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The Impact of Codification on the Judicial Development of Copyright

Christopher S. Yoo*

INTRODUCTION

Ever since *Wheaton v. Peters* rejected the idea of a robust vision of common law copyright,¹ modern copyright has been widely acknowledged to be statutory in nature. At the same time, before 1976, the copyright statutes employed general language that left most of the key interpretive issues to the courts. Over time, courts embraced this role, fashioning a wide variety of doctrines that gave content to the broad directives contained in the statute and developing new law where necessary to govern important situations that Congress did not address.²

The Copyright Act of 1976 took a different approach. Congress replaced much of the general language with more detailed and specific statutory provisions. A key question is what effect, if any, did this reform legislation have on the role of courts in the development of copyright. As a general matter, “[w]hen the legislature enters the field, the courts operate under a narrower delegation.”³ Under some theories of legisprudence, codification displaces judicial development altogether. Under other theories, judicial lawmaking can continue, but subject to greater constraints.

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¹ 33 U.S. (8 Pet.) 591, 658–62 (1834).

² See, e.g., Pierre N. Leval, *An Assembly of Idiots?*, 34 CONN. L. REV. 1049, 1050, 1061–62 (2002); Joseph P. Liu, *Regulatory Copyright*, 83 N.C. L. REV. 88, 101 (2004); Peter S. Menell & David Nimmer, *Unwinding Sony*, 95 CAL. L. REV. 941, 996, 998 (2007).

³ Samuel Estreicher, *Judicial Nullification: Guido Calabresi’s Uncommon Common Law for a Statutory Age*, 57 N.Y.U. L. REV. 1126, 1164 (1982).

Since the enactment of the 1976 Act, courts have continued to engage in common law development in many important areas of copyright law. The question is whether and how this practice can be squared with the dominant understanding that recognizes the supremacy of the legislature in determining the scope of the law. Some of the innovations raise unique issues, in that they take place in areas where Congress has been silent with respect to copyright, but has enacted specific provisions with respect to patent. It is an open question whether the patent provisions establish broad policies that should be applied to copyright law or whether the failure to enact parallel provisions with respect to copyright gives rise to a negative inference that renders such importation illegitimate.

Arguments raised in the Supreme Court during the briefing and oral argument for *Kirtsaeng v. John Wiley & Sons* have heightened the importance of determining the impact of codification on the continued judicial development of copyright. The brief filed by the United States as amicus curiae argued that, even though Congress had twice codified the first sale doctrine, the Supreme Court retained considerable authority to adjust its contours.⁴ In so arguing, the government implicitly took the position, largely accepted by the Court, that codification did not necessarily deprive precodification decisions of vitality or foreclose courts from continuing to shape and reshape copyright law.

The propriety of courts continuing to play an active role in articulating and extending copyright depends on the theory one adopts regarding the proper relationship between courts and legislatures. From some viewpoints, courts' ongoing willingness to develop the law is altogether proper and appropriate. From other perspectives, it is potentially problematic.

⁴ Brief for the United States as Amicus Curiae Supporting Respondent at 27–29, 133 S. Ct. 1351 (2013) (No. 11-697).

This chapter offers an assessment of the propriety of these courts' actions. Part I describes four areas in which courts have continued to develop copyright law since 1976: fair use, copyright misuse, third-party liability, and the first sale doctrine. Part II reviews the leading theories of legisprudence, examining those that accord courts wide latitude, no latitude, and limited authority to develop the law. Part III applies these theories to the four substantive areas described in Part I, while offering some reflections on the judiciary's authority in areas where Congress has not yet acted.

I. FOUR EXAMPLES OF POSTCODIFICATION JUDICIAL DEVELOPMENT OF COPYRIGHT LAW

The enactment of more specific provisions in the Copyright Act of 1976 might have been expected to attenuate the judicial development of copyright. In a number of areas, however, courts have continued to play an active role in shaping and reshaping the contours of copyright law. Four of the most active areas are fair use, copyright misuse, third-party liability, and the first sale doctrine.

A. Fair Use

The roots of the fair use doctrine are typically traced to *Folsom v. Marsh*, in which Justice Story held that a two-volume work of George Washington's letters and papers that copied 388 pages of material from a previous twelve-volume set of Washington's papers infringed the original work's copyright.⁵ Story noted, however, that access to Washington's papers might be justifiable depending on "the nature and objects of the selections made, the quantity and value or

⁵ 9 F. Cas. 342, 348 (C.C.D. Mass. 1841) (Story, J.).

the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or superseded the objects, of the original work.”⁶

Subsequent courts expanded on Justice Story’s suggestion and began to develop the doctrine of fair use.⁷ The resulting doctrine was so variegated that courts criticized it as “the most troublesome in the whole area of copyright”⁸ and “so flexible as virtually to defy definition.”⁹ The two fair use cases that reached the Supreme Court provided little guidance, as both were affirmed without opinion by an equally divided Court, a resolution that carries no precedential value.¹⁰ The major copyright reform legislation enacted in 1909 did not include a provision on fair use.¹¹

Congress finally codified fair use in 1976. The statute is striking in its level of detail, specifically providing that “the fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.”¹² The statute further provides,

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

⁶ *Id.*

⁷ For a review of the early judicial development of the fair use doctrine, see WILLIAM F. PATRY, *THE FAIR USE IN COPYRIGHT LAW* (2d ed. 1995).

⁸ *Dellar v. Samuel Goldwyn, Inc.* 104 F.2d 661, 662 (2d Cir. 1939).

⁹ *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 144 (S.D.N.Y. 1968).

¹⁰ *See Benny v. Loew’s Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff’d by an equally divided court sub nom. CBS, Inc. v. Loew’s Inc.*, 356 U.S. 43 (1958); *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1362 (Ct. Cl. 1973), *aff’d by an equally divided court*, 420 U.S. 376 (1975).

¹¹ *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 447 n.29 (1984) (“The Copyright Act of 1909 . . . did not have a ‘fair use’ provision” (citation omitted)).

¹² 17 U.S.C. § 107.

- (4) the effect of the use upon the potential market for or value of the copyrighted work.¹³

Moreover, “[t]he fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.”¹⁴

Although most courts have organized their discussions of fair use around these four factors, some courts have continued to incorporate others into their analysis.¹⁵ These include such considerations as bad faith,¹⁶ the public interest,¹⁷ and privacy implications.¹⁸

B. Copyright Misuse

Another area of copyright law in which courts have continued to innovate since the enactment of the 1976 Act is copyright misuse. The doctrine was first recognized in the Fourth Circuit’s 1990 decision in *Lasercomb America, Inc. v. Reynolds*, which held that “a misuse of copyright defense is inherent in the law of copyright just as a misuse of patent defense is inherent in patent law.”¹⁹ The court based its decision on the clear establishment of a patent misuse defense by statute, the parallels between patent and copyright under early English law, and “the similarity of the policies underlying patent and copyright.”²⁰

¹³ *Id.*

¹⁴ *Id.*

¹⁵ See 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[A][5][b] (2005).

¹⁶ See *Roy Export Co. Establishment v. CBS, Inc.*, 503 F. Supp. 1137, 1146 (S.D.N.Y. 1980), *aff’d*, 672 F.2d 1095 (2d Cir. 1982).

¹⁷ See *Castle Rock Enter. v. Carol Pub. Group, Inc.*, 150 F.3d 132, 146 (2d Cir. 1998).

¹⁸ See *New Era Pubc’ns Int’l v. Henry Holt & Co.*, 695 F. Supp. 2d 1493, 1504–05 (S.D.N.Y. 1988), *aff’d*, 873 F.2d 576 (2d Cir. 1989).

¹⁹ 911 F.2d 970, 973 (4th Cir. 1990).

²⁰ *Id.*

Since the Fourth Circuit’s *Lasercomb* decision, three additional circuits have recognized copyright misuse as a defense,²¹ whereas three other circuits have declined to adopt it.²² In so doing, some courts have begun to express some discomfort with the lack of statutory authorization. For example, in *Atari Games Corp. v. Nintendo of America Inc.*, the Federal Circuit noted that the Supreme Court had given its tacit approval of the copyright misuse defense in *Loew’s*, subject to the reservation that “[i]n the absence of any statutory entitlement to a copyright misuse defense, however, the defense is solely an equitable doctrine.”²³

Interestingly, some differences in the application of copyright misuse and patent misuse have begun to emerge. For example, a 1988 amendment to the patent statute established that refusal to license does not constitute patent misuse.²⁴ Copyright courts, however, have continued to rule that refusal to license may constitute copyright misuse.²⁵ In cases where refusals to license are alleged to violate the antitrust laws, a context that courts have long recognized is closely related to copyright misuse,²⁶ courts have concluded that the fact that Congress amended the patent statute to exempt refusals to license from misuse while declining to enact a similar amendment to the copyright laws suggests that different policies should apply.²⁷

²¹ See *DSC Commc’ns Corp. v. DGI Tech., Inc.*, 81 F.3d 597, 601–02 (5th Cir. 1996); *Practice Mgmt. Info. Cor. v. Am. Med. Ass’n*, 121 F.3d 516, 521 (9th Cir. 1997), *amended*, 133 F.3d 1140 (9th Cir. 1998); *Video Pipeline, Inc. v. Buena Vista Home Entmt., Inc.*, 342 F.3d 191, 206 (3d Cir. 2003).

²² See *BellSouth Advertising & Publ’g Corp. v. Donnelley Info. Publ’g, Inc.*, 933 F.2d 952, 961 (11th Cir. 1991), *rev’d on other grounds on reh’g*, 999 F.2d 1436, 1446 (1993); *Assessment Techs. of Wis., LLC v. WIREdata, Inc.*, 350 F.3d 640, 647 (7th Cir. 2003); *Garcia-Goyko v. Law Env’tl Consultants, Inc.*, 428 F.3d 14, 21 n.7 (1st Cir. 2005).

²³ 975 F.2d. 832, 846 (Fed. Cir. 1992).

²⁴ 35 U.S.C. § 271(d)(4).

²⁵ See *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1027 n.8 (9th Cir. 2001) (noting that “a unilateral refusal to license a copyright may constitute wrongful exclusionary conduct giving rise to a claim of misuse, but assume that the ‘desire to exclude others . . . is a presumptively valid business justification for any immediate harm to consumers’” (quoting *Image Tech. Servs. v. Eastman Kodak Co.*, 125 F.3d 1195, 1218 (9th Cir. 1997)); *accord In re Indep. Serv. Orgs. Antitrust Litig.*, 964 F. Supp. 1454, 1461 (D. Kan. 1997).

²⁶ *Lasercomb*, 911 F.2d at 977–78.

²⁷ *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1187 (1st Cir.1994).

C. Third-Party Liability

Although earlier precedents exist,²⁸ third-party liability under copyright law is traditionally traced to Justice Holmes’s opinion in *Kalem Co. v. Harper Bros.*, which held a filmmaker liable for creating and distributing unauthorized films based on the copyrighted book, *Ben Hur*.²⁹ The fact that the filmmaker did not exhibit the films himself meant that it was not a direct infringer. This did not absolve it from liability, however, because the filmmaker both expected and encouraged others to use the film in an infringing manner, which was both “the most conspicuous purpose for which [the films] could be used, and the one for which especially they were made.”³⁰ The Court observed that liability for those who did not take part in the final act, but nonetheless contributed to it, is “recognized in every part of the law.”³¹ Although the Court recognized that “nice questions may arise” when “an ordinary article of commerce” is used for infringement, the filmmaker’s complicity was so flagrant that “no such niceties are involved here.”³² Subsequent lower court decisions developed the doctrine still further.³³

When revising the patent statute in 1952, Congress included a specific provision to govern third-party liability. The statute imposed vicarious liability on those who knowingly “actively induce[] infringement of a patent.”³⁴ It also classified as a contributory infringer anyone who sells “a component of a patented machine . . . or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to

²⁸ See *Fishel v. Lueckel*, 53 F. 499 (S.D.N.Y. 1892); *Scribner v. Straus*, 210 U.S. 352 (1908). For a useful review of the early history of third-party liability doctrine, see Menell & Nimmer, *supra* note 2, at 996–1005.

²⁹ 222 U.S. 55, 60–61 (1911).

³⁰ *Id.* at 62–63.

³¹ *Id.* at 63.

³² *Id.* at 62.

³³ See, e.g., *Gershwin Publ’g Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971); *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963); *M. Witmark & Sons v. Calloway*, 22 F.2d 412, 414 (E.D. Tenn. 1927).

³⁴ 35 U.S.C. § 271(b).

be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use.”³⁵

Congress did not include a similar provision when overhauling the copyright laws in 1976. The Supreme Court did not find the failure to do so of any particular import, concluding in *Sony Corp. of America v. Universal Studios, Inc.* that “[t]he absence of such express language in the copyright statute does not preclude the imposition of [third-party] liability for copyright infringements.”³⁶ Instead, the Court regarded third-party liability as a widely acknowledged background principle, reasoning that “vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of a broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.”³⁷ In addition to analogizing to *Kalem*, the *Sony* Court drew parallels between patent and copyright, explicitly importing the exception for a “staple article or commodity of commerce suitable for substantial noninfringing use.”³⁸ Although the Court acknowledged that differences between these two bodies of law existed, neither was relevant to the area of third-party liability.³⁹

The Court reaffirmed this conclusion in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, holding that “[a]lthough ‘[t]he Copyright Act does not expressly render anyone liable for infringement committed by another,’ these doctrines of secondary liability emerged from common law principles and are well established in the law.”⁴⁰ The immateriality of the copyright statute was further underscored by the fact that the Court’s principal authority for the doctrine of

³⁵ 35 U.S.C. § 271(c).

³⁶ 464 U.S. 417, 435 (1984).

³⁷ *Id.*

³⁸ *Id.* at 435–41.

³⁹ *Id.* at 439 n.19, 442.

⁴⁰ *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005) (citations omitted) (quoting *Sony*, 464 U.S. at 434; and citing *Kalem*, 222 U.S. at 62–63; *Gershwin*, 443 F.2d at 1162; 3 NIMMER & NIMMER, *supra* note 15, § 12.04[A]).

contributory infringement was a lower court case decided before the enactment of the 1976 Act.⁴¹ Similarly, the Court held that its prior decision in *Sony* “was never meant to foreclose rules of fault-based liability derived from the common law.”⁴² Rather than develop the common law analysis, the Court followed *Sony*’s lead by analogizing to patent, concluding that the same reasons that led to the *Sony* Court to adopt the patent law standard for determining when to impute the intent to infringe to a third party based on circumstantial evidence also justified adopting the patent law standard for assessing direct evidence of an unlawful purpose.⁴³ With the exception of *Kalem*, the Court built its argument on the authority of lower court patent precedents, citing those decided before the enactment of the Patent Act of 1952 interchangeably with those decided after.⁴⁴ Although the Court noted that third-party liability had been codified with respect to patent law,⁴⁵ the failure to include a similar provision in the copyright statute did not have any effect on its analysis.

D. First Sale Doctrine

The first sale doctrine originated in the Supreme Court’s 1908 decision in *Bobbs-Merrill C. v. Straus*, which arose when retailer R.H. Macy & Co. purchased books from a publisher that were sold subject to the condition that no dealer was licensed to sell the book for less than one dollar, yet nonetheless resold them for eighty-nine cents.⁴⁶ The publisher disclaimed any relief under contract and relied exclusively on the argument that Macy’s actions violated copyright

⁴¹ See *id.* at 930 (citing *Gershwin*, 443 F.2d at 1162).

⁴² *Id.* at 934–35.

⁴³ *Id.* at 936–37 (“For the same reasons that *Sony* took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright.”).

⁴⁴ *Id.* at 935.

⁴⁵ *Id.* at 932, 936 n.11.

⁴⁶ 210 U.S. 339 (1908).

law.⁴⁷ The Court held that, although copyright holders' exclusive right of "vending" their works⁴⁸ permitted the publisher to determine the price at which it sold its books to Macy's, it did not give the publisher the right "to qualify the title of a future purchaser."⁴⁹ Indeed, "[t]o add to the right of exclusive sale the authority to control all future retail sales . . . would give a right not included in the terms of the statute, and, in our view, extend its operation, by construction, beyond its meaning."⁵⁰ The Court framed its decision as "purely a question of statutory construction" of the copyright statutes.⁵¹ As the Supreme Court would later explain, "once the copyright owner places a copyrighted item into the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution."⁵²

Congress codified the first sale doctrine in the Copyright Act of 1909. After reaffirming that copyright holders possessed the exclusive right to "reprint, publish, copy, and vend the copyrighted work" in Section 1,⁵³ Section 41 provided that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained."⁵⁴ In 1947, this provision was renumbered without change.⁵⁵

Congress recodified the first sale doctrine in 1976. Section 106 gives copyright holders six specific rights, including the right to distribute copies, explicitly subject to limitations enumerated in Sections 107–122.⁵⁶ Section 109(a) provides the following:

Notwithstanding the provision of section 106(3) [i.e., the exclusive right to distribute], the owner of a particular copy . . . lawfully made under this title, or

⁴⁷ *Id.* at 346.

⁴⁸ Act of July 8, 1870, ch. 230, § 86, 16 Stat. 198, 212.

⁴⁹ *Id.* at 351.

⁵⁰ *Id.*

⁵¹ *Id.* at 350.

⁵² *Quality King Distribs., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, 152 (1998).

⁵³ Copyright Act of 1909, ch. 320 § 1(a), 35 Stat. 1075, 1075.

⁵⁴ § 41, 35 Stat. at 1084.

⁵⁵ Act of July 30, 1947, Pub. L. No. 80-281, § 27, 61 Stat. 652, 660.

⁵⁶ 17 U.S.C. § 106(3).

any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy.⁵⁷

The simultaneous enactment of another provision has created a difficult interpretive question regarding the scope of the first sale doctrine. The 1976 Act also included a provision that expanded copyright holders' ability to control importation of unauthorized copies of their works. Although the Copyright Act of 1909 directed the Customs Service to bar importation of "piratical copies" of copyrighted works,⁵⁸ it did not apply to the importation of gray-market copies authorized only for distribution only in foreign countries. Consequently, Congress enacted Section 602(a)(1), which provides that "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106."⁵⁹

What was unclear was whether the first sale doctrine codified in Section 109(a) limits the right granted by Section 602(a) to block importation. Two fact patterns have emerged as important: (1) copies manufactured abroad and then imported into the United States and (2) copies manufactured in the United States, exported, and then reimported back into the United States.

With respect to the latter fact pattern, the Supreme Court's unanimous 1998 decision in *Quality King Distributors, Inc. v. L'anza Research International, Inc.* held that copies that were manufactured in the United States, exported, and then reimported were subject to the first sale doctrine.⁶⁰ Because the copies at issue were manufactured in the U.S., the Court had no occasion

⁵⁷ *Id.* § 109(a).

⁵⁸ § 30, 35 Stat. at 1082.

⁵⁹ 17 U.S.C. § 602(a)(1).

⁶⁰ 523 U.S. 135 (1998).

to address the former fact pattern. Indeed, Justice Ginsburg’s concurrence explicitly noted that the Court did not “resolve cases in which the allegedly infringing imports were manufactured abroad” without drawing any comment or objection from the majority.⁶¹

Absent specific guidance from the Supreme Court, the lower courts were left to address the former fact pattern as best they could. The seminal case was the pre-*Quality King* district court decision in *CBS v. Scorpio Music Distributors, Inc.*, which held that Section 109(a) applied only to works “lawfully made under this title” and thus did not apply to foreign manufactured copies.⁶² Although some courts (including the Third Circuit) questioned *Scorpio* in dicta,⁶³ the Ninth Circuit adopted the *Scorpio* rule.⁶⁴ Thus by 1996, one court commented, “The courts . . . appear to be in agreement that that the first sale doctrine does not apply to foreign manufactured works copyrighted in the U.S.”⁶⁵ The Ninth Circuit later expressed concerns about the implications of this holding, noting that it would “render the first sale doctrine wholly inapplicable to foreign manufactured goods, even after the goods have been lawfully imported into the United States” and would give “foreign manufactured goods . . . greater copyright protection than goods manufactured in the United States.”⁶⁶ The Ninth Circuit thus held the first sale inapplicable only when the copies were both manufactured and first sold abroad. Foreign

⁶¹ *Id.* at 154 (Ginsburg, J., concurring).

⁶² 569 F. Supp. 47, 49 (E.D. Pa. 1983).

⁶³ *Sebastian Int’l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3d Cir. 1988); *see also* *Cosmair, Inc. v. Dynamite Enters., Inc.*, 226 U.S.P.Q. 344 (S.D. Fla. 1985).

⁶⁴ *See* *BMG Music v. Perez*, 952 F.2d 318, 319–20 (9th Cir. 1991); *Hearst Corp. v. Stark*, 639 F. Supp. 970 (N.D. Cal. 1986). Two other cases often cited as adopting the *Scorpio* rule are not squarely on point. *See* *T.B. Harms Co. v. Jem Records, Inc.*, 655 F. Supp. 1575 (D.N.J. 1987); *Nintendo of Am., Inc. v. Elcon Indus.*, 564 F. Supp. 937 (E.D. Mich. 1982).

⁶⁵ *Summit Tech., Inc. v. High-Line Med. Instruments Co.* 922 F. Supp. 299, 312 (C.D. Cal. 1996).

⁶⁶ *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir 1994).

manufactured copies whose first sale occurred within the United States remained subject to the first sale doctrine.⁶⁷

After the Supreme Court decided *Quality King* in 1998, lower courts had to determine whether anything in the Supreme Court's decision altered the existing consensus. They uniformly concluded that *Quality King* supported the conclusion that Section 109(a) does not apply to copies manufactured and first sold abroad.⁶⁸ Interestingly, the Supreme Court granted certiorari in a Ninth Circuit decision, only to split 4–4 and affirm the judgment by an equally divided Court after Justice Kagan recused herself.⁶⁹ The issue arose again in *John Wiley & Sons v. Kirtsaeng*, in which a divided panel of the Second Circuit again held that the first sale doctrine codified by Section 109(a) does not apply to copies manufactured in other countries.⁷⁰ In so holding, the Second Circuit rejected the Ninth Circuit's distinction between foreign manufactured copies where the first sale took place abroad and those where the first sale took place in the United States.⁷¹ District Judge Murtha, sitting by designation, dissented.⁷²

The Supreme Court granted certiorari in *Kirtsaeng*.⁷³ For the purposes of this chapter, the most interesting position was taken by the Solicitor General, who argued that the Court should resolve the case by applying the principles in embodied *Bobbs-Merrill*.⁷⁴ The government

⁶⁷ *Denbicare U.S.A. Inc. v. Toys “R” Us, Inc.*, 84 F.3d 1143, 1149–50 (9th Cir. 1996).

⁶⁸ See *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 987–90 (9th Cir. 2008), *aff'd by an equally divided Court*, 131 S. Ct. 565 (2011); *Pearson Educ., Inc. v. Kumar*, 721 F. Supp. 2d 166, 176–78 (S.D.N.Y. 2010); *Pearson Educ., Inc. v. Arora*, 717 F. Supp. 2d 374, 379 (S.D.N.Y. 2010); *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407, 412–13 (S.D.N.Y. 2009); *Microsoft Corp. v. Big Boy Distribution LLC*, 589 F. Supp. 2d 1308, 1317 (S.D. Fla. 2008); *Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 WL 2073491, at *3 (S.D.N.Y. May 13, 2008); *Swatch S.A. v. New City Inc.*, 454 F. Supp. 2d 1245, 1254–55 (S.D. Fla. 2006); *UMG Recordings, Inc. v. Norwalk Distribs., Inc.*, 2003 WL 22722410, at *2–*4 (CD. Cal. Mar. 13, 2003); *Lingo Corp. v. Topix, Inc.*, No. 01 Civ. 2863(RMB), 2003 WL 223454, at *4 (S.D.N.Y. Jan. 31, 2003).

⁶⁹ 131 S. Ct. 565 (2011) (per curiam).

⁷⁰ 654 F.3d 210, 218–22 (2d Cir. 2011), *rev'd*, 133 S. Ct. 1351 (2013).

⁷¹ *Id.* at 221.

⁷² *Id.* at 226 (Murtha, J., dissenting).

⁷³ 132 S. Ct. 1905 (2012) (mem.).

⁷⁴ Brief for the United States as Amicus Curiae Supporting Respondent, *supra* note 4, at 27–29.

asserted in effect that *Bobbs-Merrill* continued to have vitality notwithstanding Congress’s subsequent codification of the first sale doctrine, a claim that drew substantial attention during oral argument.⁷⁵ The Supreme Court eventually agreed, invoking the canon of construction recognizing that “[w]hen a statute covers an issue previously governed by the common law,’ we must presume that ‘Congress intended to retain the substance of the common law.’”⁷⁶

II. THEORIES OF THE RELATIONSHIP BETWEEN LEGISLATIVE AND JUDICIAL LAWMAKING

All four areas of copyright law discussed earlier exhibit the courts’ continuing willingness to develop the law despite the enactment of the Copyright Act of 1976 and without engaging in a close examination of the text and enactment history of the statute. The propriety of the courts’ actions depends on the relevant theories of legisprudence, which span a broad spectrum. At one pole are theories that recognize broad judicial authority to revise and overturn statutes regardless of legislative intent. At the other pole are theories that suggest that codification categorically forecloses all further judicial development of the law. In between are theories that recognize limited judicial authority to continue to innovate.

A. **Broad Judicial Authority to Develop the Law in the Face of Adverse Statutory Language**

One school of thought holds that courts should feel free to overrule or revise statutes on the same terms as judicial precedents. Lord Coke offered a classic statement of this position in *Bonham’s Case*, in which he stated his belief that “when an Act of Parliament is against common right and reason, or repugnant, or impossible to be performed the common law will control it and

⁷⁵ Transcript of Oral Argument at 22, 29, 38, 42, 44–49, 52, *John Wiley & Sons v. Kirtsaeng*, 133 S. Ct. 1351 (2012) (No. 11-697), available at <https://www.eff.org/sites/default/files/filenode/11-697.pdf>.

⁷⁶ 133 S. Ct. 1351, 1363 (2013) (quoting *Samantar v. Yousuf*, 130 S. Ct. 2278, 2289–90 n.13 (2010)).

adjudge such Act to be void.”⁷⁷ Coke’s *Institutes* lauded the common law as “the perfection of reason.”⁷⁸ Under this view, law was not the product of positive enactments and declarations, but rather “a ‘brooding omnipresence’ of Reason, of which decisions [and presumably statutes] were merely evidence and not themselves the controlling formulations.”⁷⁹ The modern consensus rejects the view that the common law is a preexisting, natural construct awaiting discovery. As Justice Holmes noted in his now famous dissent in *Southern Pacific Co. v. Jensen*, “The common law is not a brooding omnipresence in the sky but the articulate voice of some sovereign or quasi-sovereign that can be identified.”⁸⁰

Blackstone echoed Coke’s belief in the perfection of the common law,⁸¹ but acknowledged legislative supremacy when he conceded that “[w]here the common law and a statute differ, the common law gives place to the statute.”⁸² Moreover, he rejected claims “that acts of parliament contrary to reason are void,” because permitting judges to reject statutes they found to be unreasonable would “set the judicial power above that of the legislature, which would be subversive of all government.”⁸³ Blackstone concluded, however, that “the most universal and effectual way of discovering the true meaning of a law, when the words are dubious, is by considering the *reason* and the *spirit* of it.... For when this reason ceases, the law itself ought to cease with it.”⁸⁴ Blackstone also allowed that “where some collateral matter arises

⁷⁷ College of Physician’s (Dr. Bonham’s) Case, 77 Eng. Rep. 646, 652 (C.P. 1609). It should be noted that Coke offered these views before the principle of parliamentary supremacy had become established. Estreicher, *supra* note 3, at 1159 n.106; Jefferson B. Fordham & J. Russell Leach, *Interpretation of Statutes in Derogation of the Common Law*, 3 VAND. L. REV. 438, 441 (1950).

⁷⁸ EDWARD COKE, FIRST PART OF THE INSTITUTES OF THE LAWEES OF ENGLAND 97b (Garland 1979) (1628).

⁷⁹ Guaranty Trust Co. of N.Y. v. York, 326 U.S. 99, 102 (1945); accord Harlan F. Stone, *The Common Law in the United States*, 50 HARV. L. REV. 4, 8 (1936).

⁸⁰ 244 U.S. 205, 222 (1917) (Holmes, J., dissenting).

⁸¹ 1 WILLIAM BLACKSTONE, COMMENTARIES *70.

⁸² *Id.* at *89.

⁸³ *Id.* at *91.

⁸⁴ *Id.* at *61.

out of the general words, and happens to be unreasonable; there the judges are in decency to conclude that this consequence was not foreseen by the parliament, and therefore they are at liberty to expound the statute by equity, and only *quoad hoc* disregard it.”⁸⁵ To the extent that the statutory text is clear, “there is no court that has power to defeat the intent of the legislature.”⁸⁶ Thus, in the words of the leading commentator on statutory interpretation, “[t]o the extent Blackstone saw judges as agents . . . , they were agents of the common law as much as agents of Parliament.”⁸⁷ U.S. commentators issued similar calls for interpreting statutes in a way that preserved the capacity for expansion and adaptation associated with the common law.⁸⁸

Arguments against judicial deference to statutes found a modern voice in Guido Calabresi, who was concerned that legislative inertia was causing the ever-growing body of statutory law to become increasingly out of step with the legal landscape and current majoritarian preferences.⁸⁹ The inability of legislatures to keep up with the pace of change leads courts to distort their reasoning either by straining to find clear statutes ambiguous or to declare statutes unconstitutional.⁹⁰ Calabresi’s solution was to treat statutes the same as common law precedents,⁹¹ even permitting judges to override statutes that have become obsolete.⁹² Calabresi offered a nod towards legislative supremacy when he acknowledged that it would be “infinitely preferable” for legislatures to enact legislation authorizing courts to revise statutes. The absence of such legislative authorization did not give him much pause, however, as he criticized devoting

⁸⁵ *Id.*

⁸⁶ *Id.* at *92.

⁸⁷ William N. Eskridge, Jr., *All About Words: Early Understandings of the “Judicial Power” in Statutory Interpretation, 1776–1806*, 101 COLUM. L. REV. 990, 1002 (2000).

⁸⁸ See, e.g., John Norton Pomeroy, *The True Method of Interpreting the Civil Code*, 4 W. COAST RPTR. 109, 110–13 (1884).

⁸⁹ GUIDO CALABRESI, *A COMMON LAW FOR THE AGE OF STATUTES* 1–7 (1982).

⁹⁰ *Id.* at 38, 81.

⁹¹ *Id.* at 82.

⁹² *Id.* at 96–97, 121–23.

any effort to analyzing when courts could revise statutes without explicit authorization “premature” and even “wasteful and even misguided.”⁹³ Instead, Calabresi thought it better “to get on with the task” of considering how (rather than when) it should be done.⁹⁴

More recently, William Eskridge has advocated a more evolutive approach that he calls “dynamic statutory interpretation,” which Eskridge acknowledges is “related to, but stops far short of” Calabresi’s proposal.⁹⁵ Like Calabresi, Eskridge is motivated in large part by the limits of legislative processes, using the tools of positive political theory to take this skepticism to a new level, arguing that legislative outcomes typically reflect rent seeking and special interests rather than the popular will.⁹⁶ As a result, Eskridge rejects exclusive reliance on methods of interpretation that seek to construe statutes based on the statutory text or legislative intent.⁹⁷ Instead, his approach seeks to provide a corrective to the overrepresentation and underrepresentation inherent in legislative processes that can cause enactments to deviate from majoritarian preferences.⁹⁸ He argues, “Sometimes the circumstances will be materially different from those contemplated by the statutory drafters,” in which case courts can “go . . . *against* the drafters’ expectations, which have been negated because important assumptions have been undone.”⁹⁹ Thus, “[w]hen the assumptions of a society or culture underlying a statute are discredited,” courts seeking “[t]o fulfill the original statutory functions” must “consider the new circumstances, and doing so often leads to a dramatically dynamic interpretation of the

⁹³ *Id.* at 117.

⁹⁴ *Id.*

⁹⁵ William N. Eskridge, Jr., *Dynamic Statutory Interpretation*, 149 U. PA. L. REV. 1479, 1481 n.7 (1994).

⁹⁶ WILLIAM N. ESKRIDGE, JR., *DYNAMIC STATUTORY INTERPRETATION* 157–58 (1994).

⁹⁷ *Id.* at 13–47.

⁹⁸ *Id.* at 156–61.

⁹⁹ *Id.* at 50.

statute.”¹⁰⁰ When faced with such changes, a statute “can change its form to deal with the policy chasm introduced by the obsolescence of some of its assumptions.”¹⁰¹

Eskridge’s initial statement of his theory recognized that the statutory text and the expectations of the legislature that enacted the statute represented the primary considerations when interpreting statutes, conceding that “when a clear text and supportive legislative history suggest the same answer, they typically will control.”¹⁰² Current policies and social conditions influence statutory construction only when “the statutory text is not clear and the original legislative expectations have been overtaken by subsequent changes in society and law.”¹⁰³ His later work envisions a more expansive role for courts, presenting the evolutive perspective as being coequal with text and legislative history.¹⁰⁴ Under this approach, current norms and values can alter the interpretation of a clear text when its “plain meaning is unreasonable and apparently unanticipated by the legislature.”¹⁰⁵

Calls for allowing judges to negate or modify statutes based on contemporary values have met with sharp criticism. Commentators have challenged assertions that courts are better institutionally suited than legislatures to keep up with the times, noting that legislation was initially viewed as a solution to the courts’ inability to keep pace with social and economic change and that judicial lawmaking has led to its share of outdated doctrines.¹⁰⁶ Arguments motivated by the flaws in the legislative process must also take into account that judicial

¹⁰⁰ *Id.* at 53.

¹⁰¹ *Id.* at 55.

¹⁰² Eskridge, *supra* note 95, at 1483–84.

¹⁰³ *Id.* at 1484.

¹⁰⁴ ESKRIDGE, *supra* note 96, at 56, 63–64.

¹⁰⁵ *Id.* at 56.

¹⁰⁶ Roscoe Pound, *Common Law and Legislation*, 21 HARV. L. REV. 383, 384, 405 (1908); Stone, *supra* note 79, at 11–12; *see also* Fordham & Leach, *supra* note 77, at 441 (citing Pound and THEODORE SEDGWICK, A TREATISE ON THE RULES WHICH GOVERN THE INTERPRETATION AND APPLICATION OF STATUTORY AND CONSTITUTIONAL LAW 270 (1st ed. 1857)).

processes suffer from institutional shortcomings of their own.¹⁰⁷ Moreover, determining when a statute is out of sync with contemporary values is likely to prove difficult, and the existing proposals fail to provide a clear basis for determining when a statute is so obsolete as to need judicial revision.¹⁰⁸ The absence of such criteria raises serious concerns about whether the resulting approach to interpretation will be too malleable.¹⁰⁹ The lack of interpretive constraints risks politicizing decisions about when a statute should be overridden.¹¹⁰ Most glaringly, permitting unelected and unaccountable judges to overturn the actions of the politically accountable branches raises serious problems from the standpoint of democracy.¹¹¹

The conventional wisdom is that recent Supreme Court decisions have exhibited a tendency to favor textualism over evolutive approaches.¹¹² Although Eskridge denigrates legislative supremacy as a “shibboleth,” he concedes that it is a “shibboleth with bite.”¹¹³ Text is given the most weight¹¹⁴ and, in Eskridge’s early work, is even controlling.¹¹⁵ Indeed, “[t]he evolutive perspective must yield where the text and evidence of legislative expectation support another interpretation.”¹¹⁶ Under the Supreme Court’s jurisprudence, the question has thus

¹⁰⁷ Estreicher, *supra* note 3, at 1168–69; Martin H. Redish & Theodore T. Chung, *Democratic Theory and the Legislative Process: Mourning the Death of Originalism in Statutory Interpretation*, 68 TUL. L. REV. 803, 856–57 (1994).

¹⁰⁸ See Estreicher, *supra* note 3, at 1130; Redish & Chung, *supra* note 107, at 850; Robert Weisberg, *The Calabresian Judicial Artist: Statutes and the New Legal Process*, 35 STAN. L. REV. 213, 225 (1983).

¹⁰⁹ Abner J. Mikva, *The Shifting Sands of Legal Topography*, 96 HARV. L. REV. 534, 541–42 (1982); John Copeland Nagle, *Newt Gingrich, Dynamic Statutory Interpreter*, 143 U. PA. L. REV. 2209, 2221 (1995); David E. Van Zandt, *An Alternative Theory of Practical Reason in Judicial Decision*, 65 TUL. L. REV. 775, 790–91 (1991).

¹¹⁰ Estreicher, *supra* note 3, at 1166; Redish & Chung, *supra* note 107, at 833, 841.

¹¹¹ Estreicher, *supra* note 3, at 1129, 1137, 1158–65; Allan C. Hutchinson & Derek Morgan, *Calabresian Sunset: Statutes in the Shade*, 82 COLUM. L. REV. 1752, 1761–67 (1982); Redish & Chung, *supra* note 107, at 812; Weisberg, *supra* note 108, at 217.

¹¹² See, e.g., ESKRIDGE, *supra* note 96, at 34; Frederick Schauer, *Statutory Construction and the Coordination Function of Plain Meaning*, 1990 SUP. CT. REV. 231, 231; David L. Shapiro, *Continuity and Change in Statutory Interpretation*, 67 N.Y.U. L. REV. 921, 921–22 (1992).

¹¹³ William N. Eskridge, Jr., *Spinning Legislative Supremacy*, 78 GEO. L.J. 319, 319, 320 (1989).

¹¹⁴ ESKRIDGE, *supra* note 96, at 56.

¹¹⁵ Eskridge, *supra* note 95, at 1495, 1496.

¹¹⁶ *Id.* at 1495.

become how to reconcile the judiciary's role in explicating statutes with the democratic commitment to legislative supremacy.

B. Complete Displacement of Judicial Authority to Develop the Law

At the other extreme are schools of thought that view codification as completely displacing courts' authority to develop legal principles. In the words of the leading treatise on statutory interpretation, "general and comprehensive legislation . . . indicates a legislative intent that the statute should totally supersede and replace the common law dealing with the subject matter."¹¹⁷ Areas where legislation is sometimes said to have almost entirely displaced common law include the Uniform Commercial Code, labor law, and antitrust.¹¹⁸

It would be a mistake, however, to regard all major codifications as displacing prior sources of law. As an initial matter, although some codifications aspired to be comprehensive, others were intended only to cover a portion of existing law.¹¹⁹ This is why, according to a leading commentary on codification, "[t]here is no *a priori* jurisprudentially correct relationship between the codes and the pre-code materials."¹²⁰ Codes can represent either "a culmination of the pre-code materials" or a self-conscious "break . . . from pre-code archaic law."¹²¹

Even if intended to be revisionary, codifications generally leave untouched common law in areas falling outside the scope of the statute. Moreover, that courts retain some freedom to

¹¹⁷ 2B NORMAN J. SINGER & J. D. SHAMBIE SINGER, SUTHERLAND STATUTES AND STATUTORY CONSTRUCTION § 50:5 (7th ed. 2012).

¹¹⁸ Note, *The Legitimacy of Civil Law Reasoning in the Common Law: Justice Harlan's Contribution*, 82 YALE L.J. 258, 259 & n.8 (1972).

¹¹⁹ Mark D. Rosen, *What Has Happened to the Common Law? – Recent American Codifications, and Their Impact on Judicial Practice and the Law's Subsequent Development*, 1994 WIS. L. REV. 1119, 1131–35.

¹²⁰ *Id.* at 1176.

¹²¹ *Id.* at 1177, 1178.

fashion equitable corrections to mitigate unfair outcomes that may arise under mechanical application of the statute.¹²² In the words of a noted judge,

A primary function of any codification of common law . . . is to displace prior *legal* rules. The same cannot be said of prior *equitable* principles. Equity was developed to do justice in individual case by carving expectations to and otherwise modifying legal rules. Thus, a codification of legal rules does not automatically displace the equitable principles which supplement them.¹²³

Thus, codification does not necessarily foreclose later courts from consulting preenactment common law. Nor does it necessarily foreclose courts from continuing to make revisions to an area of law. The easiest case is when the statute itself invites continued judicial development, which poses no analytical problems.¹²⁴ The question is more difficult in the absence of such an invitation. As discussed later, the significance of such silence may depend on the background understandings that frame the codification. The omission may suggest a legislative intent not to allow courts to continue to develop the doctrine and will deter judges' willingness to do so, depending on Congress's intent.¹²⁵

C. Limited Authority for Judicial Development

Between the two extremes of near-complete judicial latitude and complete judicial displacement lies a middle ground that permits a prominent role for judicial development while simultaneously paying sufficient respect to legislative supremacy. Legislatures may delegate such authority to courts. Alternatively, courts may construe statutes in light of other statutes.

¹²² *Id.* at 1164, 1179–86.

¹²³ *Bluebonnet Warehouse Cooperative v. Bankers Trust Co.*, 89 F.3d 292, 299 (6th Cir. 1996) (Merritt, C.J., dissenting).

¹²⁴ *Id.* at 1187–94.

¹²⁵ *Id.* at 1196–98.

1. Affirmative Delegation of Authority to the Judiciary

The strongest case for a strong judicial role in shaping the law after codification arises when the statute affirmatively confers the authority to do so on the courts. The Sherman Antitrust Act has long been regarded as a prime example of congressional delegation of the responsibility for fashioning legal principles in a common law fashion to the judiciary.¹²⁶ Other leading examples include § 301(a) of the Taft-Hartley Act¹²⁷ and 42 U.S.C. § 1983.¹²⁸ When Congress delegates such authority to the courts, common law development poses no conflict with legislative supremacy.

Legislative delegations of lawmaking authority to courts are rarely explicit, however, which raises questions about what indicia are sufficient to signal Congress's intent to confer this power on the judiciary. Some find it sufficient that the statute employed common law concepts as the basis for liability.¹²⁹ Others look to the legislative history for indications of Congress's intention to delegate to the courts the authority to flesh out the law.¹³⁰

Whether a statute cuts off the courts' power to continue to fashion relief is thus itself a matter of statutory interpretation. For example, the Supreme Court looked to legislative intent when determining whether Federal Rule of Civil Procedure 11 or a statute authorizing courts to

¹²⁶ See, e.g., *National Soc'y of Professional Eng'rs v. United States*, 435 U.S. 679, 688 (1978) (Congress "expected the courts to give shape to the statute's broad mandate by drawing on the common-law tradition." (footnote omitted)); *Guardians Ass'n v. Civil Serv. Comm'n*, 463 U.S. 582, 641 n.12 (1983) (Stevens, J., dissenting).

¹²⁷ See, e.g., *Textile Workers Union v. Lincoln Mills*, 353 U.S. 448, 451 (1957).

¹²⁸ See, e.g., *Guardians Ass'n*, 463 U.S. at n.12 (Stevens, J., dissenting); Cass R. Sunstein, *Interpreting Statutes in the Regulatory State*, 103 HARV. L. REV. 405, 421–22 (1989); Larry Kramer & Alan O. Sykes, *Municipal Liability Under Section 1983: A Legal and Economic Analysis*, 1987 SUP. CT. REV. 249, 265.

¹²⁹ For an early classic statement, see Pound, *supra* note 106, at 382 n.2. For more recent statements, see, e.g., RICHARD A. POSNER, *THE FEDERAL COURTS: CRITICISM AND REFORM* 288 (1985); Thomas W. Merrill, *The Common Law Powers of Federal Courts*, 52 U. CHI. L. REV. 1, 44–45 (1985).

¹³⁰ For example, Senator Sherman indicated Congress's belief that "defin[ing] in legal language the precise line between lawful and unlawful combinations" was a task that "must be left for the courts to determine in each particular case" and that courts will apply the general meaning articulated by the legislature "so as to carry out the meaning of the law as the courts of England and the United States have done for centuries." 21 CONG. REC. 2469 (1890).

sanction attorneys who unreasonably multiply proceedings abrogated a district court’s inherent power to sanction bad-faith conduct by one of the parties.¹³¹ Moreover, because the typical statute does not purport to cover all areas of law, courts’ authority to continue to address areas that fall outside its scope remains unaffected.

2. Analogies to Other Statutes (Particularly Patent Law)

Another possible source for interpreting statutes that is consistent with legislative supremacy is another statute. During the early twentieth century, a number of noted scholars called for a revival of the English doctrine known as the “equity of the statute,” which “treat[s] a statute much more as we treat a judicial precedent, as both a declaration and a source of law, and as a premise for legal reasoning.”¹³² This approach regards statutes “as sources of law which by judicial decision could be extended to apply to situations analogous to those embraced within their terms.”¹³³ Even proponents of the principle, however, acknowledged its rejection by English and U.S. courts.¹³⁴ The doctrine still appears in judicial decisions from time to time,¹³⁵ and subsequent scholars have again called for its revival.¹³⁶ These suggestions have generally

¹³¹ *Chambers v. NASCO, Inc.*, 501 U.S. 32, 48 n.13 (1991).

¹³² *Stone*, *supra* note 79, at 13.

¹³³ *Id.* at 14 (citing James McCauley Landis, *Statutes and the Sources of Law*, in *HARVARD LEGAL ESSAYS* 213 (1934)); *see also* Pound, *supra* note 106, at 388–89.

¹³⁴ Eskridge, *supra* note 87, at 1007, 1106 (England); Landis, *supra* note 133, at 218 (U.S.); *see also* William S. Blatt, *The History of Statutory Interpretation: A Study in Form and Substance*, 6 *CARDOZO L REV.* 799, 822 (1985) (noting that “the overwhelming opinion of late classical lawyers was that the equity of a statute was dead”); John F. Manning, *Textualism and the Equity of the Statute*, 101 *COLUM. L. REV.* 1, 79 (2001) (observing that “federal courts sometimes applied the equity of the statute as late as the mid-nineteenth century, but that the Supreme Court had taken a decisive turn toward the faithful agent theory as early as the Marshall Court”).

¹³⁵ *See, e.g., In re Long*, 519 F.3d 288, 298 (6th Cir. 2008); *N.D. v. Fredericks*, 940 F.2d 333, 337 (8th Cir. 1991).

¹³⁶ *See* Eskridge, *supra* note 87; William Page, *Statutes as Common Law Principles*, 1944 *WIS. L. REV.* 175; Roger J. Traynor, *Statutes Revolving in Common-Law Orbits*, 17 *CATH. U. L. REV.* 401, 403–04 (1968).

been rejected, however, as inconsistent with the legislative supremacy inherent in a constitutional democracy.¹³⁷

Although modern law has rejected appeals to treat statutes in a manner similar to common law precedents, it has shown greater willingness to draw analogies between statutes that cover similar subject matter. A longstanding canon of construction calls for statutes that are *in pari materia* (on the same subject) to be construed in a similar manner.¹³⁸ Approaches that “consider one statute’s meaning in light of other statutes . . . ha[ve] been especially influential on the Court.”¹³⁹ As demonstrated in Part I, the Supreme Court analogized to patent law in *Sony* and *Grokster* when determining the scope of third-party liability.¹⁴⁰ The *Lasercomb* court did the same with respect to copyright misuse.¹⁴¹ Other leading copyright decisions have also been based largely on patent precedents.¹⁴²

On other occasions, the Court has warned against drawing simplistic analogies between copyright and patent. *Bobbs-Merrill*, for example, declined a call to extend patent principles to copyright in part because “there are differences between the patent and copyright statutes in the extent in the protection granted by them.”¹⁴³ Although the *Sony* Court based its decision on a broad analogy between patent and copyright, it noted that copyright and patent were different in

¹³⁷ See Manning, *supra* note 134.

¹³⁸ See, e.g., *United States v. Freeman*, 44 U.S. (3 How.) 556, 564 (1845); SEDGWICK, *supra* note 106, at 247–51.

¹³⁹ ESKRIDGE, *supra* note 96, at 229.

¹⁴⁰ See *supra* Part I.C.

¹⁴¹ See *supra* Part I.B.

¹⁴² See, e.g., *Eldred v. Ashcroft*, 537 U.S. 186, 201–02 (2003).

¹⁴³ *Id.* at 345. In support of this conclusion, the Court quoted a lower court decision noting, “‘There are such wide differences between the right of multiplying and vending copies of a production protected by the copyright statute and the rights secured to an inventor under the patent statutes, that the cases which relate to one subject are not altogether controlling as to the other.’” *Id.* at 346 (quoting *John D. Park & Sons v. Hartman*, 153 F. 24, 28 (C.C.E.D. Ky. 1907)).

important ways without exploring the nature of the differences and any possible implications.¹⁴⁴ Moreover, in *Eldred v. Ashcroft*, the Court based its argument for sustaining the constitutionality of the copyright term extension primarily on patent precedents.¹⁴⁵ At the same time, it relied on the differences between patent and copyright when rejecting arguments that the statute failed to incorporate the quid pro quo between authors and the public.¹⁴⁶

It would thus be improper for courts simply to assume that copyright and patent law are analogous in all aspects. Instead, whether two statutes should be read together is itself a matter of legislative intent.¹⁴⁷ Peter Menell and David Nimmer have provided a useful framework for determining when copyright laws are properly interpreted *in pari materia* with other statute. Their careful review of the legislative history of the Copyright Act of 1976 revealed that its provisions could be divided into five categories:

1. Enacted provisions that explicitly drew on patent law;
2. Proposed provisions that explicitly drew on patent law, but were not enacted;
3. Enacted provisions that self-consciously diverged from the approach taken by patent law;
4. Enacted provisions that drew on sources of law other than patent law;
5. Enacted provisions that drew on both patent and trademark law.¹⁴⁸

Courts are most justified in drawing on patent law with respect to enacted provisions that were modeled on patent law in whole or in part (categories 1 and 5). Conversely, reference to patent law is inappropriate for provisions that either affirmatively rejected the approach taken by patent law (category 3) or that were based on patent law, but were not enacted by Congress

¹⁴⁴ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984) (“The two areas of the law, naturally, are not identical twins, and we exercise the caution which we have expressed in the past in applying doctrine formulated in one area to the other.”).

¹⁴⁵ *Eldred*, 537 U.S. at 201–02.

¹⁴⁶ *Id.* at 216–17.

¹⁴⁷ *Fort Stewart Sch. v. Fed. Labor Relations Auth.*, 495 U.S. 641, 647–48 (1990).

¹⁴⁸ Menell & Nimmer, *supra* note 2, at 989–91.

(category 2). Provisions based on other laws (category 4) should be interpreted according to the nonpatent source of law actually invoked.¹⁴⁹

Interestingly, related statutes can give rise to negative inferences as well as broad analogies. The Supreme Court has repeatedly recognized that the inclusion of language in one statute and the omission of parallel language in a related statute suggest that Congress did not intend the doctrine established by that language to apply to the second area of law. Consider, for example, *Meghrig v. KFC Western, Inc.*, in which the Court held that the government could not recover cleanup costs under the Resource Conservation and Recovery Act of 1976 (RCRA).¹⁵⁰ The Court contrasted the omission of statutory language explicitly authorizing the recovery of cleanup costs from RCRA with the inclusion of a specific provision authorizing such a recovery in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), the other major federal statute addressing toxic waste.¹⁵¹ In the words of the Court, “Congress thus demonstrated in CERCLA that it knew how to provide for the recovery of cleanup costs, and that the language used to define remedies under RCRA does not provide that remedy.”¹⁵²

The Court followed similar reasoning in *Gebser v. Lago Vista Independent School District*, in which it focused on inclusion of a particular language in one statute and the omission of that language in a related statute when addressing the applicability of *respondeat superior* under two leading civil rights statutes.¹⁵³ A previous decision holding agency principles applicable to Title VII of the Civil Rights Act of 1964 was based on statutory language imposing

¹⁴⁹ *Id.* at 992–93.

¹⁵⁰ 516 U.S. 479, 484–85 (1996).

¹⁵¹ *Id.* at 485.

¹⁵² *Id.*

¹⁵³ 524 U.S. 274 (1998).

liability on “an employer,” which was defined to include “any agent.”¹⁵⁴ The omission of a comparable reference to agents in Title IX of the Education Amendments Act of 1972 created the negative inference that agency principles did not apply.¹⁵⁵ The Court has drawn similar conclusions in numerous other cases.¹⁵⁶

Practical considerations suggest that courts should take care when drawing such a negative inference. Legislative silence is ambiguous in that it may signal a failure to focus on an issue rather than an affirmative rejection.¹⁵⁷ Moreover, the negative inference depends on what has been called the “one Congress fiction,” which presumes that every instantiation of the legislature is aware of the work done by previous Congresses and works to weave all subsequent legislation into a seamless whole.¹⁵⁸

The foregoing discussion underscores the dangers associated with adopting either the polar extreme of allowing judges broad authority to revise statutes or the opposite presumption that an enactment completely displaces further judicial development. The former is inconsistent with the commitment to democracy. The latter is not a blanket principle, but rather a matter of legislative intent that raises questions of both how much judicial authority is displaced within the scope of the statute and of the precise location of the boundaries of the displacement. Although

¹⁵⁴ *Id.* at 283.

¹⁵⁵ *Id.*

¹⁵⁶ *See, e.g.*, *Central Bank of Denver, N.A. v. First Interstate Bank of Denver*, 511 U.S. 164, 176–77 (1994); *W. Va. Univ. Hosps., Inc. v. Casey*, 499 U.S. 83, 88–91 (1991); *Lukhard v. Reed*, 481 U.S. 368, 376 (1987) (plurality opinion); *Block v. Community Nutrition Inst.*, 467 U.S. 340, 345–48 (1984); *Transamerica Mortgage Advisers, Inc. v. Lewis*, 444 U.S. 11, 21 (1979); *United States v. Culbert*, 435 U.S. 371, 378 n.9 (1978); *City of Greenwood v. Peacock*, 384 U.S. 808, 820 n.17 (1966).

¹⁵⁷ ESKRIDGE, *supra* note 96, at 246–52; Daniel A. Farber, *Statutory Interpretation, Legislative Inaction, and Civil Rights*, 87 MICH. L. REV. 2, 9–14 (1988).

¹⁵⁸ *See* SINGER & SINGER, *supra* note 117, § 51:1; William W. Buzbee, *The One-Congress Fiction in Statutory Interpretation*, 149 U. PA. L. REV. 171, 205 (2000); William N. Eskridge, *The New Textualism*, 37 UCLA L. REV. 621, 679–81 (1990); William D. Popkin, *An “Internal” Critique of Justice Scalia’s Theory of Statutory Interpretation*, 76 MINN. L. REV. 1133, 1148–52 (1992); Nicholas S. Zeppos, *Legislative History and the Interpretation of Statutes: Toward a Fact-Finding Model of Statutory Interpretation*, 76 VA. L. REV. 1295, 1320 (1990).

limiting judges to drawing on the approaches taken by related statutes is easier to reconcile with legislative supremacy, reflexively drawing broad analogies between copyright and patent would be a mistake. Instead, courts must determine whether the legislature intended the statutes to be read together and, if so, whether a positive or negative inference would be more appropriate.

III. A REEXAMINATION OF THE EXAMPLES OF CONTINUING JUDICIAL DEVELOPMENT

The various theories of legisprudence in turn inform whether continued judicial development in the areas of fair use, misuse, third-party liability, and the first sale doctrine is appropriate. What emerges is not a blanket approach that treats various levels of judicial involvement in a categorical manner. Instead, it yields a context-sensitive inquiry that depends on a close examination of the indicia of legislative intent with respect to the judiciary's role.

A. Fair Use

Of the four examples discussed earlier, fair use represents the easiest case for justifying ongoing judicial development. Both the statutory text and the context surrounding its enactment reveal a legislative intent to delegate to the courts a continuing role in developing the contours of the doctrine.

Looking first at the statutory text, both the preamble and the four-factor test enumerated by the fair use statute signal Congress's expectation that courts would continue to incorporate new considerations into the fair use analysis. For example, when enumerating examples and considerations, the text uses the terms "including," "such as," and "shall include."¹⁵⁹ As the

¹⁵⁹ 17 U.S.C. § 107.

Supreme Court noted in *Campbell*,¹⁶⁰ the inclusion of these terms indicates Congress’s intent that the enumerated criteria be regarded as illustrative and not limitative.”¹⁶¹ Moreover, as the Supreme Court concluded in *Harper & Row*, the legislative history similarly indicates that “[t]he factors enumerated in the section are not meant to be exclusive: ‘[S]ince the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts.’”¹⁶² The Supreme Court has noted that the legislative history indicates that “‘the courts must be free to adapt the doctrine to particular situations on a case-by-case basis’”¹⁶³ and that “Congress . . . intended that courts continue the common-law tradition of fair use adjudication.”¹⁶⁴

Thus, the presence of clear legislative authorization renders continued judicial development of fair use unproblematic under any theory. On the contrary, the leading schools of jurisprudence and constitutional theory arguably place the courts under the affirmative obligation to do play an active role in determining the contours of fair use.

B. Misuse

At first blush, continued judicial development in the area of copyright misuse appears to be more problematic. Not only does the statute lack any provision that can be construed as an express delegation of authority to the courts; the inclusion of specific language in the Patent Act

¹⁶⁰ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577–78 (1994); *accord Ty, Inc. v. Publ’ns Int’l Ltd.*, 292 F.3d 512, 522 (7th Cir. 2002).

¹⁶¹ 17 U.S.C. § 101.

¹⁶² *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 560 (1985) (quoting H.R. REP. NO. 94-1476, at 65 (1976)).

¹⁶³ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 448 & n.31 (1984) (quoting H.R. REP. NO. 94-1476, at 65–66).

¹⁶⁴ *Campbell*, 510 U.S. at 577.

of 1952 recognizing the patent misuse defense and the omission of similar language in the Copyright Act of 1976 arguably create negative implications with respect to copyright misuse.

Again, a close analysis of the statutes and the context surrounding their enactment reveals subtleties that a more categorical analysis might overlook. The patent statute does not define misuse directly. Instead, it defines certain conduct that cannot constitute misuse.¹⁶⁵ The structure of this provision thus necessarily recognizes patent misuse as a preexisting background principle in front of which the statute was enacted. Moreover, by its own terms, the statute only exempts certain practices from patent misuse doctrine, which only makes sense if the affirmative contours of the doctrine were already established under another source of law and left undisturbed by the amendment. This provision is thus better regarded as a surgical correction to law based on a prior, nonstatutory source of law rather than a comprehensive displacement of existing law.

The limited nature of the statute makes it difficult to draw any strong negative inferences from the failure to include a similar provision in the copyright statute. Quite the contrary, by tacitly confirming the existence of a preexisting patent misuse doctrine, the patent statute implicitly acknowledges the possibility that misuse stems from a nonstatutory source that may well be applicable to copyright.

As the Court noted in *Morton Salt Co. v. G.S. Suppiger Co.*, which first presented patent misuse in its mature form, patent misuse doctrine stems from the line of precedents holding that practices designed to extend the inventor's monopoly beyond the scope of the patent violate the antitrust laws.¹⁶⁶ The *Morton Salt* Court applied the "principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using

¹⁶⁵ 35 U.S.C. § 271(d).

¹⁶⁶ 314 U.S. 488, 491 (1942). For a discussion of earlier patent misuse cases, see Richard Calkins, *Patent Law: The Impact of the 1988 Patent Misuse Reform Act and Noerr-Pennington Doctrine on Misuse Defenses and Antitrust Counterclaims*, 38 *DRAKE L. REV.* 175, 180–82 (1988–89).

the right asserted contrary to the public.”¹⁶⁷ The Court would later characterize patent misuse as an extension of the equitable doctrine of unclean hands, under which the courts could refuse to give aid to a party that was violating the antitrust laws.¹⁶⁸ The connection between patent and antitrust is so strong that the Supreme Court would later note that “the patent laws . . . are in *pari materia* with the antitrust laws.”¹⁶⁹ Moreover, the patent misuse and antitrust laws became deeply intertwined, with patent misuse cases informing antitrust law and vice versa.¹⁷⁰

The Supreme Court’s antitrust jurisprudence has long suggested that similar principles apply to copyright law as well. In its 1948 decision in *United States v. Paramount Pictures, Inc.*, the Court cited its patent misuse precedents as the primary authority for holding that bundling copyrighted movies together (a practice known as block booking) violated the antitrust laws.¹⁷¹ The Court drew a similar conclusion in *United States v. Loew’s, Inc.* with respect to the block booking of copyrighted television programs.¹⁷² In so holding, the Court again invoked its patent misuse precedents, holding that just as patent law prohibited the use of tying arrangements to extend a legal monopoly to other products, so too were such practices impermissible under copyright.¹⁷³ Both *Paramount Pictures* and *Loew’s* were antitrust cases and as such did not explicitly recognize copyright misuse, but lower courts have regarded the Court’s citation of patent misuse cases in these cases as an implicit endorsement of the doctrine with respect to

¹⁶⁷ 314 U.S. at 492.

¹⁶⁸ *U.S. Gypsum Co. v. Nat’l Gypsum Co.*, 352 U.S. 457, 465 (1957).

¹⁶⁹ *Simpson v. Union Oil Co.*, 377 U.S. 13, 24 (1964).

¹⁷⁰ *Ill. Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 38–43 (2006); *see also* *Princo Corp. v. Int’l Trade Comm’n*, 563 F.3d 1301, 1307–08 (Fed. Cir. 2009) (“Tying arrangements have a long history in both the patent misuse and antitrust contexts. Much of the Supreme Court’s early patent misuse doctrine was developed in cases involving a challenge to some form of tying arrangement Likewise, the early antitrust cases found that various tying arrangements violated the antitrust laws.”).

¹⁷¹ 334 U.S. 131, 156–59 (1948).

¹⁷² 371 U.S. 38, 44–50 (1962).

¹⁷³ *Id.* at 44–50.

copyright.¹⁷⁴ To the extent that the interplay between antitrust and copyright is likely the same as the interplay between antitrust and patent, the same considerations supporting patent misuse arguably also support recognizing copyright misuse.¹⁷⁵

Holding that copyright and patent are *in pari materia* for the purpose of recognizing copyright misuse as a defense does not necessarily extend to all of the doctrine's particulars. Consider the question whether refusal to license can constitute misuse. Some courts have analogized between these two areas of law and cited the 1988 amendment explicitly providing that refusal to license cannot constitute patent misuse¹⁷⁶ to justify extending the same principle to copyright misuse.¹⁷⁷ Other courts have drawn the opposite conclusion, drawing a negative inference from Congress's failure to enact a similar amendment to the copyright statute.¹⁷⁸ Thus, concluding that copyright and patent are *in pari materia* with respect to recognizing the copyright misuse defense does not necessitate treating copyright and patent as *in pari materia* for all aspects of misuse.

C. Third-Party Liability

Compared with fair use and copyright misuse, continuing judicial development of the contours of third-party liability is more problematic. In contrast to fair use, the statute does not evince any legislative delegation of authority to courts to continue to develop the law.

Moreover, unlike with misuse, Congress did enact a comprehensive statute to cover third-party

¹⁷⁴ Atari Games Corp. v. Nintendo of Am., Inc., 975 F.2d 832, 846 (Fed. Cir. 1992); Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 973–74 (4th Cir. 1990); United Tel. Co. of Mo. v. Johnson Publ'g Co., 855 F.2d 604, 611 (8th Cir. 1988).

¹⁷⁵ Peter M. Boyle et al., *Antitrust Law at the Federal Circuit: Red Light or Green Light at the IP-Antitrust Intersection*, 69 ANTITRUST L.J. 739, 752–53 (2002).

¹⁷⁶ 35 U.S.C. § 271(d)(4).

¹⁷⁷ See *Intergraph Corp. v. Intel Corp.*, 195 F.3d 1346, 1362 (Fed. Cir. 1999); *Advanced Computer Servs. of Mich., Inc. v. MAI Sys. Corp.*, 845 F. Supp. 356, 368–69 (E.D. Va. 1994).

¹⁷⁸ *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1187 (1st Cir. 1994); see also *Image Tech. Servs., Inc. v. Eastman Kodak Co.*, 125 F.3d 1195, 1218 (9th Cir. 1997) (following *Data General* in relevant part).

liability for patent infringement.¹⁷⁹ The more expansive nature of the patent statute with respect to third-party liability is more likely to give rise to a negative inference regarding third-party liability with respect to copyright.

Despite the absence of a specific provision governing third-party liability, some courts have regarded the text of the 1976 amendments as supporting the imposition of third-party liability. One of the central changes effected by the Copyright Act of 1976 was its new definition of infringement providing that “the owner of copyright under this title has the exclusive rights to do *and to authorize*” the specified rights associated with copyright protection, including reproduction, the preparation of derivative works, distribution, performance, and display.¹⁸⁰ This language suggests that facilitation of unauthorized uses arguably constitutes direct infringement of the copyright holder’s exclusive right to authorize uses of the copyrighted work. Indeed, the Ninth Circuit has concluded that the addition of the words “to authorize” “was intended to remove the confusion surrounding contributory and vicarious infringement.”¹⁸¹ It noted the Supreme Court’s conclusion in *Sony* that this language establishes that “‘an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner.’”¹⁸²

This textual analysis draws further support from the enactment context. As a subsequent Ninth Circuit decision noted, the legislative history specifically provides the following:

Use of the phrase “to authorize” is intended to avoid any questions as to the liability of contributory infringers. For example a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in

¹⁷⁹ 35 U.S.C. § 271(c).

¹⁸⁰ 17 U.S.C. § 106 (emphasis added).

¹⁸¹ *Peter Starr Prod. Co. v. Twin Continental Films, Inc.*, 783 F.2d 1440, 1443 (9th Cir. 1986).

¹⁸² *Id.* (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435 n.17 (1984)).

the business of renting it out to others for purposes of unauthorized public performance.¹⁸³

Another portion of the legislative history ignored by the courts but identified by Menell and Nimmer notes that the House Committee explicitly rejected an amendment to exempt dance halls from copyright liability, concluding that “no justification exists for changing existing law,” which provides for vicarious liability on those who actively supervise a place where performances occur and who expect commercial gain from those performances.¹⁸⁴ Other courts have drawn the same conclusion.¹⁸⁵

The *Sony* Court could therefore have based third-party liability squarely on the copyright statute itself and used the pre-1976 decisions to determine its contours. Instead, the Court noted the difficulty of attributing third-party liability because “[t]he Copyright Act does not expressly render anyone liable for infringement committed by another,” in contrast to the patent statute, which explicitly provides for liability for inducement and contributory infringement.¹⁸⁶ The Court nonetheless held that “[t]he absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity.”¹⁸⁷ Instead of deriving from the statute, third-party liability stemmed from broad principles that are applied in all areas of the law.¹⁸⁸

¹⁸³ H.R. REP. NO. 94-1476, at 61, *quoted in* *Subafilms Ltd., v. MGM-Pathe Commc’ns Co.*, 24 F.3d 1088, 1093 (9th Cir. 1994).

¹⁸⁴ *Id.* at 159–60.

¹⁸⁵ *Davis v. Blige*, 505 F.3d 90, 106 n.13 (2d Cir. 2007); *Venegas-Hernandez v. Asociacion De Compositores, Editores De Musica Latinoamericana (ACEMLA)*, 424 F.3d 50, 57–58 (1st Cir. 2005); *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59, 62 (3d Cir. 1996).

¹⁸⁶ 464 U.S. at 434–35.

¹⁸⁷ *Id.* at 435.

¹⁸⁸ *Id.*

Rather than follow this reasoning to its logical conclusion, the Court borrowed the “staple article of commerce” and “substantial noninfringing use” tests from the patent statute.¹⁸⁹ Given the clear statements of desire to codify existing law and the absence of any indication of any intent to import the patent law standard, the Supreme Court would have been better served to turn to the pre-1976 copyright law as a guide.¹⁹⁰ The *Grokster* Court followed suit by relying primarily on patent law.¹⁹¹ It did augment the patent analogy with a discussion of pre-1976 copyright cases.¹⁹² The borrowing has become reciprocal. Patent cases have begun to borrow back from copyright law despite their differences (although to the extent the copyright precedents on third-party liability are in effect construing patent law, this reverse borrowing is unproblematic).¹⁹³

Any commonality that may exist between copyright and patent with respect to third-party liability stems from the fact that they draw from the same source: tort law.¹⁹⁴ Some courts have recognized that third-party liability is properly based in tort law and turned to the pre-1976 copyright cases rather than patent law.¹⁹⁵ Analyzing how this difference in analytical approach would change copyright law is beyond the scope of this chapter. For present purposes, it suffices to note that the difference should matter to those who care about democratic legitimacy and legislative supremacy. Basing third-party liability in tort also provides greater room for judicial development than does a broad analogy to patent law. It would certainly have placed less focus

¹⁸⁹ *Id.* at 440–42.

¹⁹⁰ Menell & Nimmer, *supra* note 2, at 993.

¹⁹¹ *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 932–33 (2005).

¹⁹² Menell & Nimmer, *supra* note 2, at 935–36.

¹⁹³ *See Ricoh Co., Ltd. v. Quanta Computer Inc.*, 550 F.3d 1325, 1338 (Fed. Cir. 2008).

¹⁹⁴ Menell & Nimmer, *supra* note 2, at 994–1005.

¹⁹⁵ *See Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261–62 (9th Cir. 1996); *Gener-Villar v. Adcom Group, Inc.*, 509 F. Supp. 2d 117, 125 (D.P.R. 2007); *Lifetime Homes, Inc. v. Residential Dev. Corp.*, 510 F. Supp. 2d 794, 807 (M.D. Fla. 2007); *Peer Int’l Corp. v. Luna Records, Inc.*, 887 F. Supp. 560, 565–65 (S.D.N.Y. 1995); *Demetriades v. Kaufmann*, 690 F. Supp. 289, 291–92 (S.D.N.Y. 1988).

on the meaning of terms such as “staple article of commerce” and “substantial noninfringing use.”

D. The First Sale Doctrine

As the briefing and oral argument in *Kirtsaeng* demonstrated, the Supreme Court is directly confronting the extent to which codification limits the propriety of drawing on judicial sources of law when determining the scope of the first sale doctrine. Courts must determine both the extent to which they can look to precodification judicial precedents for guidance and their ability to effect additional postcodification changes in the manner of associated with the common law.

As noted earlier, the role of courts in developing copyright law is itself a matter of legislative intent. In contrast to the case of fair use, there is no statutory language or legislative history indicating any intent to confer on the courts the authority to shape the first sale doctrine. Nor is the first sale doctrine a carve out enacted in front of a backdrop of preexisting extrastatutory legal principles, as was the case with the patent misuse principles that were transferred to copyright. Nor is there any basis for resolving the question by analogizing to patent law, as is the case with third-party liability. The legislative history accompanying the most recent codification of the first sale doctrine indicated that Section 109 “restates and confirms” the principles “established by the court decisions and section 27 of the present law,”¹⁹⁶ including first and foremost *Bobbs-Merrill*, which explicitly disavowed drawing any analogies to patent law.

¹⁹⁶ S. REP. NO. 94-473, at 71 (1975).

Instead, there are strong indications that Congress intended courts to look to the statute instead of the common law when determining the contours of the first sale doctrine. Section 106 enumerates six exclusive rights conferred on copyright holders, including the right to distribute that forms the basis for the first sale doctrine, subject to the restrictions enumerated in the following sections. The legislative history indicates that “[t]he approach of the bill is to set forth the copyright owner’s exclusive rights in broad terms in section 106, and then to provide various limitations, qualifications, or exemptions in the 12 sections that follow. Thus, everything in section 106 is made ‘subject to sections 107 through 118,’ and must be read in conjunction with those provisions.”¹⁹⁷ In addition the Report language describes Section 109 as a restatement of the first sale doctrine, which suggests that Congress intended it to be its authoritative statement.¹⁹⁸

The language of the Supreme Court’s decision in *Quality King* corroborates the statutory nature of the first sale doctrine under current law. It noted that although *Bobbs-Merrill* represented a judicial construction of the statutory right to “vend” the copyrighted work, the comparable right under current law is the right to “distribute,” and “[t]he comparable limitation on that right is provided not by judicial interpretation, but by an express statutory provision.”¹⁹⁹ In other words, “the basic holding in *Bobbs-Merrill* is now codified in § 109(a).”²⁰⁰

Moreover, the Court’s analysis of whether the first sale doctrine restricted § 602(a) was entirely statutory in nature. Instead of prohibiting unauthorized distribution directly, Section 602(a) instead provides that unauthorized importation “is an infringement of the exclusive right to distribute copies . . . under section 106.” In other words, Section 602(a) simply defines one

¹⁹⁷ *Id.* at 57; H.R. REP. NO. 94-1476, at 61.

¹⁹⁸ S. REP. NO. 94-473, at 71; H.R. REP. NO. 94-1476, at 79.

¹⁹⁹ 523 U.S. at 142.

²⁰⁰ *Id.* at 143.

aspect of the distribution right created by section 106. According to the statutory text, all Section 106 rights are subject to the restrictions of Section 109(a). Because Section 602(a) claims are simply one type of Section 106 claim, they are necessarily subject to Section 109(a).²⁰¹ This reasoning did not invoke any form of common law decision making, but instead focused on the import of the “literal text.”²⁰² The Court then focused on how that construction was consistent with other provisions of the copyright statute.²⁰³ The Court closed by declaring all policy considerations to be irrelevant.²⁰⁴ Similarly, the primary thrust of the Supreme Court’s reasoning in *Kirtsaeng* focused on the plain meaning of the text of Section 109(a).²⁰⁵

There is an argument based on the legislative history that would treat precodification decisions as an appropriate source of law. The House and Senate Reports accompanying the 1909 Act indicated that Section 41’s codification of the first sale doctrine was “not intended to change in any way existing law.”²⁰⁶ The House and Senate Reports accompanying the 1976 Act similarly indicated that Section 109 simply “restates and confirms” the principles “established by the court decisions and section 27 of the present law.”²⁰⁷ Moreover, the Supreme Court observed in *Quality King*, “There is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the [first sale] doctrine to limit its broad scope.”²⁰⁸ This suggests that courts might be justified in basing their constructions of Section 109(a) on precodification judicial decisions. Such a conclusion would be at odds with the textualist approach adopted by the Court in *Quality King* and would not convince those who reject legislative history as a

²⁰¹ *Id.* at 144–45.

²⁰² *Id.* at 145.

²⁰³ *Id.* at 145–52.

²⁰⁴ *Id.* at 153.

²⁰⁵ 133 S. Ct. at 1358–62.

²⁰⁶ H.R. REP. NO. 60-222, at 19 (1909); S. REP. NO. 60-1118, at 19 (1909).

²⁰⁷ S. REP. NO. 94-473, at 71; H.R. REP. NO. 94-1476, at 79.

²⁰⁸ 523 U.S. at 152.

legitimate basis for statutory interpretation. Moreover, even if successful, such an argument would not give courts any authority to continue to refashion the scope of the first sale doctrine.

The Supreme Court’s decision in *Kirtsaeng* recognized the continuing relevance of precedents predating the 1976 Act, albeit one based more in text than legislative history. As noted earlier, the Court invoked a canon of construction that when confronting a statute covering subject matter previously governed by common law, courts “must presume that ‘Congress intended to retain the substance of the common law.’”²⁰⁹ Interestingly, the Court bases most of its analysis on the law’s hostility towards restraints on the alienation of chattels, which Justice Breyer traced back to Coke’s *Institutes*. Only in the end does the opinion note the absence of any distinction based on geography in *Bobbs-Merrill* as well as the Solicitor General’s concession that that decision “would not preclude the ‘first sale’ defense from applying to authorized copies made overseas.”²¹⁰

While certainly plausible, the Court’s reasoning seems incomplete. As an initial matter, no judicial decision addressed whether the first sale doctrine applied to foreign-manufactured works until the 1983 district court decision in *Scorpio*,²¹¹ which was decided long after the 1976 Act was passed. The Court’s espousal of adherence to the common law amounts to deference to post-enactment lower-court decisions, a practice inconsistent with the Supreme Court’s usual *modus operandi* and unlikely to yield useful insights into congressional intent. At the same time, the Court manipulates the applicable common law baseline by shifting the focus from restraints on the sale of copyrighted works in particular to restraints on alienation of property in the abstract.

²⁰⁹ 133 S. Ct. at 1363.

²¹⁰ *Id.* at 1363–64.

²¹¹ 569 F. Supp. at 49.

Moreover, as Karl Llewellyn pointed out in his landmark critique of the canons of construction, the principle that statutes are to be read in accordance with their common law antecedents is opposed by the canon that the common law gives way to statutes that revise an entire body of law.²¹² Put a different way, the whole point of many statutes is to change the law by clarifying ambiguities, by resolving inconsistencies, or by framing the analysis in a more unified and analytically consistent way. Whether any particular part of a codification simply restates existing law or effects some changes is an issue that must be analyzed, not simply presumed.

In short, the continuing relevance of precodification precedent is itself a matter of legislative intent that cannot be presumed simply by reciting a canon of construction. On the contrary, the more natural presumption is that Congress's intentions in this regard may vary from provision to provision. Instead of analyzing the issue, the *Kirtsaeng* Court simply relied on an inference from silence in *Bobbs-Merrill* and on a concession by the Solicitor General, who appeared as an amicus. A more direct analysis of legislative intent would have been more appropriate.

In its amicus brief, the U.S. government advanced a subtle argument for giving the courts a more active role that not only preserves the relevance of precodification precedent, but also leaves room for further judicial development of the first sale doctrine. Where Section 109(a) applies, it supersedes Section 106 and determines whether the conduct in question violates copyright. Where Section 109(a) does not apply, courts remain free to shape whether particular conduct violates the distribution right, just as *Bobbs-Merrill* decided whether particular conduct contravened the antecedent vending right. This would allow the courts to place some limits on

²¹² Karl N. Llewellyn, *Remarks on the Theory of Appellate Decision and the Rules or Canons About How Statutes Are to Be Construed*, 3 VAND. L. REV. 395, 401 (1950).

copyright holders' ability to restrict the resale of foreign manufactured copies even if they are not subject to the first sale doctrine.²¹³ *Quality King* did not present the Court with an opportunity to address this question, because the goods were manufactured in the United States and thus were clearly governed by Section 109(a).

The success of this argument depends on whether one believes that Congress regarded the list of restrictions on the exclusive rights granted to copyright holders enumerated in Sections 107 to 122 to be comprehensive. If they were not comprehensive, then courts may well retain some role in determining the contours of copyright law. If comprehensive, such judicial involvement would be improper.

Continuing judicial innovation with respect to the first sale doctrine would require some indication that Congress only regarded Section 109(a) as a partial reification of the first sale doctrine. Although such questions are always debatable, the detailed nature of Sections 107 to 122 suggests that they represent the entirety of Congress's thinking on the subject matter that they cover. The Supreme Court's observation that "the basic holding in *Bobbs-Merrill* is now codified in § 109(a)" would seem to contradict claims that *Bobbs-Merrill*-style innovations fall outside the scope of Section 109(a).²¹⁴

Lastly, policy considerations offer no clear guidance to the interpretive question, because the policy implications from either construction are unattractive. Holding the first sale doctrine applicable to foreign manufactured copies would raise a host of problems. It would allow anyone to defeat the purpose of Section 602(a) simply by buying indirectly. Moreover, import restrictions facilitate price discrimination, which is widely recognized as a necessary condition to

²¹³ Brief for the United States as Amicus Curiae Supporting Respondent, *supra* note 4, at 27–29.

²¹⁴ *Id.* at 143.

the efficient provision of copyrighted works.²¹⁵ Moreover, if companies are unable to prevent copies intended for sale outside the United States from being diverted back to the United States, they will have no choice but to charge a uniform price, which will disadvantage consumers in countries with low willingness or ability to pay.

At the same time, exempting foreign manufactured copies from the first sale doctrine would create a different set of policy anomalies. As Justice Sotomayor noted during oral argument, such a rule would prevent a U.S. resident who bought an edition of a book meant to be sold exclusively in England from bringing it home.²¹⁶ As Justice Breyer noted, it would also permit foreign companies who manufacture and sell cars with GPS systems containing copyrighted information to exercise control over the used car market.²¹⁷ It would give foreign manufactured copies greater protection than domestically manufactured copies,²¹⁸ thereby providing incentives to shift manufacturing operations offshore.²¹⁹

The best reading of these statutes still appears to militate against recognizing broad judicial authority to refine the contours of the first sale doctrine. The legislative intent reflected in the statutory text and the legislative history and the interpretive approach reflected in Supreme Court precedent all suggest that continuing judicial innovation would be improper. Although policy considerations exist on both sides, until the Supreme Court's decision in *Kirtsaeng*,²²⁰ courts regarded such policy considerations as illegitimate bases for statutory interpretation.²²¹

²¹⁵ John M. Conley & Christopher S. Yoo, *Nonrivalry and Price Discrimination in Copyright Economics*, 157 U. PA. L. REV. 1801, 1814–20 (2009); *see also* Benjamin Klein & John Shepard Wiley, Jr., *Competitive Price Discrimination as an Antitrust Justification for Intellectual Property Refusals to Deal*, 70 ANTITRUST L.J. 599, 611–19 (2003).

²¹⁶ Transcript of Oral Argument, *supra* note 75, at 27.

²¹⁷ *Id.* at 28–29.

²¹⁸ *See Drug Emporium*, 38 F.3d at 482 n.8.

²¹⁹ *See Kirtsaeng*, 654 F.3d at 222 n.44.

²²⁰ 133 S. Ct. at 1364–66.

²²¹ *See Quality King*, 523 U.S. at 153; *Kirtsaeng*, 654 F.3d at 222 n.44.

More to the point, the scope of judicial authority in shaping copyright is not something that can be determined categorically. Instead, it is a contextual question that requires a careful assessment of the legislature's intent with respect to a particular issue. As such, the resolution may depend on the particular theory of legisprudence to which particular judges adhere. More than any other issue discussed in this chapter, the role of the courts with respect to the first sale doctrine depends on the weight placed on text, legislative history, the interpretive approach reflected in the precedents, and policy considerations.

E. Other Doctrines Unaddressed by the Statute

An interesting question is posed by the scope of the judiciary's authority in areas where Congress has not acted at all. A classic example is with respect to infringement, where in the absence of any legislative guidance the courts have fashioned a wide array of tests to determine whether copying has occurred.²²² Where Congress has not acted, there is no legislative intent to try to discern. Although it is conceivable that the absence of legislation may reflect an affirmative endorsement of the judicially developed law as it existed at any particular moment, at a minimum such a conclusion would require active consideration of a potential intervention and a decision not to do so on the grounds that doing so was unnecessary. And even such action would be ambiguous at best. Legislative inaction can stem from a host of reasons, with a tacit endorsement of the status quo from an affirmative desire to freeze it in place being only one (and a relatively unlikely one at that).

What inference should courts draw about their authority in areas of copyright law that Congress has left untouched? The absence of legislative intervention into an area gives rise either

²²² See Shyamkrishna Balganesh, *The Normativity of Copying in Copyright Law*, 62 DUKE L.J. 203, 216–20 (2012).

to an implicit delegation to the courts or at least a tolerance of continued judicial development. Moreover, as a practical matter, judges must still decide cases even in the absence of affirmative legislative guidance, so it is hard to see what alternative they would have. Such authority would not be an act of federal common law of the type invalidated by *Erie Railroad v. Tompkins*.²²³ Instead, it would focus on interpreting broad statutory terms that have not yet received congressional attention, as typically occurred in early copyright cases. All of this would change should Congress choose to intervene. But the scope of that intervention would be subject to the type of contextual analysis undertaken earlier.

CONCLUSION

One of the signature changes of the past few decades is the Supreme Court's growing emphasis on statutory text and on formal approaches to statutory interpretation. As textualism has grown more influential, it has prompted a reaction from those who are dissatisfied with it as a methodology or with the answers that it yields. Those wishing to counter the increasing influence of textualism have begun to call for recognizing greater judicial authority to incorporate contemporary values when construing statutes. Academic dissatisfaction with recent changes to the copyright statutes may make copyright particularly fertile ground for such entreaties.

Any evaluation of these proposals must make sure to honor the basic commitments to democracy reflected in the U.S. system of government. Any proposals that involve giving courts greater authority must also recognize that judicial decision-making processes have their shortcomings as well. A complete analysis requires a comparison of legislatures' and courts'

²²³ 304 U.S. 64 (1938).

relative institutional competencies as well as the key legitimating function played by legislative supremacy.

Furthermore, closer analysis of the relative positions in this debate reveals that the role of courts in articulating copyright law is not susceptible to simple policy inferences or sweeping generalizations. The question is not so much between judicial and legislative authority in the abstract, but rather an allocation of responsibility that leaves substantial scope for judicial lawmaking, subject to legislatively enacted limits to judicial discretion. Determining the proper balance of decision-making authority between judges and legislators in any particular case thus turns out to be a context-specific inquiry that can vary with each statutory provision and even across issues contained within the same statutory provision. A court should eschew broad categorical approaches, such as categorically analogizing to patent law, in favor of more granular analysis of the precise contours of legislative intent.