AALS TAPE #54
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. . . defendants, and the fourth thing, of course, would be minimizing transaction costs. Rather than going through the restitution papers to show how all of this plays through let me just sort of give you an almost a summary list form. Among other things this is a way of describing to you how the very vague misappropriation tort might take on a bad fall on _____ I got a sort of seven element test which I think is a minimum elements court should require if there going to use misappropriation cause of action. There's one other element by the way that should might surprise you a little bit more that those other things which are very general everybody sees an all causes of action. Which is the restitution court seem to demand proof that the defendants weeping of the benefit was at plaintiffs expense that is if a plaintiff is not negatively effected in any way or has his rights _____ haven't been violated plaintiff shouldn't have any ability to sue for the benefit that somebody else reaps. OK. alright the first thing that might be mentioned then is the question of voluntary of involuntary action by the defendant it seems to me that if your interested in protecting the defendant from being harmed in the end, you should make sure that the defendant has knowingly copied the intangible. Because if he's unknowingly copied

something and then builds upon it and then it's somehow enjoined or made the pay for it the likelihood is high that the amount of payment or the injunction would work _____ harm. On the other hand if he or she knows that he/she is about to copy something which is owned by someone else and knows that the law will impose a duty of payment for it, then if they proceed anyway they have a very weak argument if they try to claim that they will be harmed at the end for being forced to pay what they new that they were going to be forced to pay when they first made the choice. Second a more minor point might be mentioned that's a prophety. Most of the benefits that we give each other sort of cancel each other out as do the minor harms we do each other usually something significant in an imbalance has to be present before the law bothers looking at it. Therefore one of the things that I tentatively suggest should be part of what a plaintiff should be required to prove in a misappropriation action is that the defendant wouldn't be subject to suit based upon his use of intellectual property created by someone else. Unless the use by that defendant is of a type and amount not likely to be equivalently valuable to the plaintiff over the long run. That's a sort of non_____ prophety requirement. That's a somewhat tentative thing because even though fairness doesn't require that you give a cause of action for reciprocal benefits sometimes its

economically desirable to give both parties in a reciprocal relationship a cause of action that's sort of the lesson of the prisoners dilemma literature. Another element after defendants knowing use and non-reciprocal substantial imbalance might be a requirement that the plaintiff created this thing whatever it was in excess of free drifting duty and with an expectation of payment or control both of which are found within the restitution literature itself. How about avoiding harm the defendant will his knowing use be enough to present a net harm being imposed. Perhaps not, therefore, I also suggest that in order to be sued upon an intangible has to be clearly demarked its borders outlined and its nature of its ownership attached. They may also require a certain amount of limits on remedy. Let me just mention the last two requirements. One has to do with this notion that plaintiffs should only be able to sue when the defendants benefit its at their expense. I would interpret this as basically a requirement in our field that the two parties being actual expected competition. And the last thing, incentives, well the courts in the restitution area are very reluctant to allow volunteers to collect. One place were they will make exceptions are those in which there's a very high public need for the action to be taken. In those cases they allow the actors to sue successfully to prevent people from being

discouraged from doing this very important thing for example in emergencies. This concern with incentives also extends to protecting the market place, but if you allow to many suits by volunteers people won't _____track anymore. How do you unite these various articonomic arguments, well I suggest that the classic way to do so, although it hasn't been articulated in this fashion before, is to insist upon a sort of by poller market failure situation, I call it isometric market failure. If a defendant who uses your stuff knows who you are and could easily have bargained with you for permission, then he faces no market failure, he could very easily have done whatever he's doing, whatever the socially beneficial results of his copying are could have been accomplished and the plaintiff would get a little bit of money which we'll use for incentives. So if the plaintiff would have been in a position to license the stuff the defendant if the defendant had a duty to ask permission well that seems like a pretty good reason for thinking that incentives might be served if we impose a duty. But what about these other thing fear of eroding markets well if the plaintiffs would not be able to obtain payments in a world without intellectual property rights, then there might be a market failure of the classic publics goods type where a persons who would desire intellectual products would be unable to organize themselves in a way to

obtain the optimal production. If you have a case in which the plaintiff unassisted by the law, would be unable to make a satisfactory number of deals in a situation where the defendant if he was restricted from copying, could make market deals. If you have a classic situation where incentives and the protection of markets are both served and there both served in that context by paying attention the pattern of transaction costs imposing an obligation an defendant to pay and giving the corresponding right to the plaintiff. _____ how does all this relate back to the two examples I started with that is Dow Jones on the one hand and misappropriation style trademarks suits for non computing uses and they're fairly straight forward. As far as Dow Jones is concerned you don't have any competition between the two parties. Therefore, the requirement that the defendant use at the expensive plaintiff would not be met and therefore plaintiff would fail under my analysis. What about the non-confusing use of trademarks well an interesting and stimulating argument by Robin Denicola to the contrary in my view there isn't much of an incentive argument or a p_____ function kind of argument depending convincingly made for the no protection against non confusing as trademarks. On this I share Rochelle Dreyfuss' view, that there is very weak arguments to be made for protection in that kind of a content. Well if giving projection doesn't

serve the incentive function then one of the reasons that might progress restitution court to give release just isn't perfect, so I would suggest that those trademark causes of action are very vulnerable under the analysis that I'm proposing. So in conclusion let me just read you my set of minimum constraints that pulls this together and then I'll sit down. A defendant who is violated no independent right should if a court is following this restitution base analysis should not be subject to suit based upon his or her use of an intellectual product created by another unless a) He or she knowingly copies an eligible intangible, b) In a context exhibiting isometrical market failure, c) In competition with plaintiffs actual or expected market, d) and the uses of the type and amount likely to be equivalent in value to the plaintiff over the long run. And I define eligible intangible as follows; e) That it is an item deliberately created or produce by a person or other legal entity an excess of duty and with an expectation of either reward or control, f) it is clearly bounded and marked as owned or it is used in a context were the defendant has the knowledge that proper demarcation would have provided and g) that it is otherwise suitable for trading in a market context where the sellers leverage is provided by a judicially imposed duty. That last island G is of course very very open ended and deliberately

so. I praport to have come up with all minimal elements necessary for a misappropriation cause of action. Nevertheless, even paying attention to the ones I do propose would do much solid proportion of current misappropriation actions whether under that name or under the dilution or trademark name and I think that that would be lovely, because I think current intellectual property laws expanding so fast that a lot of creative and beneficial reactions and uses by the public are in danger of being scrouched or killed. So Questions comments.

Question: Here's one that combines aspects of Dow Jones and Boston Hawkin. The current agitation to try to keep lotteries from using many things like the football pool ...etc its now emerged on a large scale and farely heavy lobby its being made by the sports _____ to get somebody in congress to prevent the lotteries from using their names and _____ about the whole tarnishment notion _____ still this is a rather tough one I think. Something to be said from the standing point of the sports _____etc. lotteries, that's not were we want to be.

Response: Well I have some of the same concern like even in Dow Jones who's clear that one speculates that one of the reasons that Dow Jones was suing was they were afraid of their reputation

being tarnished by being connected by a comodeties futures thing which is very radical and Dow Jones publishes from Wall Street Journal and their supposed to be so conservative and reputable. So that might have been on of the reasons they both sued and were unwilling to license although a hefty fee was offered. and I can understand why sports kean doesn't want to be associated with gambling in any official kind of way. By the way, there's a classic opinion on this _____ its just wonderful NFL v. State of Delaware were Judge Stapleton refused a _____ that the NFL had fought against the delaware lottery. But I guess my basic bottom line feeling about is, that if there is in fact a trade liable going on a statement that you are associated with this "distasteful activity" then you can sue on the basis of trade liable. But to give a property oriented protection is much to broad and goes much further than it needs to. Seems to me that a suitably large disclaimer would do the job. If not then that's a harder value choice to be faced, but my general feeling is face the real problem to be addressed namely tarnishment by creating a narrow cause of action or by using traditional trade liable approaches rather than by allowing the use of misappreciation stuff. Among other things a central concern of mine is free public use of public icons and for better or worse sports teams are public icons and again on this I refer to Rochelle Dreyfuss'

recent piece trademarks and generosity called "Trademarks in the Pepsi Generation." Now can they really stop us in books from saying something like Pepsi generation, if you look in writers digest and similar magazines for the aspiring hobby _____etc. next generation its filled with ads saying don't say you spakle the wall say you used the white gluey foundation stuff, anyway you are not saying this is really funny as those ads are but there trying the expand trademark laws so the even novelist won't use a word without a little R in a circle next to it and the description in the generic function name that kind of thing is what I'm worried about happening in the long run, even though of course today those ads up without much legal basis.

Question: On your general analysis _____etc. I wonder about the obligation to Dow Jones and your answer and parts of the question, _____ etc. in a case were _____ etc.

Response: Let me see if I have an answer for you. The first question your asking is basically why be paternalistic if Dow Jones isn't willing to license doesnt' that necessarily mean that a person on the scene, namely Dow Jones himself, figures that the tarnishment damages are going to be larger than whatever profit comes in.

OK heres a couple of things. First of all the reason for the competition requirement is atleast in part since I have the plaintiff shouldn't be able to stop people from doing other things unless they themselves are adversely affected in some way. If the adverse effect is tarnishment sue on the basis of tarnishment if you can't prove tarnishment you just sort of speculate it might be there and you don't want to be bothered by the possibility that it might happen we could defer to your judgment as you suggest or we could _____. When your talking about a deal between two parties and you have a bilateral monopoly situation anyway perhaps here, when your talking about a deal between two parties if there both talking about a fundiable item, that is not an incredibly large part of either their self perception or their livelihood. Probably you can rely fairly securely on those two parties' accuracy in accessing their own preferences to protect the social good. However, when your dealing with something that is of great importance to either of the parties; the classic example is ones' life or hear ones' reputation, etc. where you place the entitlement will usually determine what the outcome is, you know, you give Dow Jones the entitlement and they say no no no don't bother us we think it might tarnish us, we've got a great business going anyway, who

wants to take a risk on some profit from you when it might hurt us, just leave us alone we're happy with our life were it is, and they refuse sell. Give the entitlement to the other side however, that is give a privilege of use to somebody like the Chicago Board of Trade and you might find the filing dialogue. Chicago Board of Trade says, we're going to use this unless you pay us not to and Dow Jones says, ah well we really prefer you wouldn't but its not really worth a whole lot of money to us because we're really not sure at this tarnishment and it would require taking in monies from our other investments. In those cases income effects determine the outcome, I mean, excuse me, where income effects are strong initial allocations determine final outcome. There's also the problem _____ effect, actually I did a little summary of all that stuff in a little Chicago Review of Goldstein that came out about a month ago that somebody had the citation for, thank you. Anyway what was your second question.

Question. Your initial answer to that was listening .....etc.

Response. Well that's an imperical climate, I'm not sure how to asses it. I actually have a relative who deals with these kinds of things and I really never sat worked out. So I don't really have a good imperical sense of volituity issues or anything else. But I guess my reaction is to explain why I haven't been particularly interested in it. Which it seems to me that the burden should be on somebody like Jones who wants to keep a thing that they have made standard from being used as a standard by the rest of the public and so it would be up to them to convince me that bad results would follow rather then up to the rest of us to prove that good results are going to follow from free use of public icons. Gentlemen I don't know what

I'm not able to understand person asking the question.

Response. For the record, I tried to put an analysis exactly like Ralph's in my Stanford piece and the only thing I couldn't convince the students to stick in

_____nonsense.

Question Cont. .....etc.

Response. By bad draftmenship or whatever, yeah.

Question Cont. .....etc.

Response. Can re_____

Response. Alright let me give my honest reaction to Debbie does Dallas type things OK. And I'll try to be sophisticated. My honest reaction is if the Dallas Cowboy Cheerleaders are making a lot of money and obsessed that their sexy and they create fantasies in people and they other people want to use those fantasies _____ on the Dallas Cheerleaders. We're trying through all of this stuff I've been talking about for all of its phylisophical gigglize is really this notion that if you create something that you profit from because of public use, and can't then decide to put limits on how they use it. That is there's always talk about moral rights of authors but the truth is the thing most needs projection is the moral rights of audiences.

And that includes even the _____ audiences at things like Debbie Does Dallas _____ not withstanding. I'm sorry but you didn't quite finish. You were going to say something else.

Question Cont. ..... etc.

Response. Well let me give a couple of responses. Basically the argument (I'm repeating this from the tape, it says repeat things) you basically say what about labor theory value you create things whether its good will or an object shouldn't you be able to get the benefit from it. You're argument, I guess, is not incentive so much as moral entitlement. Second your saying the first amendment doesn't go very far so let me reply in sort of opposite order. The whole point of the first amendment is to protect against governmental restrictions on speech, however, motivated. There's one set of motivations that's perhaps the worst and the most tiniest, that is the true censorship, but there may also be governmental restrictions on speech motivated by other _____ like that of rewarding creatives. So even if you have a reward motivation that doesn't eliminate the importance of first amendment it just says that you have a motive by the government that's not quite as nasty as

censorship. But its effect by just as bad in terms of limiting public free speech. So I'm not so uncomfortable with my use of the first amendment on general grounds though I realize Doug finally there's a few problems with my approach like how do I argue away the supreme courts recent decision in the gay Olympics case. I mean I can say its wrong all I want, but they are the supreme court and I'm not. Now getting back to more fundamental questions about labor theory of value I could pont and say, oh I've got long piece on Locke that deals with it but thats not going to be published soon so let me just give a very quick response. First of all if you have a right to your labor its essentially at bottom right not to be harmed, I've created effort, this effort is a catch to the thing your taking away my thing and even if I didn't own that thing before hand once I've attached my label to it your also taking my label away. I protest your taking something from me, so I think that the labor claim is parasitic upon a claim that I am entitled not to be harmed. Well if I _____is based on that it seems to me that you can't sir a labor claim when its going to harm other people. And the whole point of my icon analysis is, if you do something that everybody uses and you make it the Pepsi Generation as trademarks begin to replace the Greek panthiam as a source for mediford analogy footnote that's Rochelle's argument

which I like very much. Once that happens and all these things are icons it seems to me restricting the public from using the mode of communication you have taught them creates a new harm on them, and therefore should be impermisible. There's also another problem which is the intellectual property person creator has wanted you to send all this out why should the rest of us should obliged to support a property system with all the expenses and court costs and everything else because he didn't bother or wasn't able to make his own voluntary contracts with various people. You need a good reason for that, and I think the isometric market failure presents that kind of reason. But merely saying I created it, therefore, I should have the property right and it strikes me as begging all the important questions in the middle. I was sort of told not to ask answer anymore.

Question. We'll have one more and then we'll have a business meeting afterward.

Response. Howard Abrahams is pointing at Richard Chused, so that means Richard must speak.

Question.

Response. That's a very hard question. Just to repeat for the tape. Dick asked, what happens if someone who has written a novel refuses to allow it to be sinimitized, should they required to somehow. At pain of losing their movie rights. And I guess my answer is really pragmatic but of course once they give it to you their gonna can it be extended to all my other examples. So let me give it to you before you attack it. It seems to me its gonna be very very difficult in most cases to be sure that someone _____ is not going to license or is not in the future interested in licensing. There is such proof available, like in the Dow Jones Case its very rare. And Dow Jones' reasons for not wanting to license the Chicago Board of Trade with kinds of reasons we say no licensing at all. If you had an obligation on the part of copyright owners to license to movies they be under pressure to license fairly quickly perhaps and therefore to the wrong people. The same you have in other fields over exploitation of initial discovery if you have a rule that rewards use and penalizes non use. So all of that is to say I like the current rules which say that you have rights over your own derivative works and people aren't allowed to make full scale derivative work without your permission; P.S. Exception for Parity and alike. Because it seems to me that the, in a typical case people indeed license unless there's a really good reason

not to. In the cases were they wouldn't like Parity we have fair use and other things which say look when there's a really good reason to suspect that the creator's judgments will not serve the public interest we no longer honor the creator's judgment, therefore, Parity's are allowed even though creators would say no. So I guess I sort of refer back to that 1982 article of mine on the circumstances under which a refusal to license should or shouldn't be respected by a copyright court. Is that a full enough answer?