

# COMMANDEERING COPYRIGHT

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*This Article examines the increasingly common phenomenon of copyright commandeering, which is the use of standardized contracts and other legal devices to reassign, on a massive scale, the entitlements initially assigned by copyright law. Though many commentators have discussed examples of this phenomenon, it is more widespread than existing commentary suggests. Users of copyrighted works as well as copyright owners have attempted to reassign a wide range of copyright entitlements.*

*Yet although previous writers have taken too narrow a view of what qualifies as commandeering, they have simultaneously criticized commandeering with arguments that are too broad. This Article shows where such criticisms overreach and proposes a new response to commandeering that focuses on the practical differences between property rights, such as copyright law provides, and contract rights created through private actions. Courts should refuse to enforce those large-scale copyright entitlement transfers that operate as alterations of property rights to the detriment of individuals who have not consented to the change.*

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## INTRODUCTION

Over the last fifteen years, private parties have sought to reassign the rights that federal law grants to creators and users of copyrighted works in novel and ambitious ways. *ProCD, Inc. v. Zeidenberg*<sup>1</sup> encouraged such ambitions by upholding a standard form software agreement that prohibited the unauthorized copying of uncopyrightable factual material. Since that decision, creators and users alike have pursued diverse strategies for reallocating copyright entitlements to further their own interests. What sets these developments apart from their predecessors in previous decades is the enormous scale on which they occur. No longer is the transfer of copyright entitlements principally the result of individual negotiations or simple litigation. Copyright entitlements are now routinely transferred in the aggregate. And aggregated across large numbers of creators or users, these transfers operate like revisions of the copyright laws, provided that courts enforce them. The extent to which courts should enforce such transfers, however, is open to debate. On the one hand, they might serve to channel assets to those parties who value them most. On the other hand, they might undermine the policies of copyright law or impose net social costs. Either way, these large-scale transfers dramatically change the way that copyrights operate, and recognizing them risks allowing private parties to commandeer copyright law for their own purposes.

The standard form license agreement is a familiar species of large-scale copyright entitlement transfer. In the digital age, users of technology agree almost daily to contracts labeled “Terms of Use” or “End User License Agreement.” Intellectual property licenses have attracted significant academic attention and continue to do so,<sup>2</sup> but with few exceptions the scholarly consensus is that licenses that aug-

1 86 F.3d 1447 (7th Cir. 1996).

2 See, e.g., Symposium, *Intellectual Property and Contract Law for the Information Age: The Impact of Article 2B of the Uniform Commercial Code on the Future of Information and*

ment intellectual property rights are bad for society.<sup>3</sup> Scholars persistently condemn restrictive licenses on grounds of policy and doctrine. Yet courts have not embraced this scholarship. Recently, for example, the Ninth Circuit issued two important decisions ratifying right-holders' use of standardized contracts to eliminate privileges assigned by copyright law to owners of individual copies of copyrighted works.<sup>4</sup> The court could have followed the lead of the district court's thoughtful opinion<sup>5</sup> by distancing itself from precedents that have been criticized for threatening such user privileges as the first sale doctrine.<sup>6</sup> Instead, the Ninth Circuit reaffirmed the significance of those precedents, adopting the now-common approach of ignoring academics' arguments against restrictive licenses.

A very different massive attempt to rearrange copyright entitlements can be found in the Google Books settlement, which was rejected by a United States district court last March.<sup>7</sup> Google attempted to extinguish copyright entitlements held by the authors of an enormous number of books in an intensely negotiated class action settlement, but the court held that approving the settlement proposed by Google would be a misuse of the class action device.<sup>8</sup> The court worried that an opt-out settlement with as sweeping an effect as the one Google proposed would yield a result "incongruous with the purpose of the copyright laws" by giving Google permission, going forward, to duplicate copyrighted works without first obtaining permission from the right-holder.<sup>9</sup> As compared to the Ninth Circuit's software licensors, Google was on the other side of the creator/user divide. Yet Google and those licensors shared the aim of restructuring a significant area of copyright law through private ordering.

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*Commerce*, 87 CALIF. L. REV. 1 (1999); Symposium, *The Licensing of Intellectual Property*, 78 U. CHI. L. REV. 1 (2011).

3 See *infra* Part II.

4 See *MDY Indus., LLC v. Blizzard Entm't, Inc.*, 629 F.3d 928, 938–39 (9th Cir. 2010) (adopting essential step defense); *Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1103–04 (9th Cir. 2010) (using essential step defense and first sale doctrine). But see *UMG Recordings, Inc. v. Augusto*, 628 F.3d 1175, 1180 (9th Cir. 2011) (refusing to extend *Vernor* to musical CDs distributed by mail for promotional purposes).

5 *Vernor v. Autodesk, Inc.*, 555 F. Supp. 2d 1164, 1171–74 (W.D. Wash. 2008), *vacated*, 621 F.3d 1102 (9th Cir. 2010).

6 See, e.g., *Vernor*, 621 F.3d at 1110 (acknowledging criticism of *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993)); *Wall Data Inc. v. L.A. Cnty. Sheriff's Dep't*, 447 F.3d 769, 785 n.9 (9th Cir. 2006) (same).

7 *Authors Guild v. Google, Inc.*, 770 F. Supp. 2d 666, 686 (S.D.N.Y. 2011).

8 See *id.* at 676–77 (characterizing part of the proposed settlement as producing an "arrangement that exceeds what the Court may permit under Rule 23").

9 *Id.* at 682.

As these two dissimilar examples suggest, large-scale copyright entitlement transfers implicate a variety of policy considerations. This Article argues for an overarching, normative principle that can provide consistent and sensible answers to the question—which shows no signs of disappearing—of when courts should enforce such transfers. This principle derives from the near-truism that copyright’s exclusive rights are designed to function as property rights, albeit property rights that are limited by certain privileges granted to users of copyrighted works. Although it is a basic premise of copyright law that creators and users should be able to exchange rights and privileges through *contract*, the result of large-scale exchanges can, in the aggregate, go beyond contractual arrangement and generate a new regime of what are functionally *property* rights, in place of the property rights created by copyright law. Because property rights and contract rights function differently in ways I describe below,<sup>10</sup> I propose that courts refuse to enforce massive copyright entitlement transfers that result in changes to property rights without the consent of the affected parties. These entitlement transfers—constituting what I call copyright commandeering *in the strict sense*—form a smaller set than the set of practices that other commentators have condemned, but a larger set than the set of practices that courts have refused to enforce. By disallowing copyright commandeering in this strict sense and ensuring that copyright’s basic property rights framework remains fixed, courts can combat clear threats to social welfare while also protecting private parties’ settled expectations.

The Article begins in Part I with a tour through the real-world behavior that exemplifies copyright commandeering. The examples I discuss do not cover every possible form of commandeering, but they provide an overview of the variety of private actions that can be analyzed as large-scale transfers of copyright entitlements. Particularly noteworthy is the fact that users as well as creators orchestrate such transfers. In Part II, I turn to three lines of argument that have been advanced by other commentators against forms of commandeering. I show that each line of argument and its associated doctrinal proposal are unconvincing because they carry a reasonable concern too far. Then, in Part III, I present my own case against commandeering, based on several characteristic features of property rights: they persist over long stretches of time, are protected by distinctive remedies, and bind third parties who have had no interaction with the right-holder. By targeting practices that interfere with these features in the copyright context, my property-based approach is able to account for many

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10 See *infra* Part III.

of the concerns that have animated other scholars, but avoids the overreaching that has likely dissuaded courts from policing commandeering more actively. Enforcement of large-scale copyright entitlement transfers can be selective and yet still principled.

## I. MAPPING THE COMMANDEERING LANDSCAPE

At a first cut, copyright commandeering can be divided into *offensive* and *defensive* forms. This division is based not on the presence or absence of aggression, but rather on the position of the party who engages in the commandeering. Offensive commandeering is done by those who hold copyrights and attempt to secure greater legal powers over their copyrighted works than they have under copyright law's initial assignment. Defensive commandeering is done by those who infringe or are in a position to infringe others' copyrights and wish to eliminate or take control of the copyright owners' legal powers under copyright law's initial assignment.

### A. *Offensive Copyright Commandeering*

#### 1. Restricting Fair Use

The fair use doctrine gives users of copyrighted content a defense against infringement when their use satisfies a four-factor balancing test.<sup>11</sup> Successful fair use defenses are most likely when the user is engaged in criticism, reporting, or educational activities,<sup>12</sup> or when the user is transforming the preexisting work to accomplish a new purpose.<sup>13</sup> Some scholars have argued that fair use is needed to

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11 The four fair use factors are recited in the Copyright Act:

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 (2006).

12 *See id.* (identifying as examples of fair use “purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research”).

13 *See, e.g.,* *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994) (“[T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.”); *see also* Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990) (“If . . . the

ensure that copyright's prohibition of certain expressive acts comports with the First Amendment.<sup>14</sup> Others have argued that fair use corrects for market failure when transaction costs or externalities make bargaining difficult.<sup>15</sup> On anyone's rationale, fair use can be thought of as securing a right to use expressive material in the face of copyrights that would otherwise forbid it.<sup>16</sup>

Some copyright owners, however, see some fair use as a threat to their interests. They thus use contractual mechanisms in an attempt to limit use of their copyrighted products—even to the point of prohibiting activities that would be declared fair use under copyright law. For example, although courts have ruled that certain reverse engineering is fair use,<sup>17</sup> total bans on reverse engineering are now boilerplate in software licenses.<sup>18</sup> Some license agreements even tar-

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secondary use adds value to the original . . . this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.”).

14 See, e.g., Robert C. Denicola, *Copyright and Free Speech: Constitutional Limitations on the Protection of Expression*, 67 CALIF. L. REV. 283, 297 (1979) (describing the “capacity of modern fair use doctrine to ease much of the inherent tension between copyright law and the first amendment”); L. Ray Patterson, *Free Speech, Copyright, and Fair Use*, 40 VAND. L. REV. 1, 36 (1987) (“[A] rational fair use doctrine can protect the rights of free speech.”).

15 See, e.g., Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600, 1627–35 (1982) (developing an account of fair use on which the trustworthiness of markets is the principal concern). But cf. Robert P. Merges, *The End of Friction? Property Rights and Contract in the “Newtonian” World of On-Line Commerce*, 12 BERKELEY TECH. L.J. 115, 130–35 (1997) (advocating for a shift in emphasis from prohibitive transaction costs to redistributive values directed toward providing subsidies in the arena of creative expression).

16 Cf. *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1542 n.22 (11th Cir. 1996) (“Although the traditional approach is to view ‘fair use’ as an affirmative defense, this writer, speaking only for himself, is of the opinion that it is better viewed as a right granted by the Copyright Act of 1976.”).

17 See, e.g., *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317, 1325 (Fed. Cir. 2003); *Sony Computer Entm’t, Inc. v. Connectix Corp.*, 203 F.3d 596, 602 (9th Cir. 2000) (citing *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1527–28 (9th Cir. 1992)); *Atari Games Corp. v. Nintendo of Am. Inc.*, 975 F.2d 832, 842–44 (Fed. Cir. 1992); *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 270 (5th Cir. 1988).

18 E.g., *Davidson & Assocs., Inc. v. Internet Gateway*, 334 F. Supp. 2d 1164, 1171 (E.D. Mo. 2004) (“[Y]ou shall not be entitled to . . . reverse engineer, modify, disassemble, or de-compile in whole or in part any Battle.net software.” (quoting the Terms of Use of Blizzard’s gaming website)); MICROSOFT CORP., MICROSOFT SOFTWARE LICENSE TERMS, WINDOWS 7 HOME BASIC § 8, available at [http://download.microsoft.com/Documents/UseTerms/Windows%207\\_Home%20Basic\\_English\\_266c7e01-34d6-4b9a-8d43-6cc2d1d39056.pdf](http://download.microsoft.com/Documents/UseTerms/Windows%207_Home%20Basic_English_266c7e01-34d6-4b9a-8d43-6cc2d1d39056.pdf) (“You may not . . . reverse engineer, decompile or disassemble the software, except and only to the extent that applicable law expressly permits, despite this limitation.”); see also Molly Shaffer Van Houweling, *The New Servi-*

get paradigmatic fair uses such as commentary and criticism. For example, cases have arisen over agreements prohibiting reviews of the copyrighted product<sup>19</sup> or uses that disparage the copyright owner.<sup>20</sup>

## 2. Restricting Use of Uncopyrightable Material

By statute, copyright cannot protect certain content such as ideas, principles, and discoveries.<sup>21</sup> In *Feist Publications, Inc. v. Rural Telephone Service Co.*,<sup>22</sup> the Supreme Court affirmed that this statutory restriction also “prohibit[s] any copyright in facts.”<sup>23</sup> The Court held that a compilation of preexisting facts, arranged in an uncreative way, was ineligible for copyright protection despite the time and expense involved in assembling the information because it did not exhibit even a minimal degree of originality.<sup>24</sup>

More concretely, *Feist* established that an alphabetically arranged white pages telephone directory could not enjoy copyright protection.<sup>25</sup> Such a setback would not stop the creators of telephone directories from trying to protect their creations from unauthorized reproduction, however, and in *ProCD, Inc. v. Zeidenberg*, one such effort succeeded. ProCD had created a computerized database of

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*tudes*, 96 GEO. L.J. 885, 938 (2008) (discussing similar restrictions in Microsoft Vista’s end user license agreement).

19 See, e.g., *People v. Network Assocs., Inc.*, 758 N.Y.S.2d 466, 467 (Sup. Ct. 2003) (describing McAfee antivirus software’s attempt to prohibit publication of users’ unauthorized reviews of the product).

20 See, e.g., *Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191, 203 (3d Cir. 2003) (describing license agreement for copyrighted film trailers that prohibited licensee from displaying the trailers on websites “derogatory to or critical of the entertainment industry or of [Disney]” (alteration in original)); see also Lydia Pallas Loren, *Slaying the Leather-Winged Demons in the Night: Reforming Copyright Owner Contracting with Clickwrap Misuse*, 30 OHIO N.U. L. REV. 495, 497 n.9 (2004) (observing that Microsoft FrontPage 2002’s End User License Agreement prohibits use of “the Software in connection with any site that disparages Microsoft” (citing *CmdrTaco, MS Frontpage Restricts Free Speech II (It’s True!)*, SLASHDOT (Sept. 21, 2001, 11:34 AM), <http://www.slashdot.org/story/01/09/21/1438251/ms-frontpage-restricts-free-speech-ii-its-true>)).

21 See 17 U.S.C. § 102(b) (2006) (“In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.”).

22 499 U.S. 340 (1991).

23 *Id.* at 356 (citing *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 547, 556 (1985)).

24 See *id.* at 363–64. The Court also emphasized that originality is a constitutional requirement. *Id.* at 346.

25 See *id.* at 341–42.

telephone directory information and sold CD-ROM discs that included a version of that database, a ProCD software program, and a shrinkwrap license which prohibited purchasers of the CD-ROM from distributing the telephone directory information to other parties.<sup>26</sup> When Matthew Zeidenberg purchased a copy of ProCD's product and proceeded to make its telephone listings available over the Internet, ProCD sued for copyright infringement and breach of contract.<sup>27</sup> Judge Easterbrook's Seventh Circuit opinion upheld the terms of the shrinkwrap license against challenges based on the Uniform Commercial Code and a theory of copyright preemption.<sup>28</sup> Although the court was willing to assume that ProCD's telephone directory was uncopyrightable,<sup>29</sup> the court nevertheless enforced ProCD's attempts to protect the directory from unauthorized copying.

### 3. Restricting Resale Rights

Section 109 of the copyright statute limits the copyright owner's exclusive right to distribute copies of the copyrighted work<sup>30</sup> in the following respect: owners of particular copies, and persons they authorize, may transfer ownership or possession of that copy without obtaining permission from the copyright owner.<sup>31</sup> This rule, the first sale doctrine, declares that the copyright owner's exclusive distribution right over a particular copy is exhausted as soon as he or she sells it for the first time.<sup>32</sup> Through contract, the copyright owner may of course place restrictions on the first purchaser of a copy, but those restrictions cannot bind the copy's subsequent purchasers who are not in privity with the copyright owner.<sup>33</sup>

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26 *ProCD, Inc. v. Zeidenberg*, 908 F. Supp. 640, 644–45 (W.D. Wis. 1996), *rev'd*, 86 F.3d 1447 (7th Cir. 1996).

27 *See id.* at 643–44. ProCD also alleged violation of the Wisconsin Computer Crimes Act, misappropriation, and unfair competition. *See id.*

28 *See ProCD*, 86 F.3d at 1449.

29 *See id.*

30 *See* 17 U.S.C. § 106(3) (2006) (giving copyright owners the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending”).

31 *Id.* § 109(a). Owners of software copies or sound recordings, however, may not lend those copies for commercial advantage. *Id.* § 109(b)(1)(A).

32 *See, e.g., Quality King Distribs., Inc. v. Lanza Research Int'l, Inc.*, 523 U.S. 135, 152 (1998); *Am. Int'l Pictures, Inc. v. Foreman*, 576 F.2d 661, 664 (5th Cir. 1978). In patent law, the analogous doctrine is known as patent exhaustion. *See, e.g., Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 621 (2008); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 516 (1917).

33 *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).



New technology has made it easier than ever for copyright owners to establish privity with downstream purchasers, and copyright owners have attempted to make the most of this new ability in order to limit secondary markets for their products. Versions of Microsoft Windows contain end user license agreements that severely restrict consumers' ability to transfer their copies of the software: only one transfer of the software copy beyond the first consumer is permitted, and even that requires the first consumer to obtain the second consumer's assent to the license agreement beforehand.<sup>34</sup> Amazon's Kindle terms of service clearly state that purchasers of Kindle e-books are prohibited from selling, renting, or otherwise distributing their purchases to third parties.<sup>35</sup> Even where companies do not attempt to thwart first sale rights of resale through restrictive contracts, they may make resale "impractical" by inextricably tying use of a consumer's purchases to a password-protected personal account.<sup>36</sup> Digital goods frequently require each installer or user's assent to the license terms, and so companies have mechanisms for establishing privity at every stage of consumption.

Meanwhile, websites like eBay and Amazon Marketplace have greatly facilitated secondary markets, and not all copyright owners sell goods that are susceptible to clickwrap or account-based control of downstream distribution. Thus record companies, which have long placed "for promotional use only" stickers on CDs distributed to stir up publicity for new releases, have renewed efforts to prohibit sale of these promotional CDs. UMG Recordings sued an individual for copyright infringement because he tried to sell its promotional CDs on eBay, having previously demanded that eBay take down the allegedly infringing auction.<sup>37</sup> Such litigation seems squarely inconsistent with the first sale doctrine, but copyright owners like UMG have attempted to evade the doctrine by characterizing their dispositions of copy-

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34 See MICROSOFT CORP., *supra* note 18, § 18.a (reciting virtually identical restrictions on the transfer of copies of Microsoft Windows 7); Van Houweling, *supra* note 18, at 940 (explaining the transfer restrictions in Microsoft Vista).

35 See AMAZON.COM, KINDLE USER'S GUIDE, app. B, at 13, available at [http://kindle.s3.amazonaws.com/AppB\\_07072010\\_English.pdf](http://kindle.s3.amazonaws.com/AppB_07072010_English.pdf) ("Unless specifically indicated otherwise, you may not sell, rent, lease, distribute, broadcast, sublicense, or otherwise assign any rights to the Digital Content or any portion of it to any third party . . .").

36 See, e.g., Ina Fried & Evan Hansen, *Apple: Reselling iTunes Songs "Impractical"*, CNET (Sept. 8, 2003, 2:54 PM), [http://news.cnet.com/2100-1027\\_3-5072842.html](http://news.cnet.com/2100-1027_3-5072842.html) (quoting an Apple representative's explanation that reselling iTunes purchases, which would require transfer of account information, would be "impractical, though perhaps within someone's rights").

37 See *UMG Recordings, Inc. v. Augusto*, 558 F. Supp. 2d 1055, 1058 (C.D. Cal. 2008), *aff'd*, 628 F.3d 1175 (9th Cir. 2011).

righted material as mere licenses and not as transfers of ownership.<sup>38</sup> Elizabeth Winston similarly describes the Maryland State Bar Association's efforts to place restrictions on its *Maryland Lawyers Manual*<sup>39</sup>: instead of selling copies of the book, the group seals the copies in shrinkwrap with a contract telling consumers that they, as mere licensees, may not sell, loan, or give away their copies.<sup>40</sup> The first sale doctrine does not apply, these copyright owners argue, without a triggering sale of the copyrighted work.<sup>41</sup>

### B. *Defensive Copyright Commandeering*

#### 1. Controlling Rights to Reproduce and to Distribute

Copyright owners enjoy exclusive rights to reproduce and distribute copies of their copyrighted works.<sup>42</sup> Anyone who performs these actions without the copyright owner's permission or a valid defense commits infringement.<sup>43</sup> Courts have broad authority to issue injunctions in order to stop such infringement.<sup>44</sup>

In the Google Books litigation, Google endeavored to extinguish its infringement liability going forward despite future plans to engage in unauthorized reproduction and distribution of copyrighted books. Google originally scanned these books in order to enable unprecedented searches of their full texts for individual research.<sup>45</sup> When the Authors Guild and various publishers filed infringement lawsuits in 2005, Google defended its project as fair use.<sup>46</sup> Over the next several years of settlement negotiations, however, the Google Books litigation morphed into something very different: a settlement that would not only settle any claims arising out of Google's previous copying for the sake of allowing users to search full texts, but that would also give

38 See *id.* at 1060.

39 MD. STATE BAR ASS'N, *MARYLAND LAWYERS MANUAL* (2011).

40 See Elizabeth I. Winston, *Why Sell What You Can License? Contracting Around Statutory Protection of Intellectual Property*, 14 *GEO. MASON L. REV.* 93, 94 (2006).

41 Cf. *Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1112 (9th Cir. 2010) (accepting this argument).

42 See 17 U.S.C. § 106(1), (3) (2006).

43 See *id.* § 501(a).

44 See *id.* § 502(a). *But cf.* *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388, 394 (2006) (holding that courts may not automatically issue injunctions to remedy patent infringement but rather must consider the appropriateness of injunctive relief using a four-factor test).

45 See, e.g., Eric Schmidt, Editorial, *Books of Revelation*, *WALL ST. J.*, Oct. 18, 2005, at A18 (explaining the search engine intentions at the heart of "Google Print").

46 See Pamela Samuelson, *Google Book Search and the Future of Books in Cyberspace*, 94 *MINN. L. REV.* 1308, 1314–15 (2010).

Google an ongoing right to sell users access to full texts.<sup>47</sup> Google had evidently calculated that this more ambitious settlement was a better deal from its perspective.<sup>48</sup> Copyright owners who are members of the settlement class would have been unable to sue Google for copyright infringement of implicated works,<sup>49</sup> despite the fact that Google intended to continue reproducing and distributing copyrighted works for commercial gain.<sup>50</sup> Those right-holders would have had a right, subject to a number of highly detailed qualifications, to have their works excluded from Google's project.<sup>51</sup> Yet Google's proposal was an opt-out regime, and so the default for out-of-print but in-copyright works was inclusion.<sup>52</sup> For the many class members who owned copyrights in orphan works,<sup>53</sup> the class action would essentially have given Google a unique opportunity to use those works for commercial purposes without fear of copyright infringement liability.<sup>54</sup> In March, the district court rejected the proposed settlement, citing a variety of concerns.<sup>55</sup>

## 2. Controlling Right to Authorize Public Performance

Section 106 gives copyright owners the exclusive rights not just to do but also to authorize six listed actions, including public performance of their works.<sup>56</sup> Attempting to authorize any of the § 106 actions without the copyright owner's permission has itself been classi-

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47 See *Authors Guild v. Google, Inc.*, 770 F. Supp. 2d 666, 671 (S.D.N.Y. 2011); Attachment I to the Amended Settlement Agreement at 9, *Authors Guild*, 770 F. Supp. 2d 666 (No. 05 CV 8136-DC), available at [http://thepublicindex.org/docs/amended\\_settlement/amended\\_settlement.pdf](http://thepublicindex.org/docs/amended_settlement/amended_settlement.pdf).

48 Cf. William B. Rubenstein, *A Transactional Model of Adjudication*, 89 GEO. L.J. 371, 419 (2001) (proposing a transaction-based conception of class actions, according to which defendants broker settlement deals in order to purchase plaintiffs' rights-to-sue so they can resume ordinary business).

49 See Amended Settlement Agreement, *supra* note 47, §§ 10.1(f), 10.2(a).

50 See generally *id.* § 4 (outlining the economic terms for Google's use of books).

51 See *id.* § 3.5.

52 See *Author's Guild*, 770 F. Supp. 2d at 680.

53 See Pamela Samuelson, *Legally Speaking: The Dead Souls of the Google Book Search Settlement*, COMM. ACM, July 2009, at 28, 28 ("An estimated 70% of the books in the Book Search repository are in-copyright, but out of print. Most of them are, for all practical purposes, 'orphan works,' that is, works technically still in copyright, but for which it is virtually impossible to locate the appropriate rights holders to ask for permission to digitize them.")

54 See Randall C. Picker, *The Google Book Search Settlement: A New Orphan-Works Monopoly?*, 5 J. COMPETITION L. & ECON. 383, 393 (2009); Samuelson, *supra* note 53, at 30.

55 See *Authors Guild*, 770 F. Supp. 2d at 686.

56 17 U.S.C. § 106 (2006).

fied as infringement.<sup>57</sup> Copyright owners, of course, may delegate their authorization rights to others acting on their behalf.

Perhaps the oldest instance of copyright commandeering occurred at the hands of the American Society of Composers, Authors and Publishers (ASCAP). ASCAP was founded in 1914 precisely in order to authorize public performance of its members' copyrighted works so that their rights could be enforced efficiently.<sup>58</sup> Until 1950, however, ASCAP required its members to grant their public performance authorization rights exclusively to the Society, and thus prospective public performance licensees could not obtain licenses directly from the composers but rather had to negotiate with ASCAP.<sup>59</sup> ASCAP's ability to control the entire market for public performance licenses gave it enormous power in setting licensing rates, and before too long antitrust challenges ended ASCAP's practice of collecting exclusive rights from its members.<sup>60</sup> Beside the leverage over licensees, and less frequently noted, was ASCAP's corollary leverage over its own members. The court in *Alden-Rochelle, Inc. v. American Society of Composers, Authors & Publishers*<sup>61</sup> observed that the transfer of exclusive rights to ASCAP restrained competition among ASCAP members.<sup>62</sup> ASCAP members who wanted to undercut their fellow composers' licensing fees were unable to do so. Since ASCAP was the only organization available to enforce members' public performance rights, at least until the founding of the Broadcasters Music, Inc. (BMI) in 1940,<sup>63</sup> any composers who were dissatisfied with ASCAP's terms had little choice but to assent.<sup>64</sup>

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57 See, e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 433 (1984).

58 See generally Robert P. Merges, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CALIF. L. REV. 1293, 1329–30 (1996) (describing the origins of the ASCAP); Lee C. White, *Musical Copyrights v. the Anti-Trust Laws*, 30 NEB. L. REV. 50, 51 (1950) (explaining how individuals were “weak and powerless” on their own).

59 See Simon H. Rifkind, *Music Copyrights and Antitrust: A Turbulent Courtship*, 4 CARDOZO ARTS & ENT. L.J. 1, 7 (1985).

60 See *Columbia Broad. Sys., Inc. v. Am. Soc’y of Composers, Authors & Publishers*, 620 F.2d 930, 933 (2d Cir. 1980) (characterizing 1950 amended consent decree as prohibiting ASCAP from obtaining exclusive rights from its members or interfering with members' ability to issue performance licenses directly); Rifkind, *supra* note 59, at 10.

61 80 F. Supp. 888 (S.D.N.Y. 1948).

62 *Id.* at 894–95.

63 See White, *supra* note 58, at 54.

64 See Merges, *supra* note 58, at 1338.

### 3. Controlling Authorized Derivative Works

Copyright owners have the exclusive right to prepare derivative works based on their copyrighted creations,<sup>65</sup> but derivative works are themselves eligible for copyright protection.<sup>66</sup> In addition to the standard prerequisites for copyright eligibility,<sup>67</sup> the derivative work author's use of the underlying work must not be "unlawful."<sup>68</sup> The law is notoriously unclear, however, when it comes to determining whether follow-on creation is the kind of "transformation"<sup>69</sup> that requires permission because it creates a derivative work or the kind that needs no permission because it qualifies as fair use.<sup>70</sup> Nor is it often clear when a follow-on creator has created an infringing derivative work using a preexisting work's copyrighted expressive content as opposed to only using its uncopyrightable ideas.<sup>71</sup>

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65 17 U.S.C. § 106(2) (2006).

66 *Id.* § 103(a).

67 Circuits differ widely in their tests for minimal originality in derivative works. *See, e.g.,* Entm't Research Grp., Inc. v. Genesis Creative Grp., Inc., 122 F.3d 1211, 1219 (9th Cir. 1997) (stating that characteristics of derivative works originality test depend on whether the underlying work is in the public domain or itself subject to copyright); Gracen v. Bradford Exch., 698 F.2d 300, 305 (7th Cir. 1983) ("[A] derivative work must be substantially different from the underlying work to be copyrightable."); L. Batlin & Son, Inc. v. Snyder, 536 F.2d 486, 490 (2d Cir. 1976) (en banc) (requiring a "low threshold" for originality such that "more than a 'merely trivial' variation" on a preexisting work will suffice (quoting Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99, 103 (2d Cir. 1951))).

68 17 U.S.C. § 103(a); *cf.* H.R. REP. NO. 94-1476, at 58 (1976) (noting that unauthorized use of a preexisting work would be not be "unlawful" for purposes of § 103(a) if it qualified as a fair use).

69 As noted earlier, *see supra* note 13 and accompanying text, transformative use of copyrighted material is likely to be declared fair use. But the copyright statute's definition of derivative works itself encompasses any "form in which a work may be recast, transformed, or adapted." 17 U.S.C. § 101 (emphasis added).

70 To get a sense of how difficult it can be to understand when courts will hold a creative follow-on work fair use instead of infringement, compare *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1277 (11th Cir. 2001), which credited the fair use defense offered on behalf of *The Wind Done Gone*, Alice Randall's critical retelling of *Gone with the Wind* from the perspective of the enslaved half-sister of Scarlett O'Hara, with *Salinger v. Colting*, 641 F. Supp. 2d 250, 256–60 (S.D.N.Y. 2009), *vacated on other grounds*, 607 F.3d 68, 83 (2d Cir. 2010), which rejected the fair use defense offered on behalf of Fredrik Colting's *60 Years Later: Coming Through the Rye*, a novel purportedly using a 76-year-old approximation of Holden Caulfield to comment critically on *The Catcher in the Rye*.

71 A work based partly on preexisting works must borrow expression and not only ideas to qualify as an infringing derivative work. *See, e.g.,* Reyher v. Children's Television Workshop, 533 F.2d 87, 90–93 (2d Cir. 1976) (holding that a book's copyright

Given this legal uncertainty and the enormous costs of defending an infringement lawsuit, users of preexisting works are wise to acquire a license rather than take their chances with a fair use defense. Other writers have discussed how copyright's uncertainties generate a "clearance culture" where it is customary for users of copyrighted works to buy licenses that, as a legal matter, they do not need.<sup>72</sup> But tendering payment is only one form that risk-conscious surrender can take. In the case of potentially profitable derivative works, some right-holders might prefer instead the licensee's surrender of future copyright interests in the new work. Lawrence Lessig describes several examples of this practice in his book, *Remix*. David Bowie's website, for instance, ran remixing contests that required remixers to assign away all interests in their creations, including by granting Bowie's record label a royalty-free license to use content from the remix that did not derive from Bowie's own work.<sup>73</sup> Similarly, Lucasfilm websites offered to host Star Wars-related content created by the franchise's fans, but the websites' terms of service reminded remixers of Lucasfilm's exclusive right to prepare derivative works and claimed intellectual property rights in any derivative works that users uploaded.<sup>74</sup> Again, the demand for control covered not just the aspects of the derivative works that derived from the licensor's own creations, but all the copyrightable content that the fans had incorporated into those derivative works, even if wholly original.<sup>75</sup>

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was not infringed because a subsequent story presented only the same ideas and did not also copy expression). Landes and Posner write:

Although the line between expression and idea is often hazy, there are clear cases on both sides of it. If an author of spy novels copies a portion of an Ian Fleming novel about James Bond, he is an infringer. If, inspired by Fleming, he decides to write a novel about a British secret agent who is a bon vivant, he is not an infringer.

William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325, 349 (1989). But even their purportedly clear case is not. See *Metro-Goldwyn-Mayer, Inc. v. Am. Honda Motor Co.*, 900 F. Supp. 1287, 1298 (C.D. Cal. 1995) (granting preliminary injunction for infringement of James Bond by a Honda commercial because "both hero[e]s are young, tuxedo-clad, British-looking men with beautiful women in tow and grotesque villains close at hand[,] . . . exude uncanny calm under pressure, exhibit a dry sense of humor and wit, and are attracted to, and are attractive to, their female companions").

<sup>72</sup> See PATRICIA AUFDERHEIDE & PETER JASZI, CTR. FOR SOC. MEDIA, UNTOLD STORIES 22 (2004), available at [http://www.centerforsocialmedia.org/sites/default/files/UNTOLDSTORIES\\_Report.pdf](http://www.centerforsocialmedia.org/sites/default/files/UNTOLDSTORIES_Report.pdf).

<sup>73</sup> See LAWRENCE LESSIG, *REMIX* 244 (2008).

<sup>74</sup> *Id.* at 245–46.

<sup>75</sup> *Id.* at 246.

This last example of commandeering shows the limitations of the offensive/defensive distinction. David Bowie and Lucasfilm were not cleanly on either side of the creator/user divide. As licensors, they wore their right-holding creator hats, legitimately exercising their prerogative as copyright owners to authorize derivative works. But simultaneous with their authorizing the derivative works, they engaged in a sort of defensive commandeering by taking control of copyrights that arose because of the genuinely creative acts of others who were not, after all, their agents. Those individuals were likewise creators in one respect and users in another.<sup>76</sup> This complicated relationship between creator-users and the legal mechanism deployed in it—namely authorization conditioned on surrender of future copyright interests—also appears, surprisingly enough, where the Creative Commons “ShareAlike” license is used. There are a variety of Creative Commons licenses, but the ShareAlike license is unique for a condition it imposes: “If you alter, transform, or build upon this work, you may distribute the resulting work only under the same or similar license to this one.”<sup>77</sup> There are, of course, important differences between Creative Commons and the examples that Lessig discusses. The ShareAlike license assumes control of the derivative works copyright only to open up access to the work, whereas the other entities do so presumably to turn a profit by controlling access. From an ethical standpoint, this difference may be crucial.<sup>78</sup> But in both cases, the authorization to prepare a derivative work comes on the condition that the preparer cede some of his or her copyright entitlements in the resulting work on the authorizer’s preferred terms.

That is not, obviously, to say that the practices must stand or fall together. On the contrary, the normative lesson to be taken away from this comparison, and indeed from this entire Part of the Article, is that the justifiability of commandeering practices cannot be settled at a superficial level. For diverse actors engage in those practices for a variety of purposes. Whatever criterion we ultimately use to evaluate

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76 See, e.g., Mary W.S. Wong, “Transformative” User-Generated Content in Copyright Law: *Infringing Derivative Works or Fair Use?*, 11 VAND. J. ENT. & TECH. L. 1075, 1092 (2009) (suggesting that derivative works creators be viewed as both users and authors).

77 *Attribution-ShareAlike 3.0 Unported*, CREATIVE COMMONS, <http://creativecommons.org/licenses/by-sa/3.0/> (last visited Jan. 11, 2012).

78 Lessig suggests that the Lucasfilm strategy evinces a lack of respect for the remixer’s work. LESSIG, *supra* note 73, at 247. I am not convinced that suggestion is right, since the strategy acknowledges the remix’s ability to generate revenue and, hence, at least one kind of value. But the moral status of what Lessig calls “sharecropping” is a question beyond the scope of this Article. See *id.* at 243–44.

these practices, there can be no guarantee at the outset that it will yield a uniform set of verdicts for each practice. If courts are to handle commandeering in a way that makes sense of existing copyright laws and that benefits society, deeper investigation is needed. The remainder of this Article therefore focuses on identifying the considerations that should govern normative analysis of copyright commandeering.

## II. THREE OVERBROAD ARGUMENTS AGAINST COMMANDEERING

In this Part, I examine previous arguments against commandeering, which usually have focused on instances of what I have been calling offensive commandeering. These arguments have typically accompanied specific doctrinal proposals for restricting commandeering. I argue that although the following lines of attack raise some legitimate worries about commandeering, they and their accompanying doctrinal prescriptions are overly broad.

### A. *Legislative Intent and Copyright's Delicate Balance*

A common argument against various examples of commandeering leans heavily on Congress's perceived design for copyright law. Perhaps inspired by frequent judicial reference to copyright's goal of balancing the interests of creators and users,<sup>79</sup> innumerable commentators have trumpeted the balance embodied in copyright law. Thus David Nimmer, Elliot Brown, and Gary Frischling write:

[T]he copyright laws are designed to achieve a "delicate balance" between the rights of copyright proprietors and copyright users. This balance is disrupted when state [contract] law is permitted to

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79 See, e.g., *Stewart v. Abend*, 495 U.S. 207, 228 (1990) ("[T]he Act creates a balance between the artist's right to control the work during the term of the copyright protection and the public's need for access to creative works."); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (explaining that Congress's constitutionally prescribed task "involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand"); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) ("The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts." (footnote omitted)).



enlarge the rights of copyright proprietors at the expense of copyright users.<sup>80</sup>

This description of mass licensing seems to capture the mainstream view among copyright scholars. Niva Elkin-Koren agrees “that rights granted under copyright law reflect a delicate balance between an owner’s monopoly and a user’s privilege to access information.”<sup>81</sup> Michael Madison criticizes *ProCD*’s validation of restrictive licenses for promoting the idea that the copyright balance “is a question of purely private definition.”<sup>82</sup> Julie Cohen voices the same concern about the treatment of mass licenses by the Uniform Computer Information Transactions Act, which was originally written to be Article 2B of the Uniform Commercial Code until the American Law Institute came out in opposition.<sup>83</sup> Some scholars disapprove of the balance that Congress has legislated because of the ways that it already favors right-holders,<sup>84</sup> but even these critics usually agree that enforcing the current balance is preferable to allowing any significant amount of private contractual reordering.<sup>85</sup> The academic community has also largely concurred in Nimmer and his co-authors’ doctrinal prescription—that is, that state contract law should be preempted where it yields results inconsistent with copyright’s delicate balance<sup>86</sup>—

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80 David Nimmer et al., *The Metamorphosis of Contract into Expand*, 87 CALIF. L. REV. 17, 22–23 (1999).

81 Niva Elkin-Koren, *Copyright Policy and the Limits of Freedom of Contract*, 12 BERKELEY TECH. L.J. 93, 101 (1997); see also Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CALIF. L. REV. 111, 142 (1999) (“Copyright is not a system of absolute property rights. It is ‘a scheme of carefully balanced property rights that give authors and their publishers sufficient inducements to produce and disseminate original creative works and, at the same time, allow others to draw on these works in their own creative and educational activities.’” (quoting I PAUL GOLDSTEIN, COPYRIGHT 1:40 (2d ed. 1998))).

82 Michael J. Madison, *Legal-Ware: Contract and Copyright in the Digital Age*, 67 FORDHAM L. REV. 1025, 1092 (1998).

83 See Julie E. Cohen, Lochner in Cyberspace: *The New Economic Orthodoxy of “Rights Management”*, 97 MICH. L. REV. 462, 534–35 (1998); Dorte Toft, *Opponents Blast Proposed U.S. Software Law*, CNN.COM, (July 12, 1999, 11:54 AM), <http://www.cnn.com/TECH/computing/9907/12/ucita.idg/index.html> (describing ALI’s withdrawal of support).

84 See, e.g., Madison, *supra* note 82, at 1079; Margaret Jane Radin, *Regime Change in Intellectual Property: Superseding the Law of the State with the “Law” of the Firm*, 1 U. OTTAWA L. & TECH. J. 173, 178 (2003–2004).

85 See, e.g., Radin, *supra* note 84, at 178.

86 See Nimmer et al., *supra* note 80, at 53; see also Dennis S. Karjala, *Federal Preemption of Shrinkwrap and On-Line Licenses*, 22 U. DAYTON L. REV. 511, 541 (1997) (arguing for preemption); Viva R. Moffat, *Super-Copyright: Contracts, Preemption, and the Structure of Copyright Policymaking*, 41 U.C. DAVIS L. REV. 45, 92–95 (2007) (same). Most scholars who discuss copyright preemption, including Nimmer and co-authors, make argu-

although perhaps not quite to the same extent as they have concurred in the diagnosis that balance-disturbing is a serious problem.

Courts, by contrast, have been largely unreceptive to these arguments. Although some courts have declined to enforce mass licenses for other reasons,<sup>87</sup> no court has held that state law contract law is generally preempted by the copyright statute when used to enforce commandeering mass licenses.<sup>88</sup> Overall, today's courts are likely to enforce terms of use provisions<sup>89</sup> and unlikely to contemplate copyright's delicate balance as they reach their decision.

While it is fair to fault some courts for not even considering the possibility that the Copyright Act impliedly preempts state contract law enforcement of certain mass licenses,<sup>90</sup> it is much harder to identify the precise position of copyright's delicate balance than scholarship in this area typically suggests. It is clear that copyright law seeks to strike a balance, but at any useful level of detail, the characteristics of the balance actually struck, including the relevant purposes of federal copyright law, are far from transparent. Therefore, determining

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ments based on implied, Supremacy Clause preemption (also called "conflict preemption" or "obstacle preemption") as well as on the copyright statute's express preemption provision. See 17 U.S.C. § 301(a) (2006). In this section, I focus on implied preemption arguments, which seem more apposite to the "delicate balance" metaphor. See, e.g., Nimmer et al., *supra* note 80, at 46 ("[R]eference to copyright's 'delicate balance' adverts to general preemption under the Supremacy Clause . . ."). Below, in Part III.C, I address arguments that align more naturally with express preemption.

87 *E.g.*, *Step-Saver Data Sys., Inc. v. Wyse Tech.*, 939 F.2d 91, 102 (3d Cir. 1991) (declaring box-top license ineffectual under U.C.C. § 2-207).

88 One case did declare that the copyright statute preempted a state law, the Louisiana Software License Enforcement Act, which ensured that certain mass licenses terms, including terms at odds with federal copyright law, would be "deemed to have been accepted." See *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 269 n.28 (5th Cir. 1988) (quoting LA. REV. STAT. ANN. § 51:1964). The court apparently assumed, however, that the mass license would not have been valid under regular state contract law and could only have been enforceable pursuant to the special state statute. See *id.* at 269; see also *Vault Corp. v. Quaid Software Ltd.*, 655 F. Supp. 750, 761 (E.D. La. 1987), *aff'd*, 847 F.2d 255 (5th Cir. 1988) ("The license agreement contained in the [software] package is a contract of adhesion which could only be enforceable if the Louisiana Software License Enforcement Act . . . is a valid and enforceable statute."). So this case did not exactly establish that enforcing license agreements through regular state contract law would be preempted.

89 See Mark A. Lemley, *Terms of Use*, 91 MINN. L. REV. 459, 459-60 (2006). *But cf.* *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 979 (4th Cir. 1990) (recognizing copyright misuse defense on account of license's anticompetitive language).

90 See, e.g., Lemley, *supra* note 81, at 143 n.138 ("There is simply no arguable justification for the court's refusal even to discuss conflicts preemption in the case before it.").

which contractual provisions are inconsistent with congressional copyright policy is not a trivial matter.

For starters, the Copyright Act's structure is unhelpful. As far as contractual reassignment of copyright entitlements is concerned, the Act viewed as a whole exhibits the same sort of ambiguity as the Rubin vase, which some perceive as a white figure against a black ground while others detect the silhouette of two human faces staring at each other against a white background.<sup>91</sup> Perceptions of the Copyright Act's *Gestalt* vary in a similar manner. When some view copyright law as a whole, they see a set of creator rights that are circumscribed by various limits in the form of specified uses that need no permission from the right-holder. Others view the statute's figure as a delineation of many different entitlements that can be the objects of mutually beneficial exchanges. The statute simply does not resolve the fundamental disagreement between the two camps, which is about whether the alienation of users' privileges is permitted in the same way as the alienation of copyright owners' rights.<sup>92</sup>

The purposes behind various statutory provisions offer no better guidance. Whether the contracting away of fair use rights, for example, comports with copyright's purposes will vary depending on whether one thinks the purpose of fair use is to safeguard freedom of speech or to correct for market failure.<sup>93</sup> Even the seemingly uncontroversial characterization of copyright law, as intentionally leaving certain material in the public domain,<sup>94</sup> contains a degree of ambiguity that matters when viewing restrictive licenses like the one at issue in *ProCD*. As James Boyle explains, one can think of the public domain in a few ways, such as consisting only of creative works that are entirely unprotected, or as further including aspects of works that members of the public are free to use notwithstanding the copyright protection covering other aspects of the works, or finally as encompassing everything that members of the public can take without needing to seek prior permission.<sup>95</sup> Where creative works are part of a

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91 See generally Ernest Glen Wever, *Figure and Ground in the Visual Perception of Form*, 38 AM. J. PSYCHOL. 194 (1927) (discussing perception of the Rubin vase).

92 See, e.g., Radin, *supra* note 84, at 179.

93 See *supra* notes 14–15 and accompanying text.

94 See, e.g., Jason Mazzone, *Copyfraud*, 81 N.Y.U. L. REV. 1026, 1059 (2006) (“The Constitution strikes a delicate balance between supporting authorship and protecting speech by permitting copyrights only for ‘limited Times.’ Publishers upset that balance when they interfere with uses of public domain materials.” (footnote omitted) (quoting U.S. CONST. art. I, § 8)).

95 See James Boyle, *The Second Enclosure Movement and the Construction of the Public Domain*, 66 LAW & CONTEMP. PROBS., Winter/Spring 2003, at 33, 59–62 (“There is not one public domain, but many.”).

commons secured by liability rules like contract damages rather than property rules like copyright's statutory damages or injunctions,<sup>96</sup> they are free for others to use in one sense but not in another. They are not free inasmuch as they cannot be accessed at no cost, but they are free inasmuch as they are free from any right-holder's monopolistic efforts to stifle would-be competition.<sup>97</sup>

It would be tempting to sort through these rival interpretations of U.S. copyright law by consulting an authoritative expression of legislative intent,<sup>98</sup> but for the most part the relevant legislative history is inscrutable. As others have noted, an early draft of the preemption provisions of the 1976 Act provided:

Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to . . . activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106, including . . . breaches of contract . . . .<sup>99</sup>

Commenting on this passage, the House Judiciary Committee wrote, "Nothing in the bill derogates from the rights of parties to contract with each other and to sue for breaches of contract . . . ." <sup>100</sup> This legislative history would pose a serious challenge to arguments that contract-based commandeering should be preempted as inconsistent with Congress's purposes, but of course this statutory language was not included in the final version that was enacted into law, and no one knows exactly why.<sup>101</sup> It is no wonder that courts have

96 See generally Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089 (1972) (proposing a general framework for analyzing legal entitlements in terms of the manner in which they are protected). I discuss copyright and contract remedies at greater length in Part III.B below.

97 See Boyle, *supra* note 95, at 63 ("If our concern is monopolistic control over choke-points imposed by the will of others, freedom from others 'telling us what we can do,' then the norm of freedom we will seek to instantiate in property's outside, whether we describe it as a public domain or a commons, is a norm of non-discriminatory access.").

98 See, e.g., Moffat, *supra* note 86, at 70.

99 S. 22, 94th Cong. § 301 (b) (as reported by H. Comm. on the Judiciary, Sept. 3, 1976).

100 H.R. REP. NO. 94-1476, at 132 (1976).

101 Jennifer Rothman explains:

There is debate over why this language was deleted. There is a suggestion in the record that it was struck because it would have destroyed the intent of Section 301 by failing to preempt state laws which interfered with copyright law, such as the right of publicity. Other parts of the legislative record, however, suggest another reason the language was struck. Some members of

refused to seek guidance from legislative history this “puzzling and unreliable.”<sup>102</sup>

Nor did Congress’s intentions prove unambiguously opposed to commandeering over time. As Nimmer and co-authors point out, Representative Rick Boucher introduced a bill that would have vindicated the delicate balance that they already saw in the Copyright Act.<sup>103</sup> The Boucher proposal would have amended the preemption provision so as to include the following:

When a work is distributed to the public subject to non-negotiable license terms, such terms shall not be enforceable . . . to the extent that they—

- (1) limit the reproduction, adaptation, distribution, performance, or display, by means of transmission or otherwise, of material that is uncopyrightable under section 102(b) or otherwise; or
- (2) abrogate or restrict the limitations on exclusive rights specified in sections 107 through 114 and sections 117 and 118 of this title.<sup>104</sup>

But this proposal died in committee, and Congress instead enacted the Digital Millennium Copyright Act (DMCA),<sup>105</sup> which made no effort to protect users’ privileges through curbs on contractual reassignment of them.<sup>106</sup> Given the proposal and subsequent

Congress thought the language was unnecessary since it was obvious that certain state rights, such as the right of publicity, would not be preempted.

Jennifer E. Rothman, *Copyright Preemption and the Right of Publicity*, 36 U.C. DAVIS L. REV. 199, 235 (2002) (footnote omitted).

102 *Architectronics, Inc. v. Control Sys., Inc.*, 935 F. Supp. 425, 440 (S.D.N.Y. 1996).

103 Nimmer et al., *supra* note 80, at 72 & n.237.

104 Digital Era Copyright Enhancement Act, H.R. 3048, 105th Cong. § 7 (1997).

105 Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified as amended in scattered sections of 17 U.S.C.). Both bills were proposed in large part to satisfy U.S. obligations under the WIPO treaties, especially concerning circumvention of technological measures protecting access to copyrighted works and alteration of rights management information. Rep. Boucher’s bill, however, included the preemption provisions as well as various other proposals for updating copyright law in response to technological advances. For background and comparison of the two bills and their relatives, see DOROTHY SCHRADER, CONG. RESEARCH SERV., “DIGITAL ERA COPYRIGHT ENHANCEMENT ACT” 3048 (1998).

106 To the contrary, the DMCA’s anti-circumvention measures are widely criticized for striking a balance that too heavily tilts in the favor of content industries and against users. *See, e.g.*, Pamela Samuelson, *Intellectual Property and the Digital Economy: Why the Anti-Circumvention Regulations Need to Be Revised*, 14 BERKELEY TECH. L.J. 519, 562–63 (1999) (“The anti-circumvention provisions of the DMCA . . . are unpredictable, overbroad, inconsistent, and complex. The many flaws in this legislation are likely to be . . . harmful to the public’s broader interests in being able to make fair and other noninfringing uses of copyrighted works.”).

rejection of Representative Boucher's bill, which would have undone *ProCD* and subsequent case law, it is very difficult to maintain today that courts have generally erred in not preempting contractual reassignment of copyright entitlements on grounds of conflict with statutory purposes.<sup>107</sup>

Because there is no clearer evidence about commandeering's inconsistency with copyright's delicate balance, judges have been right to hesitate before preempting state contract law on that basis. Still, there remains some intuitive appeal in the thought that Congress, when parceling out entitlements between creators and users in significant detail, was not merely offering its own suggestions about what arrangements might work. Yet in wielding the blunt instrument of preemption to vindicate this intuition,<sup>108</sup> courts must exercise caution. There is no incontrovertible characterization of copyright law's delicate balance on the subject of transfers of initial entitlements. To figure out what forms of commandeering, if any, ought to be preempted, courts should rely on other sorts of considerations.

### B. *Complexity and Information Costs*

By massively altering the allocation of copyright entitlements, commandeering complicates individuals' legal privileges and responsibilities with respect to copyrighted goods. Relatively new digital mechanisms like clickwrap and browserwrap licenses enable right-holders to disseminate their preferred complications on a scale that was previously impossible. In the past, copyright owners could not easily contract with downstream users, but today the privity possibilities are literally endless. Although the complexity presumably enhances the welfare of those who draft the contracts that create it, several scholars have argued that the complexity simultaneously imposes significant costs.

Because information is essential in any transaction, parties generally want to acquire as much information as they can until the costs of gathering it exceed the benefits. The benefits provided by information partly depend on the parties' valuation of the assets being exchanged. Thus buyers are unlikely to expend a lot of effort acquir-

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107 Cf. *Apex Hosiery Co. v. Leader*, 310 U.S. 469, 489–90 (1940) (explaining that a judicial statutory interpretation may be presumed correct “where after the matter has been fully brought to the attention of the public and the Congress, the latter has not seen fit to change the statute”).

108 Cf. Lemley, *supra* note 81, at 145 (“Using preemption doctrine against contracts is something like swinging a sledgehammer at a gnat: you are likely to hit the target, but you may do some serious damage to the things around it.”).

ing information in small-value transactions.<sup>109</sup> Compared to real property, which is not only more expensive but also more easily demarcated, the marginal costs of seeking further information about products that embody intellectual property are likely to be relatively high.<sup>110</sup> Not only are such products typically of lower value, but their boundaries are determined by legal doctrines that are already fuzzy and unpredictable. But nevertheless those doctrines can give consumers a baseline set of expectations that commandeering unsettles. Recently, Molly Van Houweling has criticized some mass licenses for imposing information costs by making rights to use copyrighted works more complex.<sup>111</sup> She expresses special concern over licenses that restrict all users of the works, dubbing such licenses “the new servitudes” because of the sense in which they can be said to run with property to restrict even very remote, downstream parties.<sup>112</sup>

Of course, the new servitudes do not all increase information costs to the same extent. Assessing a particular license’s information cost problems requires a basis for comparison. Terms of service that pop up every time software is installed at least have the virtue of reliably providing users with notice.<sup>113</sup> Thus information costs in this area often arise from want of attention rather than want of information.<sup>114</sup> Even when users have the ability to read a license’s terms, most quickly click through rather than spend time trying to understand them.<sup>115</sup> But licenses do not have to be complicated, as Creative Commons has shown by explaining its various licenses in simple, user-friendly terms.<sup>116</sup> Moreover, not all licenses unsettle users’ expecta-

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109 See, e.g., Glen O. Robinson, *Personal Property Servitudes*, 71 U. CHI. L. REV. 1449, 1486 (2004) (“[T]he rational buyer will invest in information about a good . . . only up to the point where marginal gains equal marginal cost. For low-valued goods this investment would be very low.”).

110 See, e.g., Van Houweling, *supra* note 18, at 932–33.

111 See *id.* at 932–39.

112 *Id.* at 933, 935.

113 Cf. Richard A. Epstein, *Notice and Freedom of Contract in the Law of Servitudes*, 55 S. CAL. L. REV. 1353, 1357 (1982) (emphasizing the importance of providing notice in a system of servitudes).

114 See Henry E. Smith, *Institutions and Indirectness in Intellectual Property*, 157 U. PA. L. REV. 2083, 2121 (2009) (citing Herbert A. Simon, *Designing Organizations for an Information-Rich World*, in *COMPUTERS, COMMUNICATION, AND THE PUBLIC INTEREST* 37, 40–41 (Martin Greenberger ed., 1971)).

115 See Van Houweling, *supra* note 18, at 934.

116 But even user-friendly licenses feature the occasional opaque term—including, most notably, Creative Commons’s “noncommercial,” the meaning of which has sparked considerable discussion. See generally CREATIVE COMMONS, *DEFINING “NON-COMMERCIAL”* 72–75 (2009), available at [http://mirrors.creativecommons.org/defining-noncommercial/Defining\\_Noncommercial\\_fullreport.pdf](http://mirrors.creativecommons.org/defining-noncommercial/Defining_Noncommercial_fullreport.pdf) (presenting surveys of

tions to the same degree. Ultimately, it is an empirical question how much any given license compounds the user's information burdens.

Van Houweling nonetheless proposes an *a priori* rule of thumb for determining whether a license imposes a problematic level of information costs. She suggests using copyright's default entitlement assignment as a baseline for evaluating the relative costliness of license-based complexity: those restrictions that go beyond the restrictions imposed on users by copyright law itself will be more costly because they impose new obligations that contravene users' preexisting beliefs about what they are permitted to do.<sup>117</sup> Van Houweling suggests that the Creative Commons attribution requirement does not complicate matters at all, for it merely abandons the copyright owner's exclusive rights to reproduce, to distribute, or to prepare derivative works on the sole condition that the original work be attributed to its author.<sup>118</sup> The licensee in this scenario seems to be getting quite a lot in the license in exchange for comparatively little, and the terms of this exchange are clearly spelled out.

Van Houweling's suggestion, however, must be qualified in two ways. First, her distinction presumes that it has already been settled exactly what "behavior . . . the background law leaves unregulated,"<sup>119</sup> yet often in commandeering litigation one cannot invoke such a distinction without begging the question. Such cases are attempting to settle exactly what behavior is left unregulated by copyright law. For example, Van Houweling contrasts the Creative Commons attribution requirement with software licenses that limit resale, arguing that the latter departs from the copyright baseline by prohibiting behavior that would otherwise be permitted under the first sale doctrine.<sup>120</sup> But courts have upheld such restrictions as fully consistent with the first sale doctrine, determining that the software had been merely licensed and not sold.<sup>121</sup> Since background copyright law, at least according to these courts, prohibits the resale of such software, licenses that permit resale only on certain specified conditions do not depart from copyright's baseline any more than do licenses permitting duplication only if attribution is retained. As I argue below, it is frequently implausible

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content users' and creators' understanding of "noncommercial" and finding points of agreement as well as a few differences of opinion).

117 See Van Houweling, *supra* note 18, at 936–39.

118 *Id.* at 936–37; see also CREATIVE COMMONS, *supra* note 77 ("You must attribute the work in the manner specified by the author or licensor . . .").

119 Van Houweling, *supra* note 18, at 939.

120 See *id.* at 936–38.

121 See, e.g., *Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010).



to characterize software transactions as mere licenses and not sales,<sup>122</sup> but any argument against such a characterization has to be independent of copyright law's baseline on pain of circularity: it is precisely that baseline that is in dispute in such cases. Thus while talk of departures from copyright's default is useful as a rough and ready way to identify a certain practice as commandeering, it cannot do real work in legal disputes about the permissibility of that practice.<sup>123</sup>

The other necessary qualification is that information costs are not licensees' only concern. From the consumer's perspective, the magnitude of information costs depends on how much she values that information. For any given license, the fact that its complex terms would escape a user's attention might be a problem caused by insufficiently salient restrictions, or it might be an indication that the complexity-creating term valued by right-holders does not implicate the average user's foremost concerns. The latter interpretation would be especially plausible if it turned out that such limitations resulted in lower prices. Whether there is in fact any such complexity/purchase price trade-off is a difficult, and again empirical, question.<sup>124</sup> But it should not be assumed that users care very deeply about possessing the information necessary to determine everything that they may do lawfully with copies of copyrighted works.<sup>125</sup>

Even assuming that information costs on licensees are a serious problem, it is not obvious what the general solution should be. Van Houweling does not advance a concrete doctrinal proposal for how the legal system should respond to information costs, but she does mention the common law's tactic for reducing information costs in the context of tangible property transfers.<sup>126</sup> Here she draws on the

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122 See *infra* notes 303–08 and accompanying text.

123 Another way to avoid circularity concerns would be to modify Van Houweling's proposal so that it rests on a wholly factual, as opposed to legal, inquiry by looking for departures from what users *believe* to be copyright's baseline. Such a modification would need refinement; I offer one possibility in Part III.B below.

124 See Cohen, *supra* note 83, at 520; cf. Thomas W. Merrill & Henry E. Smith, *Optimal Standardization in the Law of Property: The Numerus Clausus Principle*, 110 *YALE L.J.* 1, 28 (2000) (noting the difficulty in identifying information costs borne by a transacting party that are not reflected in the price term of the exchange).

125 Of course, many would view this lack of caring as itself cause for concern. See, e.g., Cohen, *supra* note 83, at 554–55 (discussing the danger that consumers' "acculturation to the status quo" will exacerbate their proclivity not to demand concessions from copyright owners). This concern, however, is concern not over complexity's costs for individuals who agree to be bound by complex terms, but rather over its social effects. I discuss externalities-based criticisms of commandeering in Part II.C below and return to information cost externalities in Part III.C.

126 See Van Houweling, *supra* note 18, at 897–98.

work of Thomas Merrill and Henry Smith, who have argued that the common law's *numerus clausus* principle acts to reduce information costs through standardization—that is, by declining to recognize idiosyncratic transfers of property and instead limiting transacting parties to “a fixed menu of options from which deviations will not be permitted.”<sup>127</sup> Although Merrill and Smith do not focus on information costs borne by parties to the original transaction (or their successors in interest), a *numerus clausus* standardized menu of property forms could certainly serve to reduce information costs for those individuals.

Yet it is hard to imagine *numerus clausus* as a cure for copyright's information cost problems. Courts would be not only reluctant but also ill-equipped to devise a menu of standardized copyright interests.<sup>128</sup> Congress would be a more appropriate institution for undertaking any standardization task—or perhaps an administrative body like the Copyright Office<sup>129</sup>—but it would face some daunting challenges. As a mandatory, fixed menu, a copyright *numerus clausus* would need to ensure that it does not prevent (or chill) value-creating exchanges that place assets in the hands of those who value them most. A list of copyright interests should be designed carefully to optimize the tradeoff between transactional freedom and information costs.<sup>130</sup> In any event, it is also hard to imagine Congress seizing the initiative on this front. To date, its only gesture toward embracing an intellectual property *numerus clausus* has been to limit the categories of intellectual property rights to copyrights, patents, trademarks, and arguably trade secrets by preempting state efforts to create other varieties.<sup>131</sup> Since 1976, moreover, it has granted copyright holders broad abilities to fragment their copyright interests into smaller parts.<sup>132</sup> And by simultaneously abolishing copyright's preexisting formality requirements, such as providing copyright notice on copies of the

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127 Merrill & Smith, *supra* note 124, at 23.

128 *Cf. id.* at 60–66 (describing advantages that legislatures have over courts in developing a standardized menu of property interests).

129 Congress has given the Librarian of Congress authority to establish exceptions to the DMCA's anticircumvention provisions for likely noninfringing uses of the copyrighted works. See 17 U.S.C. § 1201(a)(1)(B)–(C) (2006).

130 *Cf.* Stephen R. Munzer, *The Commons and the Anticommons in the Law and Theory of Property*, in THE BLACKWELL GUIDE TO THE PHILOSOPHY OF LAW AND LEGAL THEORY 148, 157 (Martin P. Golding & William A. Edmundson eds., 2005) (“Optimality requires not only a limit on the number of types of property. It also requires that the types be individually well crafted and that they hang together well as a whole.”).

131 See Merrill & Smith, *supra* note 124, at 19–20.

132 The 1976 Copyright Act abolished its predecessor's prohibition on the divisibility of copyrights. 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.01 (2006).

works, Congress has shown little sensitivity to information cost problems in copyright law.<sup>133</sup> In sum, information costs do pose a legitimate theoretical concern, but it is very difficult to determine how pressing the concern is in fact or what should be done about it.

### C. Externalities and Social Welfare

As discussed above, opponents of commandeering often object to treating users' privileges as alienable. A typical economic justification for making entitlements inalienable is that the alienation would decrease social welfare by imposing costs on third parties. Because the transacting parties do not internalize these negative effects, the transaction terms cannot be presumed to account for them.<sup>134</sup> If third-party costs, or negative externalities, outweigh the benefits that the transacting parties gain from trading entitlements, the trade is inefficient because it decreases net social welfare. This line of reasoning appears in certain arguments against commandeering: even on the assumption that clicking through license agreements evinces the user's assent to transfer away her entitlements, such transfers should be prohibited where they generate sufficiently high negative externalities.<sup>135</sup> These negative externalities might include direct costs on third parties or benefits that third parties must forgo as a result of the commandeering. Given the character of creative works and information, it is reasonable to suspect that private exchanges will have significant external effects, especially in the aggregate. But it is hard to investigate such suspicions in the abstract. So to determine exactly what commandeering's external effects are likely to be, it is necessary to examine specific examples.

Consider one variety of offensive commandeering, attempts to restrict fair uses such as criticism of the work. At a glance, this kind of commandeering seems to generate significant external costs by impeding future innovation. Creators constantly draw upon preexisting cultural elements, whether consciously or not. One of the strongest reasons for a healthy public domain is that widespread access to expression as well as to ideas helps to promote further creative advances.<sup>136</sup> The fair use doctrine is defensible on similar grounds.

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133 See Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485, 494–97 (2004) (discussing how the 1976 copyright reforms have made it harder to acquire information about right-holders' identity by ceasing to condition copyright protection on official registration of the work).

134 See Calabresi & Melamed, *supra* note 96, at 1111.

135 See Niva Elkin-Koren, *Copyrights in Cyberspace—Rights Without Laws?*, 73 CHI-KENT L. REV. 1155, 1197–99 (1998); Van Houweling, *supra* note 18, at 946–49.

136 See Jessica Litman, *The Public Domain*, 39 EMORY L.J. 965, 968 (1990).

As noted above, transformative uses are among the most likely to be categorized as fair.<sup>137</sup> This aspect of the law makes perfect sense since transformative uses produce new value beyond that contained in the underlying work itself, and therefore transformative fair uses can benefit society.<sup>138</sup> Fair use doctrine also helps counteract the difficulty that individuals who create transformative works have in earning recompense that approximates the benefit society receives.<sup>139</sup> From society's perspective, this difficulty means that such users would tend to undervalue fair use if they had to negotiate with copyright owners for permission to engage in the use. The privilege to make fair use of copyrighted works lowers the would-be transformer's costs. Yet commandeering resurrects the undervaluation problem: if the user undervalues a contemplated fair use, she may be excessively willing to bargain away her right to make fair uses in the future. The timing of commandeering may compound this problem given that restrictive licenses typically ask users to contract away their fair use rights when they first access copies of the work. At that point in time, however, the user may not yet have any concrete plans to make fair use of the work. For example, the creative insight to lampoon some piece of software may arrive only after first-hand experience of how dreadful it is. If the user has already contracted away his fair use privilege, his decision whether to proceed with the fair use must weigh the hassle of renegotiating with the commandeering right-holder (or the risk of proceeding with the fair use despite the contractual prohibition) against the difficulty of internalizing the benefits that the fair use would create. Bargaining away copyright law's default grant of fair use privileges can thus chill value-creating fair uses in a way that affects society and not just the parties to the agreement.

On the other hand, another variety of offensive commandeering, restricting first sale rights, has the potential to yield positive externalities. William W. Fisher has argued that resale restrictions enable price discrimination, which itself can be socially beneficial because it can increase access to copyrighted works.<sup>140</sup> Since copyright's exclusivity allows copyright owners to price their products substantially above the marginal cost of production (at least where there are few acceptable

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137 See *supra* note 13 and accompanying text.

138 See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994) ("Like less ostensibly humorous forms of criticism, [parody] can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one.").

139 See, e.g., Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989, 1056–58, 73 (1997).

140 William W. Fisher III, *Property and Contract on the Internet*, 73 CHI.-KENT L. REV. 1203, 1234–40 (1998).

substitutes) those consumers who would have purchased the product at a price nearer to its marginal cost of production will instead be priced out of the market. Yet these consumers were willing to pay more for the product than it cost the copyright owner to produce, and thus willing to enter a transaction that was mutually beneficial from their and the copyright owner's points of view. The non-occurrence of such transactions is a deadweight loss.<sup>141</sup> Price discrimination reduces this loss: if the copyright owner is able to vary price in response to individuals' differing willingness to pay for the product, fewer individuals are priced out of the market. Not only do the copyright owner's profits increase, but so too does access to copyrighted works.<sup>142</sup> The result is a double victory for social welfare, at least on the common assumptions that increased copyright owner profits incentivize further production of copyrighted works<sup>143</sup> and that the benefits that individual users enjoy in accessing copyrighted works extend to the culture and polity as a whole.<sup>144</sup> But price discrimination does not work if there is arbitrage—that is, if those who pay lower prices resell the product to those who would be willing to pay higher prices—which the first sale doctrine of course ordinarily permits.<sup>145</sup> If right-holders are allowed to limit first sale rights, however, they can secure greater profits for themselves as well as increase access to their works.

This stylized discussion of externalities seems to indicate that it would be good policy to make certain categories of commandeering off-limits. Fair use rights, for example, should be declared inalienable because fair use restrictions weaken public discourse and thus have negative consequences beyond the private transactions in which they occur. Several scholars have thus argued that licenses that restrict fair use should be unenforceable under the doctrine of copyright mis-

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141 *Id.* at 1236.

142 Fisher observes that it is impossible to tell whether price discrimination increases total consumer surplus, for the increase in consumer surplus enjoyed by those who now buy the product is somewhat offset by a decrease in consumer surplus enjoyed by those with greater willingness to pay who now pay more. *Id.* at 1239 & n.85. He also notes that this uncertain result is nevertheless attractive from the perspective of distributive justice. *Id.* at 1239.

143 *See, e.g.,* *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (“The immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.”). *But cf.* Glynn S. Lunney, Jr., *Copyright’s Price Discrimination Panacea*, 21 *HARV. J.L. & TECH.* 387 (2008) (questioning this rationale for price discrimination).

144 *See* Elkin-Koren, *supra* note 135, at 1198.

145 *See* Fisher, *supra* note 140, at 1237.

use.<sup>146</sup> Meanwhile, the externalities rationale for inalienability might not extend to other copyright entitlements such as first sale privileges, which can yield socially beneficial price discrimination. Unfortunately, matters are not so simple, and these categorical conclusions are undermined by serious uncertainties.

On the economic approach to commandeering, the net effect on social welfare is what ultimately matters. Commandeering may impose a *pro tanto* negative externality,<sup>147</sup> but it is possible for the social cost that this externality represents to be outweighed by the social benefits of positive externalities. Any given species of commandeering may involve offsetting positive and negative externalities.

Consider again large-scale restrictions on fair use. These restrictions may indeed chill the creation of socially beneficial transformations, as explained above. This chilling effect seems to decrease the public's access to expressive works and therefore to be a net drain on social welfare. Yet it is not obvious that fair uses of copyrighted works inevitably lead to an overall increase of access to those works, their relatives, or acceptable substitutes. Take, for instance, possible fair uses of digital platforms. Video game console manufacturers often charge relatively low prices for their platforms and attempt to make their profits mainly on individual games.<sup>148</sup> If reverse engineers create interoperable games in reliance on the fair use doctrine, they compete with the platform manufacturers' own games and limit their profitability. How can we know whether, given this competition, platform prices will remain low? It is actually quite difficult in the absence of highly sophisticated models, since platform makers' overall reve-

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146 *E.g.*, Tom W. Bell, *Codifying Copyright's Misuse Defense*, 2007 UTAH L. REV. 573, 575; Loren, *supra* note 20, at 523–24. Courts, however, have resisted broad application of misuse doctrine and instead reserved it for licenses that impose anticompetitive restrictions. *See, e.g.*, Practice Mgmt. Info. Corp. v. Am. Med. Ass'n, 121 F.3d 516, 521 (9th Cir. 1997) (finding misuse in license conditioned on promise not to use competitors' products); Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 972–73, 979 (4th Cir. 1990) (finding misuse in license prohibiting production of products that would compete with licensor's). *But cf.* Assessment Techs. of WI, LLC v. WIREdata, Inc., 350 F.3d 640, 647 (7th Cir. 2003) (suggesting in dicta that misuse defense might extend to abusive attempts to secure copyright protection over uncopyrightable facts but deciding case on other grounds); Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342 F.3d 191, 205–06 (3d Cir. 2003) (acknowledging possibility of misuse defense even without anticompetitive restrictions but not finding misuse in plaintiff's license agreement).

147 My use of "*pro tanto*" here is meant to mirror moral philosophers' use in describing certain kinds of reasons for action. *See, e.g.*, SHELLY KAGAN, *THE LIMITS OF MORALITY* 17 (1989) (contrasting *pro tanto* and *prima facie* reasons).

148 *See* Pamela Samuelson & Suzanne Scotchmer, *The Law and Economics of Reverse Engineering*, 111 YALE L.J. 1575, 1618–19 (2002).

nues are partly influenced by network effects that are in turn dependent on the overall popularity of what the platform offers consumers in conjunction with the available applications and peripherals.<sup>149</sup> In the final analysis, it may well be the case that reverse-engineered games increase overall access to video gameplay. But that result is not guaranteed as a logical matter. It is conceivable that the opposite result would obtain: less competition over games might keep console prices low. If reverse engineering does increase console prices, and if access to consoles generally yields positive externalities, social welfare might be better served by allowing console manufacturers to restrict fair use privileges.

Printers furnish another relevant example. Printer manufacturers frequently attempt to recoup some of their fixed costs of production through pricing ink or toner cartridges further above marginal cost while pricing the printers themselves roughly at marginal cost.<sup>150</sup> Given competition over systems, this tying can benefit consumers, especially those who anticipate printing at low volumes, because printers will have lower prices and therefore be available to a larger number of individuals.<sup>151</sup> This form of price discrimination is only practicable so long as system manufacturers can prevent competition from reverse-engineered replacement cartridges through contractual restrictions or other means.<sup>152</sup> Here too, it is at least possible that the increased competition over components, which results from fair use, could correspond to higher initial investments for consumers. Higher initial investments might result in less overall access to copyrighted goods, which as above would likely be undesirable from society's point of view.

These possibilities all involve a significant speculation because it is very difficult to tell how offsetting externalities will compare in the final analysis. Not only is it hard to predict the extent to which increased access will occur if fair use restrictions are categorically

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149 See *id.* at 1615–20.

150 E.g., David Becker, *Lexmark Wins Injunction in DMCA Case*, CNET NEWS (Feb. 27, 2003, 5:04 PM), <http://news.cnet.com/2100-1028-990501.html>.

151 See Randall C. Picker, *Copyright and the DMCA: Market Locks and Technological Contracts*, in ANTITRUST, PATENTS, AND COPYRIGHT 180, 189 (François Lévêque & Howard Shelanski eds., 2005).

152 In addition to regular infringement claims—against which reverse-engineering fair use defenses would be available, at least in the absence of commandeering—printer manufacturers often use technological measures to stave off cartridge competition and then assert DMCA anti-circumvention claims. See, e.g., *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2004) (vacating preliminary injunction because printer manufacturer could not establish likelihood of success on infringement and DMCA claims against cartridge competitor).

allowed and the extent to which there will be greater innovation if fair use restrictions are categorically prohibited; it is perhaps even harder to commensurate these access and innovation externalities for a net comparison. Which maximizes social welfare: increased access to existing works but decreased opportunities to transform them into new works through fair use, or increased opportunities to transform existing works but decreased access to them? Economic analysis alone may not be up to this task, and certainly is not at the present moment. For now, then, these uncertainties counsel against rushing to any policy decision over fair use—commandeering on the basis of externalities reasoning alone.

The net social desirability of first sale restrictions is hardly easier to calculate. It is true (other things equal) that perfect price discrimination, which occurs when sellers charge each individual consumer the highest price that that consumer is willing to pay, clearly promotes social welfare more than uniform pricing because it ensures that all mutually beneficial trades occur. But this idealized result does not happen in the real world, where consumers do not wear their preferences on their sleeves and where arbitrage is difficult to prevent. Imperfect price discrimination, which is what actually occurs, benefits sellers but does not necessarily increase social welfare. In certain circumstances, it may actually lower social welfare.<sup>153</sup> Beyond the general difficulty in analyzing the net effect of imperfect price discrimination, there are again special access/innovation trade-offs in the copyright context. Here, too, access to preexisting works may spur the creation of new works. Copyright owners, however, may reasonably worry that creation of those new works will oppose their own interests. Given the opportunity—for instance through first sale—commandeering—copyright owners may be happy to limit certain users' access with the goal of thwarting future competition or criticism.<sup>154</sup> Since copyright owners' information is limited, of course, there is no guarantee that they would be able to accomplish such goals. And so price discrimination could ultimately prove to increase overall access among the users most likely to engage in value-creating innovation.<sup>155</sup> But the important point is that it is actually very chal-

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153 See N. GREGORY MANKIW, *PRINCIPLES OF MICROECONOMICS* 317 (6th ed. 2011).

154 See, e.g., James Boyle, *Cruel, Mean, or Lavish? Economic Analysis, Price Discrimination and Digital Intellectual Property*, 53 *VAND. L. REV.* 2007, 2031–32 (2000). Fisher notes this risk and recommends countering it through privileging socially beneficial uses through expansions in fair use doctrine. See Fisher, *supra* note 140, at 1239 n.86, 1250–52.

155 See Michael J. Meurer, *Copyright Law and Price Discrimination*, 23 *CARDOZO L. REV.* 55, 94 (2001) (“Of course, it is also possible that low valuation buyers create



lenging to determine whether the price discrimination that could occur if first sale privileges were deemed alienable is not unambiguously a net positive for society.<sup>156</sup>

In sum, commandeering's overall social costs are hard to determine because there are multiple moving parts. Beside the challenges inherent in measuring individual externalities, each individual externality needs to be compared to whatever others offset it. Commandeering's third-party harms may be countered by third-party benefits because commandeering is likely to affect both access to existing works and the likelihood of follow-on innovation, each of which contributes to social welfare.<sup>157</sup> Even if we could accurately appraise each of these effects individually, it would be very difficult to find a common measure along which to compare them. Despite the ubiquity of copyright's balance metaphor, its goals of access and innovation are not commensurable in any straightforward way. This incommensurability poses a significant problem for *ex ante* policymaking. At the very least, the lack of greater empirical understanding and more finely tuned economic models strongly suggests that definitive judgments about the externalities generated by different categories of comman-

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positive externalities; examples might include research, religious, educational, or political uses."); cf. Molly Shaffer Van Houweling, *Distributive Values in Copyright*, 83 TEX. L. REV. 1535, 1570 (2005) ("[P]oorly financed creators[] . . . willingness to pay is low, but they have the tools and the desire to communicate by creatively reusing and redistributing copyrighted works, not merely by consuming those works themselves.").

156 See, e.g., Meurer, *supra* note 155, at 107–08 (proposing that price discrimination may be socially beneficial on net for some works but not others and noting the importance of empirical investigation).

157 As with the rest of this section, these claims are limited to offensive commandeering. By comparison, the third-party effects of defensive commandeering generally seem positive, since it involves the giving up of exclusive rights rather than their expansion. See Van Houweling, *supra* note 18, at 948–49. There may be reasons to oppose some forms of defensive commandeering, see *infra* Part III.A, but externalities concerns are infrequently among them.

In theory, however, defensive commandeering can generate negative externalities, at least when the commandeering's purpose is to make copyrighted expression unavailable. Alongside the usual medical office paperwork, some physicians evidently require all their patients to sign away copyrights in any online reviews that the patients write about their treatment experience. See generally *The Back Story, DOCTORED REVIEWS*, <http://doctoredreviews.com/patients/the-back-story/> (last visited Jan. 11, 2012) (describing the story behind anti-review contracts). If such doctors issue take-down notices in a way that eliminates accurate criticism, their defensive commandeering would impose a social cost. Of course, if they remove a much larger amount of inaccurate and misleading criticism, their commandeering might not be socially costly on net.

deering must rest at least partly on guesswork and personal preferences.<sup>158</sup>

### III. A PROPERTY-BASED APPROACH TO COMMANDEERING

The previous Part examined three common arguments against types of copyright commandeering. I argued that they overreached and did not deliver compelling reasons for courts to forbid entire categories of commandeering. In response, one could, of course, gravitate toward the opposite end of the policy spectrum and permit all copyright commandeering, at least provided that it comported with antitrust, contract, and other relevant law. But this also would be a mistake, for commandeering is genuinely troubling in some circumstances. In this Part, I propose that commandeering should be scrutinized through the lens of *in rem* property rights, and I discuss how this perspective applies to the facts of particular cases. I propose a definition of copyright commandeering in the strict sense, which covers the subset of the practices this Article has been considering that should be viewed by courts with heightened suspicion. Commandeering in the strict sense consists in those large-scale adjustments to copyright entitlements that reach the level of changes in property rights and that are effected without clear consent from those adversely affected. Some, but not all, of the examples discussed earlier qualify as commandeering in this narrower sense.

Before proceeding, however, I should acknowledge the considerable debate that surrounds the concept of property, on which my proposal would seem crucially to depend. Philosophers and legal theorists disagree strongly over how to think about property rights and, in particular, about whether ownership of private property amounts to nothing more than having a bundle of rights or instead is a special kind of right to a thing where the thing's features play a role in explaining what rights one has. Philosophers invoking Wesley Hohfeld,<sup>159</sup> as well as legal realists<sup>160</sup> and economists<sup>161</sup> have often

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158 Cf. Harvey S. Perlman, *Taking the Protection-Access Tradeoff Seriously*, 53 VAND. L. REV. 1831, 1839 (2000) (“[T]here is neither an economic theory nor sufficient empirical data to help in achieving a proper balance between [access and protection]. In such circumstances, academic research that suggests a tweaking of either property or access rights in either direction is unsatisfying because there is no way to tell whether a particular move is likely to result in a net increase or decrease in innovation.”).

159 E.g., STEPHEN R. MUNZER, A THEORY OF PROPERTY 23 (1990); see also WESLEY NEWCOMB HOHFELD, FUNDAMENTAL LEGAL CONCEPTIONS AS APPLIED IN JUDICIAL REASONING 72, 78 (Walter Wheeler Cook ed., 1919) (defining *in rem* rights in terms of the numerosity and indefiniteness of the duty-holders instead of in terms of things). As Munzer notes, Hohfeld did not himself advance a “bundle of rights” picture of prop-

emphasized the former, but each group has had its opponents who emphasize the central importance of things in the analysis of property rights.<sup>162</sup> Thankfully, I can set aside much of this controversy because this Article is concerned with the normative implications of how certain rights function, not with conceptual analysis for its own sake. For my purposes it is enough to identify a few special functions that property rights have but that the legal mechanisms used in commandeering, such as contracts and class action settlements, usually do not have. The next three sections, therefore, center on the temporal extendedness of property rights, the remedies typically associated with property rights violations, and the ability of property rights to impose obligations on third parties. Recognition of these three qualities of property does not require taking a firm stand on foundational conceptual controversies.

### A. *Google's Attempted Property Taking*

The impact of commandeering on property rights as such is at the heart of the reasoning of the district court that rejected the proposed Google Books settlement. Recall that Google had endeavored to create an elaborate arrangement with prospective effect, including, most importantly, granting Google and its customers permission to engage in behavior that, but for the settlement, would have qualified as copyright infringement.<sup>163</sup> Like any other proposed class action settlement, the Google Books settlement would become effective only upon the court's determination that the settlement was "fair, reasonable, and adequate."<sup>164</sup> Courts consider a wide array of factors in this process,<sup>165</sup> but the overarching inquiry involves weighing "the plaintiff's likelihood of success on the merits against the amount and form

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erty but rather created an analytic vocabulary of rights and correlative duties that is well-suited for such a picture of property. See MUNZER, *supra*, at 17–18.

160 *E.g.*, Thomas C. Grey, *The Disintegration of Property*, in NOMOS XXII 69 (J. Roland Pennock & John W. Chapman eds., 1980).

161 *E.g.*, R.H. Coase, *The Problem of Social Cost*, 3 J.L. & ECON. 1, 44 (1960) (describing land ownership as consisting in "the right to carry out a circumscribed list of actions").

162 *See, e.g.*, Hanoch Dagan, *The Craft of Property*, 91 CALIF. L. REV. 1517 (2003); Thomas W. Merrill & Henry E. Smith, *What Happened to Property in Law and Economics?*, 111 YALE L.J. 357 (2001); J.E. Penner, *The "Bundle of Rights" Picture of Property*, 43 UCLA L. REV. 711 (1996).

163 *See supra* text accompanying notes 42–50.

164 FED. R. CIV. P. 23(e)(2).

165 *See, e.g.*, *City of Detroit v. Grinnell Corp.*, 495 F.2d 448, 463 (2d Cir. 1974) (identifying nine factors for courts to consider), *abrogated on other grounds by Goldberger v. Integrated Res., Inc.*, 209 F.3d 43 (2d Cir. 2000).

of the relief offered in the settlement.”<sup>166</sup> There is no serious doubt about whether Google’s unauthorized sale of complete copyrighted texts, even on the condition that it share revenues with owners of the texts’ copyrights, would amount to actionable infringement. Indeed Google never claimed otherwise.<sup>167</sup> Yet the proposed settlement would have allowed Google to do just that, unless the right-holder affirmatively opted out of Google’s project in accordance with the settlement’s terms.<sup>168</sup> In rejecting the Google Books settlement, the district court rightly concluded that the settlement attempted to accomplish too much, given what it was proposing that class members relinquish.

In determining that the settlement would go too far, the district court expressed concern not over the part of the settlement that released Google for already-incurred liability, but over the part that would excuse Google’s yet-to-be-committed infringement.<sup>169</sup> The court found this part of the settlement to be a misuse of the class action mechanism because it attempted to go well beyond the plaintiffs’ actual claims by establishing a forward-looking business arrangement.<sup>170</sup> In particular, the court observed that copyright owners would lose property rights unless they seized the initiative required to opt out of the settlement: “[C]lass members would be giving up certain property rights in their creative works, and they would be deemed—by their silence—to have granted to Google a license to future use of their copyrighted works.”<sup>171</sup> This feature of the settle-

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166 *Carson v. Am. Brands, Inc.*, 450 U.S. 79, 88 n.14 (1981).

167 *See Authors Guild v. Google, Inc.*, 770 F. Supp. 2d 666, 678 n.11 (S.D.N.Y. 2011).

168 Right-holders initially had the ability to opt out of the settlement class entirely, but this ability expired on January 28, 2010. Order Granting Preliminary Approval of Amended Settlement Agreement at 5, *Authors Guild*, 770 F. Supp. 2d 666 (No. 05 CV 8136-DC), available at [http://thepublicindex.org/docs/amended\\_settlement/order\\_granting\\_prelim\\_approval.pdf](http://thepublicindex.org/docs/amended_settlement/order_granting_prelim_approval.pdf). Those who remained class members had options under the settlement to have their works removed from Google’s database, but those options too had expiration dates. *See Amended Settlement Agreement*, *supra* note 47, at § 3.5(a). Short of complete removal, right-holders who felt that Google was infringing their works would have been able to request limits on Google’s display of their works to its customers. *Id.* §§ 3.2(e)(i), 3.5(b)(i). But right-holders’ ability to demand specific display arrangements with Google was nevertheless limited in various ways including, notably, the “coupling requirement” that the right-holder for an out-of-print book allow the book to be accessed via institutional subscriptions if she wanted the book to be available for individual consumer purchase. *Id.* § 3.5(b)(iii).

169 *See Authors Guild*, 770 F. Supp. 2d at 669, 676–77.

170 *See id.* at 678–79.

171 *Id.* at 680.

ment, the court determined, essentially amounted to expropriation of copyright owners' property.<sup>172</sup>

Although the court did not explain its conception of property rights in detail, the forward-looking effect of the settlement was clearly at the fore of the court's thinking. Interferences with ownership can be of either limited or indefinite duration. These interferences have traditionally been treated differently in the law because they are rather different types of injury. That difference explains, for instance, why it is (at most) a trespass for state actors to invade private property on a single occasion,<sup>173</sup> yet it is a taking for state actors to authorize a permanent invasion of private property.<sup>174</sup> To interfere with an owner's use of her property on a particular occasion is injurious, but it is a far greater injury to interfere with use of that property forever.<sup>175</sup> This insight also accounts for the common law distinction between trespass to chattels and conversion, as well as for the differing remedies available for each cause of action. William Prosser explains:

The theory of trespass was that the plaintiff remained the owner of the chattel, with his possession only interfered with or interrupted, so that when it was tendered back to him he must accept it. His recovery was limited to the damages he had sustained through his loss of possession, or through harm to the chattel, which were usually considerably less than its value. The theory of trover was that the defendant, by "converting" the chattel to his own use, had appropriated the plaintiff's rights, for which he was required to make compensation. The plaintiff was therefore not required to accept the chattel when it was tendered back to him; and he recovered as his damages the full value of the chattel . . . .<sup>176</sup>

Trespass to chattels, in other words, involves temporally limited interference with ownership, while conversion injures the owner's rights in the chattel permanently. Because of the potential durability of property violations—that is, the fact that they can extend indefinitely through time—the law has long acted differently in the case of property intrusions that are over and done with than in the case of those that are continuing with no end in sight. In both cases, courts will award compensation for harms resulting from the violation, but in

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172 See *id.* at 680–81.

173 See, e.g., *Turner v. Sheriff of Marion Cnty.*, 94 F. Supp. 2d 966, 984 (S.D. Ind. 2000).

174 See, e.g., *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 441 (1982).

175 See *id.* at 435.

176 William L. Prosser, *The Nature of Conversion*, 42 CORNELL L.Q. 168, 170 (1957).

the latter, courts are further likely to issue injunctions ordering the violation to end.<sup>177</sup>

In rejecting the Google Books settlement, the district court continued this tradition of distinguishing between temporary and permanent property violations. The proposed settlement would not merely have released Google from liability for previous, temporally limited incursions into the class members' intellectual property rights. It would have amounted to a permanent impairment of the remaining life of their copyrights by indefinitely authorizing Google and its customers to reproduce class members' copyrighted works without needing to secure permission. In this respect, the Google Books settlement operated no differently than the other forms of defensive commandeering discussed in Part I. ASCAP, Lucasfilm, and Creative Commons each demanded the permanent relinquishment of copyright interests.<sup>178</sup> A crucial difference between the Google Books settlement and those examples, however, was in the former's automatic inclusion of innumerable copyright owners.<sup>179</sup> This opt-out design was in tension with the usual presumptions of property rights, which prohibit use of private property even if its owner has not explicitly denied his permission to users seeking access to his property. The default in property law is no use without permission.<sup>180</sup> The court noted that this feature of the Google Books settlement was of particular concern in the copyright context. Not only does copyright law, like the law of tangible property, place permission-related burdens on those seeking access rather than on copyright owners, but furthermore copyright owners affected by Google's project might not know

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177 Courts do not necessarily grant injunctive relief, however, where the injunction would result in disproportionate hardship. *See, e.g., City of Harrisonville v. W.S. Dickey Clay Mfg. Co.*, 289 U.S. 334, 337–38 (1933); *cf. eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006) (requiring courts to consider “the balance of hardships” before issuing an injunction against patent infringement). In deciding whether to issue injunctions, however, courts are largely unmoved by claims of disproportionate hardship if the defendant intentionally violated the plaintiff's property rights. *See, e.g., Ottavia v. Savarese*, 155 N.E.2d 432, 436 (Mass. 1959).

178 *See supra* notes 58–64, 73–78 and accompanying text.

179 *Authors Guild v. Google, Inc.*, 770 F. Supp. 2d 666, 681 (S.D.N.Y. 2011) (judging settlement's opt-out nature to be incompatible with property's right to exclude).

180 Felix Cohen famously characterized property as bearing the following label:

To the world:

Keep off X unless you have my permission, which I may grant or withhold.

Signed: Private citizen

Endorsed: The state

Felix S. Cohen, *Dialogue on Private Property*, 9 RUTGERS L. REV. 357, 374 (1954).

who they are.<sup>181</sup> In the other examples of defensive commandeering, individual owners affirmatively consented to the transfer of their property interests. Although the terms of this transfer were not fully within these copyright owners' control, there is still reason to think that they found agreeing to those terms preferable to refusing them. For this reason, courts may accept that their assent, unlike that of the Google Books class members,<sup>182</sup> was voluntarily given. In sum, of these various examples, the Google Books settlement is the clearest example of copyright commandeering, because it both rearranges property rights and does so without adequate consent.

Consent, of a certain kind, is also the factor that distinguishes the Google Books settlement from that proposed in another highly prominent copyright class action, *In re Literary Works in Electronic Databases Copyright Litigation*.<sup>183</sup> Freelance writers had brought infringement claims against a group of publishers and electronic database creators for unauthorized reproduction of the writers' works.<sup>184</sup> In 2005, representatives of the parties negotiated a class action settlement, which a district court approved, but in 2007, the Second Circuit held that federal courts lacked subject matter jurisdiction to approve the settlement as written.<sup>185</sup> The Supreme Court then reversed the Second Circuit's subject matter jurisdiction holding.<sup>186</sup> And in the most recent episode of this controversy, the Second Circuit rejected the set-

181 See *Authors Guild*, 770 F. Supp. 2d at 682. There are well-known difficulties involved, for instance, in identifying the ownership of copyright interests in derivative works, especially given the frequency with which such interests are transferred, to the extent that sometimes copyright owners themselves "are simply unaware of what they own." U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS 27 (2006). Aside from difficulties involved in appreciating one's ownership of orphan works copyrights, the *Authors Guild* court noted that "there are likely to be many authors—including those whose works will not be scanned by Google until some years in the future—who will simply not know to come forward." *Authors Guild*, 770 F. Supp. 2d at 682.

182 The court concluded by indicating that an opt-in version of the settlement would allay most of its concerns. *Authors Guild*, 770 F. Supp. 2d at 686.

183 654 F.3d 242 (2d Cir. 2011) (*Literary Works II*).

184 Before the litigation turned into a class action, defendants' main defense against the infringement claims was appealing to 17 U.S.C. § 201(c) (2006), which speaks of collective work copyright owners' privilege to reproduce an individually copyrighted contribution, *inter alia*, in revisions of the collective work. The Supreme Court eventually held, however, that this statutory provision did not apply to reproducing the contribution in electronic databases because those databases distribute individual articles apart from the context of the collective work that originally contained them. *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 488 (2001).

185 *In re Literary Works in Elec. Databases Copyright Litig.*, 509 F.3d 116, 118 (2d Cir. 2007) (*Literary Works I*).

186 *Reed-Elsevier, Inc. v. Muchnick*, 130 S. Ct. 1237 (2010).

tlement because of conflicts within the class.<sup>187</sup> But most importantly for present purposes, the Second Circuit simultaneously rejected objectors' argument that the proposed settlement was improper because it attempted to release claims against defendants and their licensees for future infringement that had not yet occurred.<sup>188</sup> Although the court's opinion made no mention of the Google Books case,<sup>189</sup> its brisk treatment of the objectors' argument is in some tension with the Google court's skepticism of forward-looking business arrangements.<sup>190</sup> Yet while the two courts' levels of concern about property rights as such are indeed dissimilar, there is a significant difference in the degree of consent that class members had shown with respect to the alleged infringement in the two cases. Unlike the Google Books class, which included many copyright owners—such as orphan work copyright owners—who had never interacted with the alleged infringer, the *Literary Works* class members had already consented to publisher-defendants' reproduction and distribution of their works.<sup>191</sup> It is true that the authors had not specifically consented to reproduction and distribution through digital media,<sup>192</sup> but it is hard to imagine why writers who had agreed to permit printed distribution of their writings would oppose digital distribution except in an effort to secure higher compensation.<sup>193</sup> Because class members had thus previously shown a willingness to authorize these defendants' use of their works, a court could reasonably view this litigation as being more about how to divide a new revenue stream in an existing business arrangement than about a complaint by unconsenting right-

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187 *Literary Works II*, 654 F.3d at 254.

188 *Id.* at 247–48.

189 The circuit court did explicitly note, however, that it was refusing to consider, for reasons of untimeliness, arguments based on *Local No. 93, International Ass'n of Firefighters v. City of Cleveland*, 478 U.S. 501 (1986), on which the *Authors Guild* court expressly relied. *Literary Works II*, 654 F.3d at 248 n.4; see also *Authors Guild v. Google, Inc.*, 770 F. Supp. 2d 666, 679 & n.15 (S.D.N.Y. 2011) (applying *Firefighters*).

190 *Literary Works II*, 654 F.3d at 248 (“[R]egardless of whether future infringements would be considered independent injuries, the Settlement’s release of claims regarding future infringements is not improper.” (citing *Uhl v. Thoroughbred Tech. & Telecomms., Inc.*, 309 F.3d 978, 982, 984–85 (7th Cir. 2002))).

191 See, e.g., *id.* at 245.

192 See *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 489 (2001).

193 Cf. *id.* at 510 n.6 (Stevens, J., dissenting) (“Even on my view of this case, respondents retain substantial rights over their articles. Only the respondents, for example, could authorize the publication of their articles in different periodicals or in new topical anthologies wholly apart from the context of the original collective works in which their articles appeared.”).



holders that their copyright interests were being permanently impaired.

Despite the unique facts surrounding the Google Books settlement, the court's justification for rejecting the settlement generalizes. Attempts to cause dramatic changes in the operation of the copyright system give pause for good reason. One need not invoke a perceived "delicate balance"<sup>194</sup> to be troubled by Google's ambitious attempt to change the way that copyright law operates. Its approach to orphan works seems particularly impertinent given Congress's continuing struggles to reach a widely acceptable solution.<sup>195</sup> The Google litigation also challenges easygoing acceptance of private reordering when that reordering occurs without the consent of those affected. Absent such consent, there is no justification for the presumption that the transfer was fair to the transferors. Although one can make a good argument that the Google Books settlement attempted to be fair to the affected parties, it is remarkable how strongly certain of those parties thought otherwise.<sup>196</sup> Change to property rights as such, when effected by means of paltry consent, thus suggests itself as a reasonable place for courts to draw the line between acceptable and unacceptable modifications of copyright's defaults.

#### B. *Securing Property Remedies Through License Gerrymandering*

The stricter definition of commandeering also helps to reach a verdict about a common offensive commandeering practice, namely using mass licenses in order to secure more favorable remedies. Another respect in which property rights are distinctive is in their connection to those remedies known, appropriately enough, as "property rules." The concept of property rules was made famous by Guido Calabresi and A. Douglas Melamed, who contrasted them with "liability rules" as a means by which the law might protect entitlements: When property rules protect an entitlement, anyone seeking to acquire it must do so through negotiation and voluntary exchange with its holder. When liability rules protect the entitlement, by contrast, anyone may acquire it from the holder simply by paying its fair value as determined by the state.<sup>197</sup> Injunctions and punitive damages are the

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194 See *supra* Part II.A.

195 See *Authors Guild v. Google, Inc.*, 770 F. Supp. 2d 666, 678 (S.D.N.Y. 2011).

196 See, e.g., *id.* at 682 n.18 ("The situation we find ourselves in now is one of dismay and powerlessness, with only the weak ability to 'object' or opt out." (quoting letter from two literary agents)).

197 See Calabresi & Melamed, *supra* note 96, at 1092.

paradigmatic examples of property rule remedies because they pressure acquirers to obtain permission from the entitlement holder.<sup>198</sup>

In copyright law, property rules predominate.<sup>199</sup> Those whose works are infringed may elect to receive statutory damages instead of actual damages.<sup>200</sup> Statutory damages range from \$750 to \$30,000 per work,<sup>201</sup> and if the right-holder shows the infringement was willful, the court has discretion to increase the per work amount up to \$150,000.<sup>202</sup> In many circumstances, these damages are super-compensatory—that is, they greatly exceed the measurable harm that the right-holder suffered on account of the defendant's actions.<sup>203</sup> Indeed, copyright damages sometimes reach such astronomic heights that two trial courts have recently held that they violate substantive due process.<sup>204</sup> In addition to statutory remedies, courts may also award attorneys' fees and costs,<sup>205</sup> which can also be considerable.<sup>206</sup> And finally, the Copyright Act specifies that courts, as they see fit, may award injunctions to restrain infringement going forward.<sup>207</sup> These remedial possibilities all serve to benefit copyright owners by assuring them a more robust form of protection for their intellectual property entitlements.

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198 See, e.g., *id.* at 1126–27 & n.71.

199 A copyright owner is eligible for certain property rule remedies, however, only if the work is registered with the U.S. Copyright Office. See 17 U.S.C. § 412 (2006).

200 17 U.S.C. § 504(c)(1).

201 *Id.* The court has the discretion to reduce the statutory damages to \$200 if the infringer shows that she had no reason to believe her behavior constituted infringement. *Id.* § 504(c)(2).

202 *Id.* § 504(c)(2).

203 See, e.g., Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439, 461–62 (2009).

204 See *Capitol Records, Inc. v. Thomas-Rasset*, 100 U.S.P.Q. 2d 1183 (D. Minn. 2011); *Sony BMG Music Entm't v. Tenenbaum*, 721 F. Supp. 2d 85, 116 (D. Mass. 2010). One of those courts, however, has already been reversed. See *Sony BMG Music Entm't v. Tenenbaum*, 660 F.3d 487 (1st Cir. 2011).

205 17 U.S.C. § 505.

206 Courts may award attorneys' fees and costs to whichever side wins in copyright litigation, including victorious defendants. In one extreme recent case, the court forced a losing plaintiff to pay a mind-boggling \$137 million in costs to the defendant it had accused of infringement. *Mattel, Inc. v. MGA Entm't, Inc.*, No. CV 04-9049 DOC, slip op. at 16 (C.D. Cal. Aug. 4, 2011). The decision has been appealed. See Joel Rosenblatt, *Mattel Files to Appeal Judge's Award to MGA Entertainment in Bratz Case*, BLOOMBERG (Aug. 11, 2011), available at <http://www.bloomberg.com/news/2011-08-12/mattel-files-to-appeal-judge-s-award-to-mga-entertainment-in-bratz-case.html>.

207 17 U.S.C. § 502(a). *But cf.* *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006) (identifying four factors that courts must consider before granting injunctions in patent cases).

Contractual entitlements, by contrast, are generally protected only by liability rules: The typical remedy for contract breach is some measure of actual damages, whereas injunctive relief, specific performance, is not available as a matter of course.<sup>208</sup> It is no wonder, then, that copyright owners who acquire new entitlements by license agreements have attempted to draft their licenses so as to protect those newly acquired entitlements with copyright remedies rather than contract remedies. I call this practice *license gerrymandering* because it requires manipulating contractual language so that certain actions that do not typically fall within the category of copyright infringement nevertheless do so when committed by the licensee. Thus, rather than have violation of the agreement's terms be treated as breach of contract, gerrymanderers draft their terms so that the violation will be treated as a violation of the underlying copyright. The way they do this is by granting licensees *conditional* permission to engage in acts that would themselves be infringing if committed without authorization—that is, licensors grant access to their copyrighted works only on the condition that licensees not engage in certain specified behavior that is either expressly permitted by copyright law as non-infringing or completely unrelated to what counts as infringement. Consider a few examples that courts have confronted.

*First*, software manufacturers have attempted to limit competition through licenses that undo the presumption that reverse engineering for interoperability is fair use. In *Bowers v. Baystate Technologies, Inc.*, the Federal Circuit considered a shrinkwrap license provision that prohibited reverse engineering of the licensed software product.<sup>209</sup> Although it noted that reverse engineering of software was typically considered fair use,<sup>210</sup> the panel held that the Copyright Act does not preempt breach of contract claims waiving fair use rights.<sup>211</sup> Dissenting in relevant part, Judge Dyk disagreed in the court's preemption holding as it concerned shrinkwrap licenses, but nevertheless agreed "that a state can permit parties to contract away a fair use defense or to agree not to engage in uses of copyrighted material that are permitted by the copyright law, *if the contract is freely negotiated.*"<sup>212</sup> Neither the majority nor the dissent, however, reached the question of

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208 See, e.g., Anthony T. Kronman, *Specific Performance*, 45 U. CHI. L. REV. 351, 354 (1978).

209 *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317 (Fed. Cir. 2003).

210 See *id.* at 1325 (citing *Atari Games Corp. v. Nintendo of Am., Inc.*, 975 F.2d 832, 843 (Fed. Cir. 1992)).

211 *Id.* at 1323–28.

212 *Id.* at 1336 (Dyk, J., concurring in part and dissenting in part) (emphasis added).

whether such contracting could create new infringement liability over and above actions for contract breach. The copyright owner had brought infringement claims on account of the reverse engineering,<sup>213</sup> and in fact the jury had awarded infringement damages in addition to contract breach damages.<sup>214</sup> But the trial court had set aside the copyright damages awarded by the jury (which were actually lower than the contract damages) as duplicative of the contract damages, and the appellate court affirmed.<sup>215</sup>

*Second*, open-source licensors have sought to preserve the openness of their projects by conditioning certain uses of their works on the licensee's open-source reciprocation. In *Jacobsen v. Katzer*, a copyright owner argued that defendants had made unauthorized copies and modifications of his computer program, which, though copyrighted, was available under the open-source Artistic License.<sup>216</sup> In considering the plaintiff's infringement claims, the Federal Circuit explored the distinction between contractual covenants and conditions.<sup>217</sup> *Jacobsen*, relying on the Artistic License's "provided that" language, argued that it granted conditional privileges to use and modify the software only to licensees who did not present the licensed material as their own work.<sup>218</sup> The district court was willing to agree that Katzer's violation of the license terms constituted breach of the license, but was unwilling to hold that the license's terms "create[d] liability for copyright infringement where it would not otherwise exist."<sup>219</sup> The court of appeals was more receptive to *Jacobsen's* argument, focusing on the license language and the licensor's presumed objectives. Both considerations pointed in favor of construing the license terms as conditions specifying the scope of the permission granted rather than as mere covenants. First, the court pointed out that the license's explicit stated intent was "to state the *conditions* under which a Package may be copied," and further the court noted that applicable state contract law typically views the phrase "provided that" as indicative of a condition.<sup>220</sup> Second, the court observed that

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213 See *id.* at 1327–28 (majority opinion).

214 *Id.* at 1322.

215 *Id.* at 1328.

216 *Jacobsen v. Katzer*, 535 F.3d 1373, 1375–76 (Fed. Cir. 2008).

217 *Id.* at 1380 ("The heart of the argument on appeal concerns whether the terms of the Artistic License are conditions of, or merely covenants to, the copyright license.").

218 See *Jacobsen v. Katzer*, No. C 06-01905 JSW, 2007 WL 2358628, at \*6 (N.D. Cal. Aug. 17, 2007).

219 *Id.* at \*7.

220 *Jacobsen*, 535 F.3d at 1381 (internal quotation marks omitted) (citing *Biepenbrok v. Luiz*, 115 P. 743 (Cal. 1911)).

given the goals of the open source movement and the uncertain adequacy of contract damages as relief, construing the contractual provisions as conditions was essential to protecting the copyright owner's economic interests.<sup>221</sup> The court thus concluded that violation of the terms of the Artistic License would constitute infringement.

Third, the creators of the online game, *World of Warcraft*, gerrymandered their end-user license agreement to ensure fair game-play as they understood it. Their user agreements required licensees to agree not to use third-party "bot" programs, which automatically work through early levels of the game on the end-user's behalf.<sup>222</sup> They then argued, in *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, that a bot maker was liable for secondary infringement, which necessitated a finding that individual players' bot use constituted direct infringement.<sup>223</sup> The Ninth Circuit, however, held that bot use was not infringing because the bot prohibitions constituted covenants, not conditions.<sup>224</sup> After deciding upon this construction of the license, the court proceeded to declare that, "for a licensee's violation of a contract to constitute copyright infringement, there must be a nexus between the condition and the licensor's exclusive rights of copyright."<sup>225</sup> Bot use lacked a sufficient nexus, according to the court, because it did not copy or modify the copyrighted software.<sup>226</sup>

Courts have thus taken a variety of approaches to license gerrymandering. Which approach makes the most sense? Robert Gomulkiewicz has articulated the two most prominent contenders: the approach that gives licensors total leeway in drafting their terms as conditions, and the approach that requires conditions to touch upon the exclusive rights granted to authors under § 106 of the copyright statute.<sup>227</sup> He opts for the former because of worries that the latter might foreclose the possibility of innovative business models, including open source "share alike" or attribution requirements, enforcement of which seems likely to promote social welfare.<sup>228</sup>

The Ninth Circuit, however, embraced the other approach in *MDY Industries* by announcing its nexus requirement for gerrymandered licenses. The court's holding is somewhat ambiguous on

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221 *See id.* at 1381–82.

222 *See MDY Indus., LLC v. Blizzard Entm't, Inc.*, 629 F.3d 928, 938 (9th Cir. 2010).

223 *Id.* at 937.

224 *Id.* at 939–40.

225 *Id.* at 941.

226 *Id.*

227 *See* Robert W. Gomulkiewicz, *Conditions and Covenants in License Contracts: Tales from a Test of the Artistic License*, 17 TEX. INTELL. PROP. L.J. 335, 354–58 (2009).

228 *See id.* at 355–56, 358–60.

this score, since its discussion begins with a focus on the Terms of Use language, much like the *Jacobsen* court's.<sup>229</sup> But its subsequent announcement of the nexus requirement makes it hard to imagine that the court would have enforced a "provided that" restriction as a condition that made infringement remedies available.<sup>230</sup>

Of these two approaches, Gomulkiewicz's is much more defensible as an analytic matter, especially given Ninth Circuit precedent, which does seem to make it easy for software licensors to describe violations of license terms in a way that touches upon their exclusive rights.<sup>231</sup> Applying that precedent, the *MDY Industries* court itself held that *World of Warcraft* players were licensees and not owners of the software; they were thus unable to rely on the "essential step" defense to infringement, which § 117 of the copyright statute makes available to owners of computer programs.<sup>232</sup> Because running the program creates a copy of the copyrighted code in the user's RAM, the copyright statute, according to Ninth Circuit precedent, prohibits *World of Warcraft* users from running the program unless they have permission from the right-holder.<sup>233</sup> Without permission, such normal use of the program qualifies as infringement. So suppose that, unlike this particular license agreement, *World of Warcraft* users were clearly granted permission to run the program only on the condition that they not employ bots. Then their use of bots would end their permission to copy the software code into their RAM and violate the copyright owner's exclusive right against "unlawful reproduction." It is not clear how the license violation, in such circumstances, would lack a nexus with the owner's exclusive right of reproduction.

Perhaps what the Ninth Circuit meant was that using a bot to play a computer game does not in and of itself infringe copyright in the way that making unauthorized derivative works does. It would, however, be quite radical to suggest that license restrictions prohibiting actions that are not in and of themselves infringing could never act as conditions. Not only would such a rule make attribution conditions

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229 *MDY Indus.*, 629 F.3d at 939 ("[I]f the contract is unambiguous, the court construes it according to its terms.").

230 *See id.* at 941 ("Were we to hold otherwise, Blizzard—or any software copyright holder—could designate any disfavored conduct during software use as copyright infringement, by purporting to condition the license on the player's abstention from the disfavored conduct.").

231 *See Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010); *Wall Data, Inc. v. L.A. Cnty. Sheriff's Dep't*, 447 F.3d 769 (9th Cir. 2006); *Triad Sys. Corp. v. Se. Express Co.*, 64 F.3d 1330 (9th Cir. 1995); *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993).

232 *MDY Indus.*, 629 F.3d at 939 (citing 17 U.S.C. § 117(a)(1) (2006)).

233 *Id.*

powerless, as Gomulkiewicz worried, but it would also foreclose the common practice of conditioning copyright licenses on payment. Failing to pay a copyright owner some sum of money does not in and of itself violate her copyright. Indeed, the Ninth Circuit expressly recognized this issue in a footnote, and yet responded with an *ad hoc* summary dismissal of its significance.<sup>234</sup> Payment of money is just one form of consideration one might pay for a license. Agreeing to refrain from certain behavior that the licensor finds objectionable is another. Thus it would seem important to identify a principled basis for distinguishing cash payments from these other forms of consideration.<sup>235</sup> Yet the court offered none.<sup>236</sup>

Gomulkiewicz's preferred approach is less vulnerable to charges of inconsistency, but it is not without its dangers. The particular result in *Jacobsen* was certainly welcome to those who value free access to expressive works according to the terms of open source licensors.<sup>237</sup> But for that camp, the court's reasoning is a double-edged sword. The court's reliance on such magic words as "condition" and "provided that" points the way forward for future license gerrymanderers in search of profit. If an open source licensor can choose contractual language carefully in order to grant a conditional license, then any minimally sophisticated licensor attempting to limit fair use or first sale rights can do likewise. The *Jacobsen* court certainly did not identify any doctrinal principle that would confine this ability to open source licensors. To the contrary, the court only exacerbated the dangers of the *laissez-faire* approach by going against traditional contract interpretation principles and focusing on Jacobsen's motives and economic interests to interpret the license agreement he selected.<sup>238</sup>

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234 *Id.* at 941 n.4 ("We view payment as *sui generis*, however, because of the distinct nexus between payment and all commercial copyright licenses, not just those concerning software.")

235 *Cf.* *Jacobsen v. Katzer*, 535 F.3d 1373, 1379 (Fed. Cir. 2008) ("Traditionally, copyright owners sold their copyrighted material in exchange for money. The lack of money changing hands in open source licensing should not be presumed to mean that there is no economic consideration, however.")

236 *Cf.* Molly Shaffer Van Houweling, *Touching and Concerning Copyright: Real Property Reasoning in MDY Industries, Inc. v. Blizzard Entertainment, Inc.*, 51 SANTA CLARA L. REV. 1063, 1083–85 (2011) (criticizing the *MDY Industries* court's formulation of its nexus requirement but defending a reformulation that appeals to the purposes of copyright law).

237 *See, e.g.*, Paul H. Arne, *Jacobsen v. Katzer—Open Source License Validation: How Far Does It Go?*, COMPUTER & INTERNET LAW., Nov. 2008, at 27, 29 ("This case is a major win for the open source movement.")

238 *See, e.g.*, *Jacobsen*, 535 F.3d at 1382.

This move startlingly suggests that ambiguous license language should be interpreted according to the presumed intent of the *drafter*.<sup>239</sup>

Moreover, the *Jacobsen* court's failure to draw a principled distinction between good and bad types of gerrymandering is troubling because licensees do not always understand the legal ramifications of the conditions/covenants distinction and the tiny variations in language that make the difference.<sup>240</sup> Indeed, there is evidence that the creators of open source licenses did not even understand this technical point before *Jacobsen*.<sup>241</sup> The district court in *Jacobsen* seems to have missed it as well.<sup>242</sup>

These worries indicate that a preferable approach to license gerrymandering would be less deferential than the *laissez-faire* approach and yet not fall into the conceptual inconsistencies that plague the nexus approach. Commentators have largely overlooked the possibility of other approaches to commandeering.<sup>243</sup> One possibility would be to try to determine, *ex ante*, when permitting property rules in gerrymandered licenses contributes to social welfare. There is of course an enormous literature about the extent to which property rules constitute an efficient way to protect legal entitlements. Proponents of liability rules point to their ability to address hold-outs and facilitate

239 The court did not note the contract construction canon that ambiguous terms are to be construed *against* the drafter, or more generally the canon that ambiguous terms are to be construed as covenants instead of conditions. RESTATEMENT (SECOND) OF CONTRACTS §§ 206, 227 (1981); *see also MDY Indus.*, 629 F.3d at 939 (“Wherever possible, equity construes ambiguous contract provisions as covenants rather than conditions.”).

240 *Compare Jacobsen*, 535 F.3d at 1381 (interpreting license using “provided that” as containing conditions), *with Fantastic Fakes, Inc. v. Pickwick Int’l*, 661 F.2d 479, 481, 484 (5th Cir. 1981) (interpreting license using “subject to and in accordance with the following” as containing covenants).

241 *See* Lawrence Rosen, *Bad Facts Make Good Law: The Jacobsen Case and Open Source*, 1 INT’L FREE & OPEN SOURCE SOFTWARE L. REV. 27, 30 (2009) (“The people who wrote the Artistic License, and those who wrote the GPL, and those who wrote many other open source licenses, lucked out on the *Jacobsen* case. Many of us license authors didn’t know the legal difference between a ‘covenant’ and a ‘condition’ when our licenses were written (and many attorneys still don’t).”).

242 *See Jacobsen*, 535 F.3d at 1380 & n.4.

243 Although Gomulkiewicz endorses some degree of remedy-stage skepticism of license restrictions, he does not develop the argument to be made on their behalf. *See Gomulkiewicz, supra* note 227, at 360. Instead, he mostly attempts to downplay the risk that “[p]owerful or clever licensors, arguably, could characterize every conceivable provision as a license condition in order to enhance their opportunity for copyright remedies” by indicating that sometimes licensees are themselves powerful and clever. *Id.* at 356, 357–58.



bargaining,<sup>244</sup> while opponents argue that these advantages are exaggerated.<sup>245</sup> One could attempt to apply insights from this scholarship to license gerrymandering. I am not enthusiastic about the enterprise, however, because of the same access/innovation incommensurables that make it so hard to reach a definitive conclusion about commandeering's externalities.<sup>246</sup> Instead of such an approach, courts should openly begin subjecting gerrymandered licenses to *ex post* scrutiny, for they would have an easier time spotting unfair or socially harmful uses of gerrymandered licenses on a case-by-case basis.<sup>247</sup>

The relative costs and benefits of *ex post* legal decision-making have been discussed at length in the legal literature on rules and standards. Giving content to legal norms *ex ante* is generally associated with legal rules, and *ex post* content-giving with standards.<sup>248</sup> In general, actors in the legal system tend to have an easier time structuring their behavior around law that results from *ex ante* decision-making because it creates law that is more easily known in advance. Legal uncertainty that arises from vague standards can lead to inefficient<sup>249</sup> and unfair<sup>250</sup> outcomes. On the other hand, vague legal standards

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244 See, e.g., Ian Ayres & Eric Talley, *Solomonic Bargaining: Dividing a Legal Entitlement to Facilitate Coasean Trade*, 104 YALE L.J. 1027, 1038–39 (1995); Calabresi & Melamed, *supra* note 96, at 1106–10.

245 See, e.g., Richard A. Epstein, *A Clear View of The Cathedral: The Dominance of Property Rules*, 106 YALE L.J. 2091, 2095–96 (1997); Henry E. Smith, *Property and Property Rules*, 79 N.Y.U. L. REV. 1719, 1722–31 (2004).

246 See *supra* text accompanying notes 147–58.

247 To my knowledge, Professors Reichman and Franklin are the only other authors to have developed a mostly *ex post* response to commandeering problems. See J.H. Reichman & Jonathan A. Franklin, *Privately Legislated Intellectual Property Rights: Reconciling Freedom of Contract with Public Good Uses of Information*, 147 U. PA. L. REV. 875, 931 (1999). My proposal's content, however, differs considerably from theirs, which requires: "All mass-market contracts, non-negotiable access contracts, and contracts imposing non-negotiable restrictions on uses of computerized information goods must be made on fair and reasonable terms and conditions, with due regard for the public interest in education, science, research, technological innovation, freedom of speech, and the preservation of competition." *Id.* at 930. This standard seems to me to be too open-ended and vague in the guidance it offers courts and private parties.

248 See, e.g., Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 DUKE L.J. 557, 559–60 (1992).

249 See, e.g., John E. Calfee & Richard Craswell, *Some Effects of Uncertainty on Compliance with Legal Standards*, 70 VA. L. REV. 965, 965 (1984) (describing how uncertainty produces undercompliance and overcompliance with legal norms).

250 For a rather extreme articulation of this intuition, consider Justice Souter's claim that "a penalty should be reasonably predictable in its severity, so that even Justice Holmes's 'bad man' can look ahead with some ability to know what the stakes

can enable courts to reach better and fairer results in individual cases. Neither approach works well in all situations. This Article's claim is that commandeering in general and license gerrymandering in particular present circumstances well-suited to *ex post* decision making.

*Ex post* decision making tends to be superior when the contents of optimal laws are hard to identify *ex ante*. Since at least Aristotle, legal theorists have understood that there are limits to the possibility of promulgating generally applicable, predictable laws that constrain arbiters' discretion while also leading to good results. In the *Politics*, Aristotle acknowledges the desirability of promulgating such laws and confines magistrates' discretion to matters "on which the laws are unable to speak with precision owing to the difficulty of any general principle embracing all particulars."<sup>251</sup> The law that aims to cover all circumstances may fail, Aristotle tells us in the *Nicomachean Ethics*, because "about some things it is not possible to make a universal statement which will be correct."<sup>252</sup> In such cases, the legislation's oversimplicity can only be corrected *ex post* once a controversy has arisen.<sup>253</sup> Louis Kaplow has echoed some of these observations more recently, arguing that rules are more costly to promulgate than standards because "the ideal content of the law . . . is not immediately apparent."<sup>254</sup>

Copyright commandeering rules are extremely difficult to formulate *ex ante* for the reasons articulated in Part II. Legislative intentions provide little guidance; the actual extent of information costs, let alone how they compare to any accompanying benefits, is difficult to predict; and externalities are likewise very hard to measure *a priori* because of offsetting costs and benefits. Many relevant determinations are easier to make *ex post*. Even the author of *ProCD* admits this

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are in choosing one course of action or another." *Exxon Shipping Co. v. Baker*, 554 U.S. 471, 502 (2008) (citing Oliver Wendell Holmes, Jr., *The Path of the Law*, 10 HARV. L. REV. 457, 459 (1897)). *But see* Seana Valentine Shiffrin, *Inducing Moral Deliberation: On the Occasional Virtues of Fog*, 123 HARV. L. REV. 1214, 1241–42 (2010) ("Prima facie . . . , the bad man has no foundational claim of justice to a more specific price for the behavior, unless we take ourselves to be running a market and selling off permissions to misbehave.").

251 ARISTOTLE, *POLITICS* bk. III, ch. 11, *reprinted in* 2 COMPLETE WORKS OF ARISTOTLE 1986, 2035 (J. Barnes ed., B. Jowett trans., Princeton Univ. Press 1984) (c. 350 B.C.E.).

252 ARISTOTLE, *NICOMACHEAN ETHICS* bk. V, ch. 10, *reprinted in* 2 COMPLETE WORKS OF ARISTOTLE, *supra* note 251, at 1729, 1795.

253 *See id.* at 1796.

254 Kaplow, *supra* note 248, at 569.

point.<sup>255</sup> The *ex post* approach also helps copyright doctrine to remain flexible in the face of ever-evolving technologies. *Ex post* tools like the fair use standard are important for adapting good responses to profound changes in technological possibilities.<sup>256</sup> Although the fair use doctrine can be criticized for the unpredictability it affords users,<sup>257</sup> it at least avoids becoming obsolete very quickly.<sup>258</sup> Similarly, a response to copyright commandeering that seeks to balance the potential for socially beneficial transactions with the risk of socially deleterious ones should preserve some flexibility in order to respond to real-world developments.

The other notable disadvantage of *ex ante* rules in the commandeering context is that they permit opportunistic behavior. License gerrymanders are able to manipulate the words used in their licenses to achieve dramatically different legal effects. Commandeering, I have been arguing, is most troubling when it is committed against those who have not consented. Although our contract system typically presumes that contracting parties have agreed to be bound by any terms that are set forth in contracts they have accepted, there are nevertheless reasons for relaxing that assumption in the case of license gerrymandering. As discussed above, license terms are often ignored by rational users who decline to invest more effort gaining information about low-value transactions.<sup>259</sup> This complacency may stem from an informed willingness to assume the risk that inheres in agreeing to terms one has not read, especially where that risk seems small given the low stakes of the transaction. Yet license gerrymandering, if permitted by courts, can raise the stakes considerably because of the extent to which copyright remedies outstrip contract remedies. It may be presumptuous to question the assent of someone who willingly assumes contractual obligations without reading the contract, but license gerrymandering imposes new property-level obligations, which the licensee may have less reason to anticipate.<sup>260</sup> The reasonable user of intellectual property should expect that violation of statutorily

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255 See Frank H. Easterbrook, *Contract and Copyright*, 42 Hous. L. Rev. 953, 965 (2005) (“*Ex post*, one can identify welfare losses from blocking resale.”).

256 See, e.g., Matthew Sag, *God in the Machine: A New Structural Analysis of Copyright’s Fair Use Doctrine*, 11 MICH. TELECOMM. & TECH. L. REV. 381, 384 (2005).

257 See, e.g., LAWRENCE LESSIG, *FREE CULTURE* 187 (2004) (“[F]air use in America simply means the right to hire a lawyer to defend your right to create.”).

258 Amnon Lehavi, *The Dynamic Law of Property: Theorizing the Role of Legal Standards* 32–33 (June 1, 2010) (unpublished manuscript), available at <http://ssrn.com/abstract=1618768>.

259 See *supra* note 109 and accompanying text.

260 *But cf.* Hill v. Gateway 2000, Inc., 105 F.3d 1147, 1148 (7th Cir. 1997) (“Terms inside Gateway’s box stand or fall together. If they constitute the parties’ contract

defined intellectual property rights will be sanctioned rather than priced at market value.<sup>261</sup> But it is not so clear that such a person ought to anticipate the same sanctions being attached to other actions as well. Much depends on the user's level of legal sophistication.

Existing doctrine already supports this level of fact-intensive scrutiny. As the *Bowers* case indicates, trial courts have a fair amount of discretion to limit duplicative damages where infringement coincides with contract breach.<sup>262</sup> And although injunctions have historically been thought suitable forward-looking relief in intellectual property cases, the Supreme Court has recently instructed courts to weigh four factors before enjoining future infringement—including (1) irreparable injury, (2) inadequate legal remedies, (3) balance of hardships, and (4) the public interest—and emphasized that the application of these factors is a matter for the trial court's equitable discretion.<sup>263</sup>

Through conscientious exercise of their equitable powers to award remedies, courts can correct for opportunistic gerrymandering in individual cases where it presents a problem. Courts should consider whether the individual defendant had fair notice of the heightened remedies. For instance, the consumer who buys a physical object at a local retail outlet likely has the understandable belief that she is the object's owner and is therefore entitled to resell the product if she changes her mind about the product she has purchased. In such circumstances, courts should limit breach of the license to contract damages. By contrast, the purchaser of an e-book, like the programmer who builds on open-source materials, may actually be aware of the restrictions for such works and so be more appropriately subject to infringement damages. Of course it will be a factual question what the defendant's expectations were. But courts of equity are well-suited to learn these facts for the purpose of reaching fair outcomes in particular cases.<sup>264</sup>

Courts should also consider reasonable user expectations in cases where copyright owners attempt to extend property-rule protection

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because the Hills had an opportunity to return the computer after reading them, then all must be enforced.”).

261 Cf. Robert Cooter, *Prices and Sanctions*, 84 COLUM. L. REV. 1523 (1984) (distinguishing between remedies that act as sanctions for the sake of punishing and deterring undesirable behavior and those that act as mere prices).

262 See *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317, 1327–28 (Fed. Cir. 2003).

263 See *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006).

264 Cf. Henry E. Smith, *An Economic Analysis of Law Versus Equity* (May 30, 2011) (unpublished manuscript), available at [http://www.law.northwestern.edu/colloquium/law\\_economics/documents/2011\\_SmithLawVersusEquity.pdf](http://www.law.northwestern.edu/colloquium/law_economics/documents/2011_SmithLawVersusEquity.pdf) (defending equity for its circumscribed ability to prevent opportunism in situations where it would be hard to target by means of generally applicable rules).

beyond any copyrightable *res*. A frequently attempted means of leveraging copyright protection is the bundling together of material not protected by copyright with material that is.<sup>265</sup> In the digital world, it is increasingly easy to make such bundles through the simple addition of copyrighted code. Such maneuvering now extends beyond computer products to many other consumer goods—from garage door openers<sup>266</sup> to printer cartridges.<sup>267</sup> Moreover, the importance of the Internet in today's economy has produced efforts to enforce website terms of use through copyright law. Thus in *Ticketmaster Corp. v. Tickets.com, Inc.*, Ticketmaster argued, albeit unsuccessfully, that a competitor committed copyright infringement when it violated website terms of use by gathering factual information for commercial purposes.<sup>268</sup> It is one thing to allow private parties to invoke contract law to regulate use of material that falls outside copyright's subject matter, but it is something rather different to subject that material to copyright protection. In such cases, courts can ask whether the accused infringer was actually concerned with the copyrighted *res*, or acting on a reasonable assumption that the *res* that interested him was not under copyright.

By selectively withholding property remedies, courts can ensure fair treatment of those who rely on copyright law's defaults and their own common sense. The earlier discussion of copyright remedies shows that to defendants, it can matter a great deal whether behavior constitutes breach of contract or infringement. But the distinction also has consequences for society as a whole, which courts are also able to consider in an *ex post*, remedy-level response to gerrymandering. Because injunctions have the potential to give private parties censorship capabilities,<sup>269</sup> courts should be suspicious of requests for injunctive relief in situations where the copyright statute on its own

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265 See, e.g., *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135 (1998) (considering first sale's applicability to imported hair care products bearing a copyrighted label).

266 See *Chamberlain Grp., Inc. v. Skylink Techs., Inc.*, 381 F.3d 1178 (Fed. Cir. 2004) (rejecting plaintiff's efforts to use the DMCA's anti-circumvention and anti-trafficking provisions to shield its software-containing garage door openers from competition).

267 See *Lexmark Int'l v. Static Control Components*, 387 F.3d 522, 551 (6th Cir. 2004) (rejecting plaintiff's efforts use the DMCA to shield its printer cartridges from competition).

268 *Ticketmaster Corp. v. Tickets.com, Inc.*, No. CV997654HLHVBKX, 2003 WL 21406289, at \*1 (C.D. Cal. Mar. 07, 2003).

269 See, e.g., Mark A. Lemley & Philip J. Weiser, *Should Property or Liability Rules Govern Information?*, 85 TEX. L. REV. 783, 792 (2007) (criticizing injunctions that "put [ ] the dissemination of the defendant's original expression at the mercy of the

would not have found infringement. Suspicion, however, does not equal the bright-line rule that the court instituted in *MDY Industries*.<sup>270</sup> For there will definitely be socially beneficial conditional licenses, such as the Creative Commons attribution license, that indeed create new situations where property-rule remedies apply, but do so only after providing licensees with very clear and salient notice of the conditions. In such circumstances, it is hard to identify any concerns over the new property rules—either from society’s perspective or from that of the licensee who knowingly consented to them.

### C. *Rights Against the World, Including Third Parties*

Legal theorists have long distinguished between *in rem* rights, like property rights, and *in personam* rights, like contract rights.<sup>271</sup> The most common way these Latin terms are defined is according to the class of correlative duty holders. Whereas contract rights usually inhere in and apply against only parties to the agreement, property rights apply much more generally—“against the world.” Thus the class of individuals who hold duties that correspond to an *in rem* right is sizeable in number and indefinite in identity, and the class of individuals who hold duties corresponding to an *in personam* right tend to be few in number and have an easily ascertained identity.<sup>272</sup> As Thomas Merrill and Henry Smith have explained, the boundary between the two categories is not absolute, for there are situations that blend aspects of *in personam* and *in rem* rights, such as by involving a large but definite class of duty-holders or a small but indefinite class of duty-holders.<sup>273</sup> But the two paradigm cases are reasonably clear.

Commentators have often argued that mass licenses for copyrighted works approach nearer to the *in rem* paradigm than their contractual provenance would suggest. Copyright owners who condition access to their products on assent to standardized contract terms seek to ensure that all users of their works is subject to the terms of the unilaterally drafted agreement. Widespread distribution pursuant to standard-form contracts seems to convert *in personam* rights into *in rem* rights by ensuring that every person who interacts with the work is

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copyright owner” since “copyright owners may be particularly bad stewards of other people’s takes on their works”).

270 See *supra* notes 229–35 and accompanying text.

271 Two foundational discussions are 1 JOHN AUSTIN, LECTURES ON JURISPRUDENCE 364–92 (Robert Campbell ed., 5th ed. 1885); HOHFELD, *supra* note 159, at 65.

272 HOHFELD, *supra* note 159, at 72.

273 Thomas W. Merrill & Henry E. Smith, *The Property/Contract Interface*, 101 COLUM. L. REV. 773, 803 (2001).

bound by the restrictive license.<sup>274</sup> These commentators have expressed concerns about this phenomenon whereby mass licensing operates as the functional equivalent of property rights—or, as some have argued, as legislation in its own right<sup>275</sup>—and once again suggested preemption of the contracts as a judicial response. Here, however, the argument is based not on a theory of implied preemption or interference with copyright’s perceived balance, but on specific provisions within the Copyright Act. Section 301 expressly preempts state law that seeks to give rights (1) “equivalent to” any of federal copyright law’s exclusive rights and (2) within the subject matter of federal copyright law.<sup>276</sup> In trying to sort out the first requirement—equivalency—most circuits generally have employed an “extra element” test<sup>277</sup>: A right created by state law is equivalent to a right under federal copyright law if and only if an action that infringes federal copyright (such as reproduction or distribution of a work) would necessarily also violate the state law right. If violating the state law right would require something “extra,” beyond or in place of the requirements for infringement under federal law, the state law creating that right is not preempted. This test is not likely to preempt breach of contract claims, especially for attempts to rearrange copyright law’s initial entitlements as between the contracting parties. For in such

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274 See, e.g., Karjala, *supra* note 86, at 540 (“A purported ‘contract’ on widely distributed products . . . essentially binds the world, just like copyright, because no more is required to establish the expanded rights than the inclusion of a piece of paper with the product claiming such rights.”); Loren, *supra* note 20, at 511–12 (“[T]hese contracts do appear to grant rights against the world.”); Moffat, *supra* note 86, at 70 (“When they become rights against the world, fair use restrictions conflict with copyright policy.”); Maureen A. O’Rourke, *Copyright Preemption After the ProCD Case: A Market-Based Approach*, 12 BERKELEY TECH. L.J. 53, 80 (1997) (“The rights set up by the [ProCD] shrinkwrap thus begin to resemble copyright rights against the world rather than mere contractual rights between two parties.”).

275 See, e.g., Merges, *supra* note 15, at 126; David A. Rice, *Public Goods, Private Contract and Public Policy: Federal Preemption of Software License Prohibitions Against Reverse Engineering*, 53 U. PITT. L. REV. 543, 595 (1992).

276 17 U.S.C. § 301(a) (2006). The full text reads:

On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

*Id.*

277 See 1 NIMMER & NIMMER, *supra* note 132, § 1.01[B][1].

cases, the conduct complained of would not automatically be actionable under copyright law but instead requires that the defendant have made and then violated some specific contractual promise to the plaintiff beyond the behavior that copyright law demands.<sup>278</sup>

Some courts, however, have refused to pronounce all state contract claims unpreempted merely on account of their promissory element.<sup>279</sup> In *ProCD*, the Seventh Circuit vacillated on this important point. On the one hand, the court thought “it prudent to refrain from adopting a rule that anything with the label ‘contract’ is necessarily outside the preemption clause.”<sup>280</sup> But on the other hand, the court seemed to characterize the exclusive rights provided under copyright law as different in kind from rights created by contract, using the *in rem* and *in personam* descriptions as the basis for explaining the difference: a copyright “restrict[s] the options of persons who are strangers to the author” and “is a right against the world” whereas “[c]ontracts, by contrast, generally affect only their parties [such that] strangers may do as they please.”<sup>281</sup> The court’s application of the *in rem/in personam* distinction between copyright rights and mass license rights has provoked much criticism from scholars.

The critics are indeed correct that the *ProCD* court moved too quickly to its conclusion. Even though individual agreements are *in personam* in character, it is fallacious to infer that the aggregation of those agreements necessarily exhibits the same *in personam* quality.<sup>282</sup>

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278 See, e.g., *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 457 (6th Cir. 2001) (classifying a promise to pay for the use of copyrighted content as an extra element for purposes of preemption analysis); *Nat’l Car Rental Sys., Inc. v. Computer Assocs. Int’l, Inc.*, 991 F.2d 426, 430–33 (8th Cir. 1993) (holding that breach of a contractual restriction prohibiting use of licensed software to process data for third parties contained an extra element that would not have been prohibited under copyright law); *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1501 (5th Cir. 1990) (“This action for breach of contract involves an element in addition to mere reproduction, distribution or display: the contract promise made by Taquino, therefore, it is not preempted.”).

279 E.g., *Wrench*, 256 F.3d at 457 (“[W]e do not embrace the proposition that all state law contract claims survive preemption simply because they involve the additional element of promise.”).

280 *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1455 (7th Cir. 1996).

281 *Id.* at 1454; see also *id.* at 1455 (“[W]hether a particular license is generous or restrictive, a simple two-party contract is not ‘equivalent to any of the exclusive rights within the general scope of copyright’ and therefore may be enforced.” (quoting 17 U.S.C. § 301(a))).

282 Hohfeld, for example, is often accused of defining *in rem* rights as nothing more than the large-scale aggregation of *in personam* rights. See, e.g., J.E. PENNER, *THE IDEA OF PROPERTY IN LAW* 23 (1997); Merrill & Smith, *supra* note 273, at 786; see also HOHFELD, *supra* note 159, at 72, 91 (describing *in rem* rights). As Merrill and Smith



This inference commits the fallacy of composition by wrongly deducing from the premise that all the *parts* of something possesses a particular property the conclusion that the *whole* something possesses that property.<sup>283</sup> It is mistaken to infer that a house is small simply because each of its rooms is small, or, as Condorcet showed, that a group's voting preferences are transitive simply because the voting preferences of each of its members are transitive.<sup>284</sup> So it may be wrong to infer that the result of mass licensing business practice is *in personam* because it creates many individual *in personam* contracts. Yet although inferences exhibiting the compositional form are deductively invalid—that is, their conclusion does not follow from the premises—some such inferences are nevertheless reasonable. For example, it *might* not be true that a team is good just because all of its players are good, but nevertheless the fact is usually good evidence that the team is good.<sup>285</sup> It is also safe to conclude that a chair is brown from the fact that its parts are all brown.<sup>286</sup> Thus the merits of inferences about aggregates depend heavily on specific circumstances, and it is clearly wrong to assume that the aggregate features a *different* character than its parts with respect to any particular quality. So it is with the *ProCD* court's conclusion. Further analysis is needed to determine whether there is a transformation from *in personam* to *in rem* rights in the context of standardized contracts.

The most common way of making the *in rem* argument more concrete is to target licenses that strive to regulate all access to the

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explain in detail, however, reducing *in rem* rights to mere aggregates obscures the fact that *in rem* rights function differently than *in personam* rights by economizing on information costs in certain circumstances. See Merrill & Smith, *supra* note 273, at 799–803.

283 There are various ways to refine this definition, but such subtleties are not important to my point here. See, e.g., William L. Rowe, *The Fallacy of Composition*, 71 MIND 87 (1962); see also Yehoshua Bar-Hillel, *More on the Fallacy of Composition*, 73 MIND 125, 125 (1964) (arguing against Rowe that the fallacy of composition can be characterized simply using Carnapian meaning postulates); James E. Broyles, *The Fallacies of Composition and Division*, 8 PHIL. & RHETORIC 108, 108 (1975) (defending Rowe's view that it is difficult to produce a satisfying general characterization of the fallacy of composition).

284 See Marquis de Condorcet, *Essay on the Application of Mathematics to the Theory of Decision-Making*, in CONDORCET 33, 52–57 (Keith Michael Baker ed. & trans., Bobbs-Merrill Co., 1976) (1785). For further discussion of Condorcet's Paradox in this context and an argument that fallacies of composition (and related phenomena) are common in public law theory, see Adrian Vermeule, *Foreword: System Effects and the Constitution*, 123 HARV. L. REV. 4 (2009).

285 See Broyles, *supra* note 283, at 110.

286 Rowe, *supra* note 283, at 87–88.

licensed work.<sup>287</sup> A licensor really does seem to have a right against the world once he has contracted with everyone in it. Yet like the arguments considered in Part II, this argument is less powerful than its proponents indicate. The first limitation, surfacing in *ProCD* itself, is on its applicability. Recall that the *ProCD* court upheld a restriction on the use of telephone directory listings, admittedly uncopyrightable material.<sup>288</sup> After stating that someone who found a copy of *ProCD*'s product on the street would be a stranger to the shrinkwrap contract and hence not bound by the same use-restricting terms as Zeidenberg,<sup>289</sup> the court went on to emphasize that the shrinkwrap would not prevent anyone who chose not to buy *ProCD*'s product from copying or distributing the same telephone directory content that *ProCD* had collected.<sup>290</sup> That material itself remained in the public domain as much as ever. In this respect, the case echoes the famous misappropriation case, *International News Service v. Associated Press*, which held that the AP's competitor could not free ride on its news reporting efforts even though the misappropriated content was not copyrighted by AP.<sup>291</sup> The Supreme Court emphasized that the AP had no property interest in its news *as against the public*, but never-

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287 See, e.g., Elkin-Koren, *supra* note 135, at 1163 ("Terms in such contracts are not tailored to any specific transaction or any particular party. They are standardized and universal. They uniformly govern all access to a work."); Loren, *supra* note 20, at 511-12 ("[F]or clickwrap agreements the only way for anyone to have access to the work is to agree to these provisions."); Moffat, *supra* note 86, at 69-70 ("It is extremely difficult to locate this kind of agreement in the neoclassical model of private ordering, as there is no one who is a 'stranger to the contract.'" (quoting *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996))); cf. Karjala, *supra* note 86, at 540-41 (arguing that wide distribution and absence of negotiation are the important facts).

Robert Merges pursues another strategy, reserving his label, "private legislation," for contracting that (1) is ubiquitous, (2) trades on the licensor's market power, and (3) is evidently objectionable to licensees. Merges, *supra* note 15, at 126. His careful definition of "private legislation," however, has not proved as popular as the label itself, which is bandied about widely without insistence on his definitional restrictions. See, e.g., Moffat, *supra* note 86, at 69; Nimmer et al., *supra* note 80, at 61; cf. Cohen, *supra* note 83, at 479 n.61, 485 n.79 (criticizing the restrictiveness of Merges's definition). But cf. Maureen A. O'Rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms*, 45 DUKE L.J. 479, 557 (1995) (arguing that mass licenses "should not be preempted unless, by creating and enforcing 'private copyright,' the licensor gains near monopoly power in the market for the particular information").

288 At any rate, the court was willing to assume that the material was uncopyrightable. Rather mysteriously, it seemed to hint that, if pressed, it could distinguish *Feist*. See *ProCD*, 86 F.3d at 1449.

289 *Id.* at 1454.

290 *Id.* at 1455.

291 *Int'l News Serv. v. Associated Press*, 248 U.S. 215, 234-36 (1918).

theless did have a “*quasi property*” interest in the news *as against its competitor*, which prohibited only the competitor’s unauthorized copying.<sup>292</sup> Because there remained individuals who were not bound by the rights ProCD claimed in the telephone directory information, ProCD’s restrictive terms created an *in personam* right that exceeded the copyright statute’s exclusive rights, as did the *in personam* right that the *INS v. AP* Court articulated.<sup>293</sup>

Although the court in *ProCD* painted with too broad a brush, the particular conclusion it reached—about the *in personam* character of ProCD’s licensing—was correct because the license only imposed a duty not to copy the directory on specific individuals who were in privacy with ProCD.<sup>294</sup> Thus the claim that ProCD had an against-the-world right in the telephone directory is false, and so criticisms depending on that claim fail at least against *ProCD* in particular. More generally, it is not at all clear that “[t]here are many situations in which the expressive material is available *only* pursuant to contract terms that limit fair use.”<sup>295</sup> Although copyright law certainly does guarantee copyright owners some degree of insulation from competition, for any given copyrighted work there is an open question about the extent to which suitable substitutes are available.<sup>296</sup> Consider computer software, which as we have seen is often sold subject to restrictive licenses: a prospective purchaser of Microsoft Windows who

292 *Id.* at 236.

293 See Shyamkrishna Balganesh, “Hot News”: *The Enduring Myth of Property in News*, 111 COLUM. L. REV. 419, 435 (2011) (observing that the Court did not give the AP an *in rem* entitlement); see also Henry E. Smith, *Intellectual Property as Property: Delineating Entitlements in Information*, 116 YALE L.J. 1742, 1754 (2007) (distinguishing narrow and broad readings of *INS v. AP*).

294 The *ProCD* story is slightly more complicated than this, but only slightly. Although the court of appeals did not mention it, ProCD had actually sued Zeidenberg for copyright infringement as well as for breach of contract and assorted other claims. *ProCD, Inc. v. Zeidenberg*, 908 F. Supp. 640, 643–44 (W.D. Wis. 1996). The basis for the copyright claim was its copyrightable software program, which was the vessel for transmitting the uncopyrighted telephone directory data that actually interested Zeidenberg. Thus the case actually involved two *res*—the telephone directory and the computer program—but the *res* with actual commercial value, the directory, was still available for others to copy and commercialize on their own initiative. The fact that the two *res* were bundled together to make copyright remedies available is at most reason for courts not to award copyright remedies according to the argument I advanced in the last section. It is irrelevant to the present point that the *res* of interest was not subject to any genuine *in rem* right of ProCD’s making.

295 Moffat, *supra* note 86, at 69.

296 Cf. Radin, *supra* note 84, at 185 (noting that the argument that contract can become property “involves what is happening in practice . . . [and] cannot be resolved without some characterization of what is happening on the ground”).

wishes to reverse engineer or who simply opposes commandeering on principle can opt to use Linux instead. While there is no point pretending that market forces guard against all abuses, the laws of supply and demand are not completely inapplicable, either. If enough users find restrictions objectionable, competitors will have an incentive to distribute works without those restrictions. As the earlier discussion of price discrimination suggested, right-holders themselves may attempt to cater to users with such demands. At least in the current market, it is common to find many works available for sale in multiple formats. So those consumers who like having the ability to resell items from their personal media libraries can opt to buy hard copies rather than shop in the Kindle or iTunes stores.

There is, however, one kind of commandeering against which the “rights against the world” argument works quite well. Once a copyright owner has first sold a copy of its work, the first sale doctrine permits the purchaser of that copy to resell it at no risk of committing infringement. But the doctrine does not apply to copies that have never been sold by the copyright owner. Even third parties—despite their absence of privity with the right-holder—can be liable for infringement if they acquire and then resell copies of copyrighted works that were never subject to an initial sale—even if they had no reason to know that previous transactions upstream of them never included a sale.<sup>297</sup> Using contracts to characterize commercial transactions in copies of copyrighted works as mere licenses and not sales, some copyright owners have attempted to impose liability where there is no privity. These contracts really do have the ability to create rights against the world by imposing new duties on non-consenting third parties. In this respect, these contracts are quite unlike those that, as in *ProCD*, bind only users who have had notice of their terms and done some action that signals consent.<sup>298</sup>

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297 See, e.g., *Am. Int'l Pictures, Inc. v. Foreman*, 576 F.2d 661, 664 (5th Cir. 1978) (“[E]ven an unwitting purchaser who buys a copy in the secondary market can be held liable for infringement if the copy was not the subject of a first sale by the copyright holder.”).

298 In their ability to bind unconsenting third parties, these end-runs around first sale also differ from restrictive licenses with which they have been categorized by other scholars as “the new servitudes.” See Van Houweling, *supra* note 18, at 889; see also, e.g., Margaret Jane Radin & R. Polk Wagner, *The Myth of Private Ordering: Rediscovering Legal Realism in Cyberspace*, 73 *CHI.-KENT L. REV.* 1295, 1312–13 (1998) (discussing contracts that “run with” computer software); Robinson, *supra* note 109, at 1478 (discussing the blurring of lines between *in rem* and *in personam* aspects of computer software). The servitudes metaphor has its force because downstream consumers are subject to the same obligations as their predecessors in interest despite minimal interaction with the right-holder. Yet although one can use servitudes as a

In *Vernor v. Autodesk, Inc.*,<sup>299</sup> for example, the manufacturer of a computer program had transferred copies of its software to a company that was contractually prohibited from transferring the software to anyone else.<sup>300</sup> Timothy Vernor eventually bought the company's copies and tried to resell them on eBay, whereupon Autodesk complained that Vernor was infringing its copyright.<sup>301</sup> Autodesk argued that the first sale doctrine did not permit Vernor's distribution because it had never sold the software but rather had only licensed the initial transferee to use it. Despite the fact that the initial transferee was not contractually obligated ever to return its copies of the Autodesk software, the court agreed with Autodesk and held that the license's terms, read as a whole, revealed this initial transaction upstream of Vernor not to be a sale.<sup>302</sup> Thus the terms of the upstream license arrangement precluded application of the first sale doctrine and subjected Vernor to liability for infringing Autodesk's exclusive right to distribute copies of its software.

The *Vernor* court insisted that its decision followed from Ninth Circuit precedent,<sup>303</sup> but even assuming that insistence is justified, little else can be said on the decision's behalf. In analyzing the upstream transaction, the court focused entirely on the terms of the written license agreement, which were unilaterally drafted by the copyright owner.<sup>304</sup> This approach makes nonsense out of the sequence

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launching pad for interesting policy discussion, see Van Houweling, *supra* note 18, at 932–49, many of the so-called new servitudes are formally distinguishable from the more interesting varieties of their ancestors insofar as they do involve individual “click-wrap” agreements between the upstream party and each downstream user. By contrast, where an old-fashioned servitude's benefit or burden runs with the property, the servitude is enforceable even between individuals who have never contracted together or had any previous interaction. See generally RESTATEMENT (THIRD) OF PROPERTY: SERVITUDES ch. 1, introductory n. (2000) (providing an overview of real property interests that run with the land).

299 621 F.3d 1102 (9th Cir. 2010).

300 See *id.* at 1104.

301 *Id.* at 1105–06.

302 *Id.* at 1111–13. Since *Vernor*, the Ninth Circuit reached a very similar result interpreting the software license in *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, 629 F.3d 928, 938–39 (9th Cir. 2010).

303 See *Vernor*, 621 F.3d at 1108–11 (citing *Wall Data, Inc. v. L.A. Cnty. Sheriff's Dep't*, 447 F.3d 769 (9th Cir. 2006); *Triad Sys. Corp. v. Se. Express Co.*, 64 F.3d 1330 (9th Cir. 1995); *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993); and *United States v. Wise*, 550 F.2d 1180 (9th Cir. 1977)).

304 See *Vernor*, 621 F.3d at 1111 (“We hold today that a software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2) significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions.”).

of events that occurs in usual software transactions. As the court observed, end-user license restrictions typically appear when the user installs the software.<sup>305</sup> Before that point in time, something looking like a commercial transaction has already concluded: the would-be user has handed over money in exchange for a tangible product that he will now go elsewhere to install. One may even pay for some tangible software product and then decide not to install it. What sort of transactions are these? By the court's reasoning, they would have to be licenses and not sales, since the transferee would not be authorized, under the first sale doctrine, to go sell his new acquisition. Yet what makes it the case that the first sale doctrine does not apply, on the Ninth Circuit's view, are the terms of a license that has not yet been accepted by any licensee. It is not clear why license terms should be binding in the absence of assent to them.<sup>306</sup> Because such licenses thus attempt to generate rights against the world—that is, against third parties who are not bound by them as a matter of contract law—courts should hold either that a triggering sale has occurred when the transferee acquired indefinite possession of the product,<sup>307</sup> or that enforcement of the terms is preempted to the extent that it imposes liability on third parties in the absence of any binding contractual promise to act as an extra element.<sup>308</sup>

Aside from the express preemption provisions in the copyright statute, one can object to third parties' liability to licensors on grounds of both fairness and welfare, at least where those third parties have inadequate notice of the new rights.<sup>309</sup> It can be unfair to sub-

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305 See *id.* at 1104.

306 Remarkably enough, Autodesk had evidently also claimed—beyond copyright infringement and regardless of the first sale doctrine's applicability—that Vernor was bound by the license agreement that applied to the upstream software customer. *Vernor v. Autodesk, Inc.*, 555 F. Supp. 2d 1165, 1175–76 (W.D. Wash. 2008), *rev'd*, 621 F.3d 1002. Thus Autodesk seemed to be arguing that the Vernor was liable for breach of contract, despite the absence of any evidence that he had ever assented to Autodesk's license. The district court rightly rejected this argument, *id.* at 1176, which the court of appeals did not reach.

307 Cf. *Krause v. Titleserv, Inc.*, 402 F.3d 119, 123 (2d Cir. 2005) (“[I]t seems anomalous for a user whose degree of ownership of a copy is so complete that he may lawfully use it and keep it forever, or if so disposed, throw it in the trash, to be nonetheless unauthorized to fix it when it develops a bug, or to make an archival copy as backup security [pursuant to the essential step defense, 17 U.S.C. § 117(a) (2006)].”).

308 See *supra* notes 276–78.

309 The fairness and welfare considerations probably do weaken at least to some extent where the burdened third party has actual notice of the restriction, but that does not mean that courts should merely refuse to enforce first sale restrictions on parties who lack notice. To carve out an exception by enforcing such restrictions against parties with notice would be a substantial repudiation of the line drawn in

ject someone to sanctions if they had no reason to know they were engaging in sanctioned behavior, and the risk of such sanctions being imposed despite lack of notice creates third-party information costs that are not internalized by the contracting parties.<sup>310</sup> Promotional CDs, to take a low-priced yet litigated example, are frequently distributed with putative first sale restrictions.<sup>311</sup> But because these restrictions occur in the form of labels and not via digital terms of service that every downstream user must click through, such notice may not be preserved down the chain of distribution. If such labels are enforced as rendering the first sale doctrine unavailable, the cautious person wishing to avoid infringement, who acquires a second-hand CD and wishes to resell it, may expend effort verifying that it is encumbered by no such restriction. This verification could be costly since the original terms will likely be difficult to locate.<sup>312</sup> To be sure, distribution of promotional CDs can benefit society by giving those whose views matter in the music world a cheap and easy opportunity to review new releases.<sup>313</sup> But there is no warrant for assuming that such benefits, minus the costs imposed on all individuals who transact in CDs and take precautions against infringement, outweigh the cost/

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*Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350–51 (1908), which was between parties in privity with the copyright owner (against whom restrictions were enforceable) and parties not in privity with the copyright owner but on notice (against whom restrictions were ineffectual).

310 See Smith, *supra* note 114, at 2124.

311 See, e.g., *UMG Recordings, Inc. v. Augusto*, 628 F.3d 1175 (9th Cir. 2011) (holding that mailing promotional CDs triggered first sale doctrine).

312 Similar problems arise from the Ninth Circuit's decision in *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff'd mem., per curiam by an equally divided court*, 131 S. Ct. 565 (2010), which held that the first sale doctrine does not apply to copies of works if the copies are created outside the United States and never sold in the United States pursuant to the copyright owner's authorization. *Id.* at 985–86; see also *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 222 & n.44 (2d Cir. 2011) (holding that first sale doctrine does not apply to foreign-manufactured copies of copyrighted works). For brisk but perceptive remarks on information cost consequences of *Omega's* holding, see Eric Felten, *Watch Out for the Omega Copyright Windup*, WALL ST. J., July 30, 2010, <http://online.wsj.com/article/SB10001424052748703977004575393160596764410.html> (“Constrain the first-sale doctrine and you throw a wrench into the business of used-book stores, garage sales (including the electronic garage sale that is eBay), and any and every sort of secondhand shop. And yes, even public libraries might find themselves facing the challenge of figuring out which books on the stacks were first sold in the U.S., and which were first sold abroad.”).

313 See Richard A. Epstein, *The Disintegration of Intellectual Property? A Classical Liberal Response to a Premature Obituary*, 62 STAN. L. REV. 455, 506 (2010) (“[T]he object of the original [promotional CD distribution] was to allow influential opinion leaders to hear the record in order to promote its sale more widely, which works to the benefit of both the copyright holders and potential purchasers of the CD.”).

benefit package that would be realized if the law did not enforce the restriction.<sup>314</sup>

As I noted above, the first sale doctrine has long resulted in this sort of burden on third parties—to an extent—since it has long been the law that third parties who in good faith sell copies of works never subject to a first sale can still be held liable for infringement.<sup>315</sup> Yet as compared with previous applications of this doctrine, commandeering compounds the problem in a way that is harder to justify. Whereas prior cases upheld distribution-infringement claims against the resellers of pirated goods,<sup>316</sup> manufacturers of the copyright owner's products attempting to sell the goods without authorization,<sup>317</sup> and resellers of goods acquired by questionable means,<sup>318</sup> commandeering involves restrictions placed on goods that the copyright owner has affirmatively relinquished to consumers indefinitely. Not only do these actions occur on a massive scale and therefore affect a much larger group of potential third-party duty-holders, but they are furthermore the product of the copyright owner's own voluntary choices. These choices ensure that the copyright owner receives at least a large part of the benefit that the exclusive distribution right (as qualified by the first sale doctrine) is created to secure.<sup>319</sup> In such cases, therefore, there is no good reason for the law to tolerate the burdens that commandeering places on unconsenting third parties, and so courts should rebuff attempts to bind them.

#### CONCLUSION

To close his magisterial history of copyright law, Lyman Ray Patterson urged courts to stop feeling obliged to address difficult, ever-evolving copyright controversies wholly within the strictures of statu-

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314 For example, the benefits to copyright owners of distributing hard copies of their CDs may exceed the costs to them of a small secondary market. Or they might find alternative means to distribute their works, such as digital distribution coupled with rights-management technological measures.

315 *E.g.*, *Am. Int'l Pictures, Inc. v. Foreman*, 576 F.2d 661, 664 (5th Cir. 1978).

316 *See Shapiro, Bernstein & Co. v. Goody*, 248 F.2d 260, 264 (2d Cir. 1957).

317 *See Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 854 (2d Cir. 1963).

318 *See Am. Int'l Pictures*, 576 F.2d at 664 (“[Defendant] stated in a deposition that he knew better than to ask where his sources acquired their films.”).

319 *See Platt & Munk Co.*, 315 F.2d at 854 (“[T]he ultimate question embodied in the ‘first sale’ doctrine [is] ‘whether or not there has been such a disposition of the article that it may fairly be said that the patentee [or copyright proprietor] has received his reward for the use of the article’” (quoting *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942))).



tory interpretation: “Copyright statutes have provided rules, not principles, and if the principles necessary to a sound body of copyright law are to be formulated, the judges must accomplish the task.”<sup>320</sup>

Today, U.S. copyright law remains the awkward product of an aging statute and disputes between self-interested parties. Courts faced with resolving those disputes often find themselves confronting the same sorts of issues that arise throughout the private law, and yet they do not operate with the same sort of doctrine-making authority that has traditionally defined common law adjudication. Although historically judges have been responsible for the creation of numerous copyright doctrines—from fair use to first sale to misuse<sup>321</sup>—more recently, in our “age of statutes,”<sup>322</sup> courts are not always eager to introduce new principles into federal intellectual property law.<sup>323</sup>

This Article has made the case that courts can and should take a principled approach to the controversies generated by large-scale attempts to alter the entitlements distributed by copyright law. As I showed in Part I, commandeering encompasses a wide range of behavior. The challenge of finding a consistent approach to commandeering-related controversies is therefore considerable. In Part II, I addressed three previous approaches toward commandeering and argued that they take reasonable concerns to untenable extremes. Finally, in Part III, I proposed a new approach, which operates on the principle that courts should not countenance attempts to change the way that copyright entitlements function as property rights for individuals who did not consent to the changes.

This principle strikes me as the most convincing way to account for (1) the intuition that there must be some limits on commandeering, (2) the copyright statute’s general unhelpfulness for ascertaining those limits, and (3) the legal system’s deeply rooted respect for contractual freedom. As I have indicated, this principle also has a foothold in already available doctrines, especially remedial equity, and

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320 LYMAN RAY PATTERSON, *COPYRIGHT IN HISTORICAL PERSPECTIVE* 229 (1968).

321 See, e.g., *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942) (involving patent misuse); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908) (involving first sale doctrine); *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4,901) (involving fair use). See generally Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 *UCLA L. REV.* 889, 926–30 (2011) (discussing the common law roots of copyright doctrines).

322 See GUIDO CALABRESI, *A COMMON LAW FOR THE AGE OF STATUTES* (1982).

323 *But cf.* *Global-Tech Appliances, Inc. v. SEB S.A.*, No. 10-6, slip op. at 10–12 (2011) (incorporating criminal law doctrine of willful blindness into law of induced patent infringement).

the copyright statute's express preemption provision. It thus has the potential to make at least a modest move toward a sounder body of copyright law within the rules set forth by the copyright statute.