices in the IP context likely to weigh against incorporating custom, but because of the more attenuated nature of the IP markets, there are less likely to be shared expectations between parties in IP disputes. Most IP cases involve parties who have no direct relationship with one another. The IP markets and communities also are so diverse that there is not likely to be a shared sense of what standards apply. The fact that the interests at stake are competing ones, often held by parties who are not in market relationships, makes it unlikely that the parties will have a shared set of expectations.

Even if the customary practices did represent parties' expectations, IP is an area of the law, unlike contracts, where expectations should play little role. Customs may lead to expectations about what will occur but generally do not contain any normative evaluation of what *ought* to or *should* be. Even where norms are involved, one subgroup's or one community's evaluation of what *should* be may not comport with general principles for why we protect IP. Moreover, one community's views may not be in sync with the views of other communities. In contract cases, the lack of normative evaluation usually doesn't matter because courts should generally seek to enforce, as a normative matter, whatever terms the parties agreed to be bound by without regard to society at large.²²⁰ Outside of contract law, however, the incorporation of custom and norms removes the evaluative role of legal analysis, leading to the troubling result that what *is* becomes what *should* be.

In tort law there has been significant scholarly debate about this very issue with regard to the standard for negligence and, in particular, whether the negligence standard should be governed by parties' expectations or by a more objective standard. Judge Richard Posner views tort law not as furthering general public policy objectives, but instead as a mechanism for fulfilling parties' expectations when no formal contract governs a transaction. "[T]he principle function of tort law," he has written from the bench, "[is] to protect customers' reasonable expectations that the firms with

²²⁰ Contract law does have a public policy or unconscionability exception, but it is generally narrowly construed.

2007]

The Questionable Use of Custom in IP

1963

which they deal are complying with the standard of care *customary* in the industry.”²²¹ Epstein similarly contends that customary practices should be the standard of negligence when parties have some connection to one another, even when the relationship is inequitable, such as between employer and employee and retailer and consumer.²²²

I am not alone in disagreeing with Judge Posner and Professor Epstein on this point and in contending that public policy demands something more from tort law than deference to parties’ expectations. Conformity with an industry practice may best reflect parties’ expectations, but as a matter of public policy there is concern that safety precautions will lag if an expectations or custom-based standard is adopted.²²³ The fact that a plaintiff was on notice of a danger should not in and of itself end the inquiry. Tort law, like IP law, is not another form of contract law in which individual parties’ expectations drive the law. Instead, both bodies of law are in service to a higher purpose. Tort liability is not solely about the parties before the court but is also about making society safer, protecting third parties, and deterring bad or dangerous behavior. Moreover, even if an injured plaintiff expected no more than conformity with industry custom, broader public policy objectives provide a strong basis to protect such individuals. Given the bargaining power and knowledge base of potential tort victims, it makes sense to protect consumers from the race to the bottom that may result from deference to industry standards. Instead, tort law should require an objective, external evaluation of what is a reasonable standard of care.

In the context of traditional property rights, scholars have similarly debated whether expectations should drive property rights. Property rights often have been justified on the basis of expecta-

²²¹ *Rodi Yachts v. Nat’l Marine*, 984 F.2d 880, 889 (7th Cir. 1993) (emphasis added) (holding that customary practices determined negligence).

²²² Epstein thinks strict liability should apply when third parties or strangers are injured. Epstein, *The T.J. Hooper*, supra note 1, at 4–5 & n.14. Courts, however, have not followed his suggestions for expanding strict liability.

²²³ See, e.g., *Tex. & Pac. Ry. v. Behymer*, 189 U.S. 468, 470 (1903); *The T.J. Hooper*, 60 F.2d 737, 740 (2d Cir. 1932); *Mayhew v. Sullivan Mining Co.*, 76 Me. 100, 112 (1884); *Morris*, supra note 3.

tions of entitlement to particular property.²²⁴ Professor Carol Rose has emphasized in her writings, however, that even though a party may expect certain property rights, those rights should yield when they are unjust or otherwise not deserving of enforcement.²²⁵ Rose emphasizes that expectations must often be frustrated to manage or protect scarce resources or to promote social justice, tasks that often require limits on property rights.²²⁶

An analysis of IP law supports the views held by scholars critical of relying on expectations-based models for tort and property law, and presents an even more compelling case for not furthering parties' expectations. Neither the expectations of IP owners or risk-averse IP users should govern the scope of IP rights. Patent and copyright protections are provided by constitutional grant and *explicitly require consideration of the public interest separate from the property rights of IP owners*. Copyright and patent laws do not have as their primary purpose promoting authors' rights, but instead promoting the public interest more broadly. The U.S. Constitution expressly states that the "exclusive Right to . . . Writings and Discoveries" is granted for the purpose of "promot[ing] the Progress of Science and useful Arts."²²⁷ Accordingly, courts have often noted that they must "subordinate the copyright [or patent] holder's interest in maximum financial return to the greater public interest in the development of art, science and industry."²²⁸ In the trademark context, trademark protection is primarily driven by a motivation to protect consumers from confusion, and businesses are protected only for the purpose of ultimately promoting the public interest in high quality, easily identifiable goods and services.²²⁹ In fact IP, more so than many other areas of the law, requires consideration of negative externalities worked on third parties.

²²⁴ See, e.g., Jeremy Bentham, Principles of the Civil Code, *in* The Theory of Legislation 111, 137 (Boston, Weeks, Jordan & Co. 1840); Stephen R. Munzer, A Theory of Property 28–31 (2000).

²²⁵ See, e.g., Carol M. Rose, Left Brain, Right Brain and History in the New Law and Economics of Property, 79 Or. L. Rev. 479, 485–86 (2000).

²²⁶ Carol M. Rose, Property and Expropriation: Themes and Variations on American Law, 2000 Utah L. Rev. 1, 19, 22.

²²⁷ U.S. Const. art. I, § 8, cl. 8.

²²⁸ Rosemont Enters. v. Random House, 366 F.2d 303, 307 (2d Cir. 1966).

²²⁹ See Rothman, Initial Interest Confusion, *supra* note 29, at 124–30, 190–91.

2007]

The Questionable Use of Custom in IP

1965

An IP holder might expect, especially given the clearance culture, that no unlicensed uses would be made of her work, yet public policy demands the use of modest amounts of material for commentary, scholarship, or other creative or useful works. If the public or IP owners have a particularly narrow view of the scope of IP rights, these absolute property expectations should not alter the congressional or constitutional judgment about how best to balance IP holders' rights with the public's right to use and access IP. Consider one recent example: The *New York Times* last year hired a major Los Angeles talent agency to represent it in negotiations for licensing its news stories.²³⁰ Many novels, stories, poems, movies, television shows, and even law school exams have been inspired by (or based on) news articles, including some by journalists for the *New York Times*. The facts underlying these news stories are not copyrightable. Nevertheless, screenwriters, studios, and publishers often license such stories as a matter of goodwill and to ensure assistance in locating additional information that might be useful for their projects. The *New York Times*'s expectation that it can extract compensation from Hollywood and others should not, however, alter the scope of copyright law or the general principle that facts are in the public domain. Even if most newspapers, rather than one paper on its own, expect the licensing of their news stories, courts should not treat this expectation as a meaningful basis to alter longstanding copyright laws.

Expectations are driven by customs and therefore lock in existing property regimes, even when they are unjust and even if the party with expectations would prefer an alternative property regime.²³¹ Accordingly, fulfilling expectations cannot justify the incorporation of custom into IP law.

C. Autonomy Interests Weigh Against Incorporation of IP Customs

A third common justification for incorporating custom into the law is that autonomy interests favor private over public ordering. Early justifications for the common law expressed a preference for communities being governed by their own customary laws that had

²³⁰ Lorne Manly, *Times Hires Talent Agency*, N.Y. Times, Aug. 17, 2006, at E2.

²³¹ See, e.g., Rose, *supra* note 225, at 490–91; see also Carol M. Rose, *Canons of Property Talk, or Blackstone's Anxiety*, 108 Yale L.J. 601, 625 (1998).

1966

Virginia Law Review

[Vol. 93:1899]

evolved over a period of time. These laws not only would further parties' expectations of how given behavior would be treated, but also would inject a degree of community self-governance and autonomy in what would otherwise be a suspect rulemaking process handed down from a monarchy. Today, the democratic process allows communities to contribute in a more orderly fashion to the creation of governing laws, and, accordingly, the appeal of the common law has faded. But even in more contemporary legal debates, the issue of whether laws should be driven by the private or the public sphere continues to fuel many discussions.

Contracts represent the height of private ordering, and the associated body of law is primarily developed to promote autonomous private relationships.²³² Similarly, in the area of family law some scholars have pointed to autonomy concerns as a basis for arguing that the state should support and facilitate customary relationships that are formed by individuals, rather than dictating the form that such relationships should take.²³³ For example, some contend that legal recognition should be given to cohabitating, unmarried couples, including same-sex couples, because the government should honor these "customary" relationships and reflect the reality of their relationships.²³⁴

The argument for deference to private ordering makes the most sense in contract law, and some sense in family law, where intimate and private aspects of our lives are expressed, but this deference to private ordering does not make sense in the IP context. IP rights, especially patents and copyrights, are statutory grants of limited property rights in exchange for the public disclosure of works and innovations. Thus, there is essentially a social contract that offers property-like rights over patented inventions and discoveries and copyrighted works in exchange for making those works public and agreeing to their regulation by the state. Although a work is copyrighted upon fixation regardless of whether it is published, infringement actions require demonstration of access to the work. Additionally, to the extent that a party wishes to monetize the copyrighted work it must be made public—something it is assumed

²³² Charny, *supra* note 219, at 1823.

²³³ See Martha Albertson Fineman, *The Autonomy Myth: A Theory of Dependency* 20–22 (2004).

²³⁴ See *id.* at 106–07.

2007] *The Questionable Use of Custom in IP* 1967

that authors and copyright holders will want to do. Similarly, trademarks are about marking and publicizing one's products and services, and the right of publicity is expressly about controlling or profiting from one's identity when made public. The exchange and value of IP therefore derives from its prominent and very public presence.

Accordingly, the autonomy interests that may justify self-ordering in other spheres do not justify deference to custom in IP law. Even if a moral rights or personality rights-based approach to IP were taken (admittedly a basis that has been mostly rejected in IP law in the United States) there is still a bargain worked by the legal protection that requires some relinquishment of autonomy interests when one makes one's IP works public.

IV. TOWARD A THEORY OF CUSTOM FOR IP

Thus far I have discussed reasons why customary IP practices and norms are not likely to be good alternatives for independently developed judicial and legislative rulemaking. There is, however, a big difference between concluding that custom should not be incorporated wholesale as law or legal rules and concluding that evidence of customary practices should *never* be admissible in IP cases. There are inquiries in IP law, and elsewhere, for which customary practices are relevant and not unduly prejudicial.²³⁵ In such instances it is appropriate, and may be necessary, for courts to consider evidence of customary practices and norms. The central task of this Part is to provide a theoretical framework for determining when particular customs are more or less valuable in IP cases. The greater the value of a custom, the more likely it is to be relevant and nonprejudicial.

I present six main vectors along which customs should be situated to determine whether the customs are likely to provide meaningful information. The vectors evaluate the certainty of the custom, the motivation for the custom, the representativeness of the

²³⁵ Relevant evidence is that which has "any tendency to make the existence of any fact that is of consequence to the determination of the action more probable or less probable than it would be without the evidence." Fed. R. Evid. 401. Nevertheless, relevant evidence is not admissible "if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury." Fed. R. Evid. 403.

1968

Virginia Law Review

[Vol. 93:1899]

custom, how the custom is applied (both for what proposition and against whom), and the implications of the custom's adoption. When a custom is certain, was developed by a representative group, and is applied only to stand in for a first-order inquiry, such as what is generally done or what the parties intended, it has the most value. When, however, a custom is uncertain, was developed in an unrepresentative manner for litigation-avoidance reasons, and is applied for a normative or other second-order proposition against an unrepresented party, it holds no value. In this Part, I develop the nuances of this theory in more detail. Although my analysis focuses on issues that arise in IP law, these insights can also shed light on how custom should be evaluated in other areas of the law.

A. Certainty of Custom

The first vector that must be considered when evaluating the merits of a particular custom is whether the custom in question is certain. To have any value, a custom must be identifiable, in terms of what constitutes the practice itself, and the practice must also be widely accepted and followed.

Often different parties will have different views of whether there is a custom and, if there is, what the custom actually is. Lisa Bernstein's surveys of numerous industries have led her to conclude that few industries have customs that a majority of participants can agree on.²³⁶ The IP industries are no exception. For example, while most networks and studios have adopted licensing policies for trademarks, some companies have steadfastly refused to license, blur, or delete any trademarks that appear in programming.²³⁷ Even when it comes to using copyrighted works, the governing custom is sometimes unclear. In *Roy Export*, the case involving film clips used in a tribute to Charlie Chaplin at the time of his death, there were in fact two competing customs at issue.²³⁸ One custom was for networks to license film clips—this was the one the court consid-

²³⁶ Bernstein, *supra* note 1, at 714–15.

²³⁷ See, e.g., *Caterpillar, Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 917 (C.D. Ill. 2003); *Wham-O, Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254, 1257–58 (N.D. Cal. 2003).

²³⁸ *Roy Exp. Co. Establishment of Vaduz v. CBS, Inc.*, 672 F.2d 1095 (2d Cir. 1982); see also discussion *supra* Part II.

2007]

The Questionable Use of Custom in IP

1969

ered. But there was another custom: networks generally did not license clips when they were used in news obituaries and breaking news stories.²³⁹ When there are such competing customs, the custom is less certain and therefore will have substantially less value. When there is disagreement as to the governing practice, evaluators should err on the side of concluding that no custom exists rather than trying to determine which of the competing customs is dominant.²⁴⁰

Several considerations can help ascertain how certain a particular custom is. First, if there is unanimity as to the custom across a diverse set of parties and interests, then the custom is likely to exist and have clearly definable boundaries. Second, customs that are long-standing are more stable and hence more certain because they have weathered the test of time. In contrast, customs of recent vintage are more likely to change or be short-lived reactions to technological changes. Customs need time to reach equilibrium and be adopted by a large number of relevant community members before one can say that a custom is certain.

This examination of whether a custom is long-standing contrasts with the traditional Blackstonian account.²⁴¹ I do not adopt the Blackstonian view that rights should be accorded on the basis that a custom has existed since time immemorial. As I have discussed, the fact that a custom is long-standing does not suggest that it is an optimal legal rule. Instead, the value of a long-standing custom is that such longevity indicates stability and a greater likelihood of ascertainability.

The clearer the custom and the greater the unanimity of participation in and uniformity of the description of that custom, the more likely the custom is to have value. The more obscure a custom and the greater the disagreement about the prevailing practice, the less weight should be given to the custom. (See Table 1.1

²³⁹ Although there was evidence in the case that CBS did clear clips used in some shows and obituaries and had sought a license in the instant case, the general practice in the television industry at the time was not to clear film clips when used in nightly news broadcasts or obituary segments. See Testimony of Robert Eaton, *Roy Exp. Co. Establishment of Vaduz v. CBS, Inc.*, 503 F. Supp. 1137 (S.D.N.Y. 1980) (No. 78-Civ. 2417), *reprinted in* Excerpts of Record at 682–93, 672 F.2d 1095 (2d. Cir. 1981) (Nos. 81-7027, 81-7109).

²⁴⁰ Cf. Lemley, see *supra* note 92, at 1275.

²⁴¹ Blackstone, *supra* note 4, at *76.

1970

Virginia Law Review

[Vol. 93:1899

below.) Consider the following two examples that I will place along the certainty continuum: The faculty exception, which allows faculty to hold the copyrights to their scholarship and classroom materials, is a clear and long-standing custom, almost universally accepted and followed; as such, it has more value along this one vector. The custom in *Roy Export* regarding clearance of film clips in news shows is less certain since there were two conflicting customs. These practices may have some value, but certainly would not be viewed as of high value given the conflicting testimony about the relevant practice. The lowest value should be given to a practice which, though identifiable, has not been adopted or recognized by a majority of relevant community members.

Table 1.1: Certainty Vector

| <i>No Value</i> | | <i>Some Value</i> | | <i>Highest Value</i> |
|-----------------|---|-------------------|---|---|
| Uncertain | → | Competing Customs | → | Clear, Long-Standing Custom Unanimously Recognized |

B. Motivation for Custom

Another crucial vector to analyze when weighing the value of a custom is the motivation for the development of that custom. As discussed in Part III, when customs develop to avoid litigation or to preserve relationships, they do not provide meaningful information relevant to establishing an optimal allocation of rights, nor do parties expect or want such customs to alter existing IP rights.

The discounting of customs motivated by litigation avoidance is not without precedent in IP law, though it is a minority approach primarily appearing in patent law. In patent cases, courts look at industry customs as evidence of whether an invention is patentable or whether an issued patent is valid. Licensing practices can provide evidence that an invention or patent is respected in the industry and therefore nonobvious—one of the key requirements for patentability.²⁴² A number of courts in patent cases, however, have

²⁴² See, e.g., *Eibel Process Co. v. Minn. & Ontario Paper Co.*, 261 U.S. 45, 56 (1923) (holding that the fact that two-thirds of the market had licensed a patent was “weighty evidence” that the patent was valid); *WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1359–60 (Fed. Cir. 1999) (holding that the existence of a licensing mar-

2007]

The Questionable Use of Custom in IP

1971

observed that patents are frequently licensed to avoid hold-up problems, preserve relationships, or simply to avoid costly litigation. These courts have accordingly recognized the limited value of this licensing evidence and restricted consideration of licensing practices to circumstances where there is evidence that the licensing was motivated primarily by an evaluation of a patent's validity.²⁴³

When a custom develops with an aspirational purpose in mind, it has more value. For example, the attribution norms of French chefs and the Creative Commons seek to provide an appropriate balance of protection of intangible assets with access and use of those assets by others. Accordingly, such practices have more value than customs motivated by less normative concerns. This conclusion does not mean that such aspirational norms should be adopted wholesale, but simply makes them more worthy of consideration than those which have developed with nonnormative objectives in mind.

Accordingly, customs motivated by litigation avoidance, relationship preservation, and other nonnormative considerations, such as the clearance culture and the Gentleman's Agreement, generally should be discounted. When customs instead are motivated by independent judgments about preferred or appropriate allocations of IP rights, such aspirational customs should be given the most weight. Intermediate weight should be given to mixed-purpose customs that may be motivated by some normative con-

ket is evidence of nonobviousness); see also 2 Donald S. Chisum, *Chisum on Patents* § 5.05[3] (2006).

²⁴³ See, e.g., *John E. Thropp's Sons Co. v. Seiberling*, 264 U.S. 320, 329–30 (1924) (discounting evidence of licensing when licensing was deemed a reasonable sum to “purchase . . . peace” and “a wise course for the smaller manufacturer”); *EWP Corp. v. Reliance Universal*, 755 F.2d 898, 907–08 (Fed. Cir. 1985) (noting that licensing is often driven by concerns other than validity, such as being “mutually beneficial” or being cheaper than defending an infringement action); *Dotolo v. Quigg*, 12 U.S.P.Q.2d 1032, 1038 (D.D.C. 1989) (limiting consideration of licensing to circumstances in which patentee demonstrated that licensing was prompted by “non-obviousness of his product and not other business reasons, such as the cost of defending an infringement suit”); cf. *Polydoros v. Twentieth Century Fox Film Corp.*, 79 Cal. Rptr. 2d 207, 212 (Ct. App. 1997) (rejecting argument that general clearance of names in film industry could form basis of negligence claim for the appropriation of plaintiff's identity, and noting that “[t]he industry custom of obtaining ‘clearance’ establishes nothing, other than the unfortunate reality that many filmmakers may deem it wise to pay a small sum up front for a written consent to avoid later having to spend a small fortune to defend unmeritorious lawsuits such as this one”).

1972

Virginia Law Review

[Vol. 93:1899]

cerns, such as wanting to compensate creators as a matter of what is just, but also by other less meaningful considerations, such as litigation costs. This middle ground is similar to the evidence of licensing in patent cases, where courts require independent evidence that the custom at issue was motivated by a valuation of the invention, rather than solely by cost-benefit analysis and litigation avoidance. (See Table 1.2 below.)

Table 1.2: Motivation Vector

| <i>No Value</i> | | <i>Some Value</i> | | <i>Highest Value</i> |
|--|---|-------------------|---|------------------------|
| Purely Practical Concern (E.g., litigation avoidance, relationship preservation, etc.) | → | Mixed Purpose | → | Solely Aspirational |

C. Representativeness of Custom

Customs that represent only one party's or one group's interests should be suspect. By contrast, when a custom develops with input and participation of both IP owners and users and large and small players in the IP industries, it is more meaningful. As discussed, because the development of many IP customs is motivated primarily by IP owners' interests (for example, the Gentleman's Agreement and the Classroom Guidelines), such customs do not provide meaningful information on the best allocation of IP rights.

While some scholars have suggested preferring IP users to owners,²⁴⁴ I see no reason to favor one-sided customs regardless of which side is preferred. Practices developed solely by users are likely to be just as bad at balancing IP rights as those developed solely by owners. Although it is true that the downside of an open access regime may be less than that of a closed access regime, both approaches will lead to allocations of IP that are suboptimal.

Consider the Filmmakers' Statement that is supposed to set forth fair use rules for using others' IP works in documentary films.²⁴⁵ There is no reason to think that the Filmmakers' Statement achieves its purported goals of setting forth reasonable uses or even of accurately stating existing practices since it was developed

²⁴⁴ See supra note 163.

²⁴⁵ Filmmakers' Statement, supra note 19, at 1.

2007]

The Questionable Use of Custom in IP

1973

in an unrepresentative fashion. Virtually no IP owners or producers whose works the filmmakers would want to use were involved or consulted during the development of the Statement. Moreover, even within the special interest group of documentary filmmakers, few individual documentary filmmakers were consulted for the Statement. As a result, the best practices statement itself does not accurately represent even the interests of its purported constituency. The Statement limits editorial and content choices far more than what most filmmakers would be willing to concede. For example, the Statement prohibits cutting video footage to the beat of music recorded on location and prevents the designing of projects around copyrighted works, a limitation that would prevent most films and commentary about film, visual works, and other important cultural works. Furthermore, most documentary filmmakers conform with the clearance culture, so the Statement is not even an accurate description of existing practices.

Table 1.3 below sets forth a continuum of representativeness. When only a single interest is represented, the resulting custom is at its nadir of value. As more and more interests are represented, a custom becomes increasingly meaningful. In particular, when both IP owners and users are engaged in the development of custom and are both equally able to further their interests, a more optimal allocation of IP rights is likely. Moreover, when both small and big players in IP are represented, a custom is more valuable.

Licensing practices are a good example of a practice that makes a lot of sense for well-financed, bigger IP users, but makes less sense or may be impracticable for those with shoestring budgets. Thus, even those who are ostensibly on the same side of issues—for example, IP users—sometimes have divergent interests that must be represented. Customs that represent the interests of a variety of IP owners and users of different levels of power and financing are also more likely to best protect the interests of the public at large.

Table 1.3: Representativeness Vector

| <i>No Value</i> | | <i>Some Value</i> | | <i>Highest Value</i> |
|-------------------|---|-------------------|---|-------------------------------------|
| One Interest Only | → | Several Parties | → | All Potential Interests Represented |

1974

Virginia Law Review

[Vol. 93:1899]

*D. Application of Custom**1. Against Whom*

It is impossible to analyze the value of a given custom without considering against whom it is asserted and for what proposition. As discussed, customs are more valuable when they are developed with greater representation from a diverse set of interests. Accordingly, when customs are applied within the group or groups that developed the relevant custom, the custom is more deserving of incorporation. In such circumstances, the customs further expectations between parties who are in direct relationships with one another without generally harming the interests of third parties or the public at large. In contrast, when customs are asserted against those who did not participate in their development, they are the most suspect.

Customary “agreements” in IP law, such as the Classroom Guidelines, the Gentleman’s Agreement, and best practices statements, though not strictly speaking contracts, may rise to the level of quasi-contractual agreements between the parties who negotiated them, but third parties should not be bound by such trade agreements or other understandings of “reasonable uses” when they did not agree to them and their interests were not adequately represented in their development. The Gentleman’s Agreement and Classroom Guidelines should therefore have no force against scholars and libraries that were not represented in their development. Where a party was represented by a trade group of which she is a member (or even if she is not, if her interests were adequately represented), then there should be some value, but not the highest value, given to customs as applied to that individual. (See Table 1.4 below.) For example, a documentary filmmaker represented by the Documentary Association could justifiably be held to a higher standard of compliance with the Documentary Filmmakers’ Statement.

Table 1.4: Application Against *Whom* Vector

| <i>No Value</i> | | <i>Some Value</i> | | <i>Highest Value</i> |
|-----------------|---|----------------------|---|----------------------|
| Out-Group | → | Represented Interest | → | Party/In-Group |

2007] *The Questionable Use of Custom in IP* 1975

2. *For What Proposition*

To evaluate the worth of customs, one must also consider for what proposition the given custom is asserted. When custom is asserted as a purported indicator of market effects or of optimality, in the sense of providing the most efficient market allocation of rights, custom should be disfavored for the reasons discussed in Section III.A. Similarly, if a custom developed without a normative component, then it should not be considered when looking at a normative inquiry, such as what is a fair or reasonable use.

When customs are motivated by aspirational goals, however, they may have some value for determining what is fair or reasonable. Ascertaining “reasonable” uses of another’s IP is a challenging endeavor and what is *normally* done provides a limited amount of nonconclusive evidence of what reasonable uses might be. Norms that favor attribution, for example, have some value when analyzing unconsented uses of another’s IP if such attribution practices are developed by a representative sample of IP owners and users, and therefore reflect some consensus as to what a reasonable or appropriate use is.

When applied for *nonnormative* propositions, customary practices developed for nonnormative reasons may also have some value. For example, in trademark law whether consumers are likely to be confused by a use of another’s IP may be tied up with consumers’ understanding of industry customs. If there is a widespread industry practice of product placement—payment by trademark holders for the inclusion of their products in TV shows and movies—then consumers who see trademarked products in such works will be more likely to think that such products appeared with the trademark holders’ consent (and likely their payment as well). Accordingly, the industry practice may provide some relevant evidence of likely confusion as to sponsorship.²⁴⁶

Custom also may provide relevant information when used to interpret IP contracts, trade agreements, policies and guidelines, and patent claims. In each of these instances, it makes sense to look at custom to assist in accurately understanding trade-specific lan-

²⁴⁶ There still may be a fair use or use protected by the First Amendment in such an instance, but the customary practice is relevant to the initial question of consumer confusion.

1976

Virginia Law Review

[Vol. 93:1899]

guage, in the same way that courts look to custom to interpret contract terms. Again, this furthers parties' expectations without third-party harm and facilitates the optimal allocation of IP rights by aiding parties in best describing their agreements and the scope of their IP. Table 1.5 below sets forth the continuum from no value when customs are used to evaluate efficient allocations of IP or market effects to the highest value when the customs are applied as positive propositions of what is generally done in an industry or what is meant by certain industry-specific terms.

Table 1.5: Application For *What* Proposition Vector

| <i>No Value</i> | | <i>Some Value</i> | | <i>Highest Value</i> |
|--|---|--|---|--|
| To Determine Market Effects or Market Efficiency | → | As Normative Evaluation (no value if nonaspirational custom) | → | As Positive Proposition for What Is Generally Done |

E. Implications of Custom

When evaluating the worth of a particular custom, one must also consider what the end result of using that custom would be. If followed to its logical conclusion, will the custom in question result in a slippery slope, such that no uses will be allowed, or, alternatively, that too many uses will be allowed?²⁴⁷ In either slippery slope scenario, the custom should be dismissed. Consider, for example, two extremes. If it is customary to license everything, then no fair uses remain. Similarly, if it is customary to swap music online, then there will be no remaining rights of IP holders available to restrict the copying of music in digital formats. In either case, such slippery-slope customs should be dismissed out of hand.

Another crucial consideration is what effect adopting such a custom will have on IP rights for creators, inventors, users, and the public at large. Customary practices must be *independently* evaluated to determine whether a particular custom is a good solution to the problem of how to allocate IP rights as an objective matter. In particular, customs should be evaluated to see if they meet the

²⁴⁷ See generally Eugene Volokh, *The Mechanisms of the Slippery Slope*, 116 Harv. L. Rev. 1026 (2003) (examining the characteristics and merits of "slippery slope" arguments in general).

2007] *The Questionable Use of Custom in IP* 1977

goals of distributive justice inherent in IP regimes. There should be an independent consideration of what reasonable people would agree to *if they did not know whether they would be IP owners or users, nor whether they would be powerful or minor players* in the IP markets. This approach to evaluating the allocation of IP rights will help to determine the appropriate balance of competing interests. Requiring some birds-eye evaluation of the customary practices also allows for the practices related to IP works to evolve rather than being locked in by the courts.

Table 1.6 below sets forth a continuum of no-value slippery-slope customs to the highest-value customs that are independently evaluated as the best possible allocation of IP rights, given the interests of both IP owners and users and big and small players.

Table 1.6: Implications of Adopting Custom Vector

| <i>No Value</i> | | <i>Some Value</i> | | <i>Highest Value</i> |
|-----------------|---|--------------------------------|---|--|
| Slippery Slope | → | Third Party Impact Unlikely | → | Best Possible Allocation of Competing Interests |

F. Combining the Vectors

The interplay between these vectors is complex and many customs will fall in different categories of no value, some value or highest value in different vectors.

1978

Virginia Law Review

[Vol. 93:1899]

Table 1.7: Custom Vectors

| | <i>No Value</i> | | <i>Some Value</i> | | <i>Highest Value</i> |
|---------------------------|---|---|---|---|--|
| <i>Certainty</i> | Uncertain | → | Competing Customs | → | Clear, Long-Standing Custom Unanimously Recognized |
| <i>Motivation</i> | Purely Practical Concern (E.g., litigation avoidance, relationship preservation, etc.) | → | Mixed Purpose | → | Solely Aspirational |
| <i>Representativeness</i> | One Interest Only | → | Several Parties | → | All Potential Interests Represented |
| <i>Application: Whom</i> | Out-Group | → | Represented Interest | → | Party/In-group |
| <i>Application: What</i> | To Determine Market Effects or Market Efficiency | → | As Normative Evaluation (no value if nonaspirational custom) | → | As Positive Proposition for What Is Generally Done |
| <i>Implications</i> | Slippery Slope | → | Third Party Impact Unlikely | → | Best Possible Allocation of Competing Interests |

I contend that when any one of these vectors indicates that a custom has no value, the custom should generally be rejected in its entirety. There are, however, two main exceptions to this principle. The first is when the trade practice is developed between parties with a direct relationship and the agreement as to the given practice rises to the level of an explicit, implied, or quasi contract. In such circumstances, the reasons for allowing private ordering are at their peak, as such ordering furthers parties' expectations and generally does not negatively affect third parties. If the relevant custom, however, may result in a slippery slope or if one of the parties appeared to have no opportunity to dissent from the practice, then even under such ostensibly "consensual" circumstances the custom should be viewed with suspicion.

The second exception is when the custom is standing in only for evidence of a positive proposition, such as "this is what is generally done." For example, trademark law's determination of likelihood

2007] *The Questionable Use of Custom in IP* 1979

of confusion, patent law's interpretation of patent claims, and copyright's doctrine of externalities all require consideration of what is generally done in an industry. Nevertheless, if a custom is not certain, it should still be viewed as having no value regardless of the proposition for which it is used.

When all of the vectors indicate that the custom is of the highest value, it is worth giving consideration to the developed practice. Creative Commons Public Licenses (CCPLs) and General Public Licenses (GPLs) are good examples of customs that have all highest value vector points.²⁴⁸ They are certain customs, expressly set forth in relevant literature by their creators and in explicit contract terms in the applicable licenses. They are both developed with aspirational motivations—that is, they seek to provide a preferred allocation of IP rights. They are developed and entered into voluntarily by both IP owners and users, and by parties with different levels of financing and power. When applied to the parties that entered the licenses, there is no reason not to consider these customary practices and norms.

Applying such practices to third parties, however, is problematic. Consider one potential risk of the Creative Commons project: as more and more authors adopt the CCPLs, those who do not may be viewed by courts as having an even more restrictive copyright. It would not be surprising to find courts narrowing their views of what constitutes fair use in light of the availability of CCPLs. For example, if someone does not use a CCPL that allows noncommercial uses, a court may be less likely to allow such noncommercial uses, concluding that customary practices require an author to distribute a work under a CCPL for such uses to be "fair." Although the Creative Commons website and licenses clearly state that the licenses do not alter existing copyright law (in particular the scope of fair dealing or fair use), the success of the project may well have unintended consequences of altering copyright law itself.²⁴⁹ Under

²⁴⁸ See discussion *supra* Subsection I.B.3.

²⁴⁹ The Creative Commons license states, "Nothing in this license is intended to reduce, limit, or restrict any rights arising from fair use, first sale or other limitations on the exclusive rights of the copyright owner under copyright law or other applicable laws." Creative Commons, Legal Code, <http://creativecommons.org/licenses/by-nc-nd/2.5/legalcode> (last visited Nov. 13, 2007). I note that the new version 3.0 license states this somewhat differently: "Fair Dealing Rights. Nothing in this License is intended to reduce, limit, or restrict any uses free from copyright or rights arising from

1980

Virginia Law Review

[Vol. 93:1899]

my approach, this will not happen because these practices and licenses should not be extended beyond the consenting participants to alter analysis in other situations.

For customs that are situated along the “some value” category of the various vectors, or a combination of “some value” and “highest value” ranges depending on the particular vector, judgment calls are more difficult. The more a custom lies in the “highest value” column along multiple vectors, the more valuable it is for evaluating the scope of IP rights in a given instance. The more a custom falls in the gray zone indicating it only has “some value,” the more important it is for any legal conclusions to be supported by clear and convincing alternative bases. Any uncertainty about the value of a custom should weigh *against* consideration of that custom by courts and factfinders. If this approach seems restrictive, it is—but that is because the use of custom is so questionable to begin with in the context of IP.

CONCLUSION

There are a number of important implications that follow from this analysis of the treatment of customs in *de facto* and *de jure* IP law. First, recent efforts to expand the access and use of IP through best practices statements, reliance on custom in fair use analysis, and alternative IP regimes, such as the Creative Commons and open-source software, may unwittingly backfire by reinforcing the incorporation of customs without providing any theoretical framework to justify favoring their open-access practices. By buying into the value of customs in IP, such approaches will likely shore up the influence of the dominant and pervasive customary practices, such as licensing norms and restrictive fair use guidelines.

Second, because my theoretical framework confers greater value on unanimously accepted customary practices, users and owners of IP should be encouraged to publicly dissent from restrictive and suboptimal practices and norms. Such dissent may make it more likely that courts will question if there really is a relevant and ap-

limitations or exceptions that are provided for in connection with the copyright protection under copyright law or other applicable laws.” *Id.*, <http://creativecommons.org/licenses/by-nc-nd/3.0/legalcode> (last visited Nov. 13, 2007).

2007]

The Questionable Use of Custom in IP

1981

plicable custom. Moreover, because the source of motivation for customary practices also matters, participants in the creation and use of IP should be encouraged to state when conformity with a custom is generated by litigation avoidance rather than an expression of a preferred delineation of rights.

Third, if courts begin to recognize their widespread consideration of custom and consider more thoughtfully when custom should—and should *not*—be considered in IP cases, many of the pressures driving the clearance culture will dissipate. As a result, court decisions will better reflect the goals behind protecting IP, as well as the intentions of the parties that have generated these practices and norms.

Finally, IP provides a useful lens to consider how custom should be treated more generally in the law. The analysis of IP reinforces concerns that custom will develop in suboptimal ways, often driven by rent-seeking, powerful participants. Moreover, in areas of the law where it does not make sense to further expectation interests, or where expectations run against treating custom as legally binding, it generally does not make sense to incorporate custom. Additionally, when a body of law, such as IP, is directed toward an interaction with the public more broadly, a preference should be given to public rather than private ordering.

Custom can be a useful device, even in IP, but customary practices and norms need to be put into perspective. It is the rare instance in which custom should drive legal determinations in IP. Nevertheless, customary practices and norms do provide some relevant, nonprejudicial information for IP cases. When a custom is certain, representative, aspirational, and applied against in-group members for a positive proposition, it is at its peak value. When a custom is pragmatic, unrepresentative, uncertain, and likely to foreclose any use without explicit permission or permit all uses of another's IP, it should be dismissed.

The development of a sound theoretical basis for the use of custom is critical to shaping the future of IP. The value of many projects to reclaim public access to IP works may turn on how custom is treated by the courts and, in practice, by the IP industries. The unarticulated incorporation of custom threatens to swallow up IP law and replace it with industry-led IP regimes that give the public and other creators more limited rights to access and use IP than

1982

Virginia Law Review

[Vol. 93:1899]

were envisioned by the Constitution and Congress. If we take seriously the notion that IP is protected in the public interest, then we cannot abdicate the boundaries of IP rights to delineation by privately developed customary practices. Requiring explicit acknowledgement of the consideration of custom and limiting consideration of custom to the narrow circumstances that I have outlined may be the only path back from a world in which legislated and constitutional limits on IP law become irrelevant.