

THE TRANSACTIONAL TURN IN INTELLECTUAL PROPERTY*

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I. THE EVOLUTION OF INTELLECTUAL PROPERTY

Intellectual Property as a legal academic field has evolved through three stages. During the first stage, Intellectual Property was a set of service courses, offered by a few law schools in recognition that attention had to be paid to patent, copyright, and trademark law in the curriculum because some students would be interested in practicing in these areas. Except for the field of trademark, which sometimes would arise in the context of unfair competition law or consumer protection courses, Intellectual Property was not viewed as a serious discipline—certainly not one suitable for intense academic inquiry or policy.

Then, something changed in the 1980s and intensified in the 1990s. One sign of this change was the addition of Intellectual Property as a course in the Yale Law School Catalogue for 1984-85.¹ Before then, Yale offered separate classes in copyrights, trademarks, and patents, or combinations thereof. Outside academia, the field received even more attention at the domestic and international levels, perhaps out of greater concern with the need to promote innovation and economic growth, perhaps out of industry pressures as certain high technology industries expanded economically and then politically, or perhaps out of the move to privatize and liberalize legal systems. Whether the shift from the New Deal paradigm in the United States or the shift towards more liberal political and economic regimes in

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¹ YALE LAW SCHOOL CATALOGUE (1984).

certain developing countries, Intellectual Property became hot; all schools starting expanding in this area (albeit at different rates), and much academic inquiry focused on Intellectual Property law and policy. The field obtained constitutional valence both through an increased focus on constitutional law and norms in Intellectual Property and through a recognition that Intellectual Property law may perhaps be constitutive of (i.e. the foundation for) the law and the economy more broadly. This expansion seemed to reach a plateau with some big Supreme Court defeats for the academy (*Eldred v. Ashcroft*,² *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*³) and increased legislative efforts, which took Intellectual Property out of the realm of academic theory and back into the dealings of the Beltway. Intellectual Property has become normalized with many voices formulating arguments within an established academic frame of ownership, on the one hand, and access, on the other.

Now, we are talking about a new stage of Intellectual Property: one I refer to as the transactional turn. This stage of Intellectual Property is about recognizing and developing the transactional practice of Intellectual Property as opposed to defining the rights structure of Intellectual Property within a set of constitutional norms. At one level, this turn reflects ordinary practice. Intellectual Property is a business asset, a source of value, and we need to understand how this set of rights called Intellectual Property is transferred and restructured through transactions within and between firms. What is relevant in the study of Intellectual Property is how these rights are licensed, acquired, and transformed into value. In some ways, this progression is the logical one from constitutional Intellectual Property.

Once foundational rights are established, the next step is to see how they are practically administered and used. At another level, the transactional turn reflects some dissatisfaction with the earlier stage. The constitutionalization of Intellectual Property failed. *Eldred* was a disappointing decision; the Court seemed to conclude that Congress can pretty much do what it wants with regard to copyright (and patent) legislation.⁴ If Congress pulls the strings, then Intellectual Property constituencies would have to learn how to play Beltway politics to move the game in their favor. *Grokster*, perhaps, solidified this sense of failure (at least symbolically—the case really may not be much of a watershed practically) by revealing that *Sony Corporation of America v. Universal City*

² See generally *Eldred v. Ashcroft*, 537 U.S. 186 (2003) (upholding the constitutionality of the Copyright Term Extension Act of 1998).

³ See generally *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) (holding that Grokster's peer-to-peer file sharing program would be used to commit copyright infringement).

⁴ *Eldred*, 537 U.S. at 222 (“As we read the Framers’ instruction, the Copyright Clause empowers Congress to determine the intellectual property regimes that, overall, in that body’s judgment, will serve the ends of the Clause.”).

Studios, Inc.,⁵ the keystone of copyright fair use, may not be that protective or limiting on copyright after all.⁶ If the cathedral fails to stand, then we are left to play with the individual stones.

The latter scenario is overly pessimistic. The shift to considering Intellectual Property as a business asset, the heart of the transactional turn, may be an acknowledgement that true Intellectual Property reform can best occur through better Intellectual Property practice. If we want to promote greater use and dissemination of protected works, then creating legal rules of protection may be wholly inadequate, especially if the rights protective of users and employees can readily be transacted away. Focus instead on the transactions themselves: develop a richer set of licensing terms, understand how these terms can be disseminated and then enforced by the courts, consider doctrines that shape transactional practice (such as the first sale doctrine in the recent Supreme Court decision in *Quanta Computers, Inc. v. LG Electronics, Inc.*⁷), think about the life of Intellectual Property in the world of commerce, and see how the wheels of commerce can shape the scope of Intellectual Property rights.

Hence, the transactional turn in Intellectual Property that I am seeing in current Intellectual Property study. This vision is not myopia on my part because I am the co-author of a casebook on *Intellectual Property in Business Organizations*.⁸ I see this turn in the scholarship of many Intellectual Property colleagues, in the conferences on entrepreneurship, in the curriculum of some law schools, and in the development of case law, particularly the big Supreme Court Intellectual Property decisions since 2005 (*eBay Inc. v. MercExchange, L.L.C.*,⁹ *Illinois Tool Works Inc. v. Independent Ink, Inc.*,¹⁰ *KSR International Co. v. Teleflex Inc.*,¹¹ and *Quanta Computers, Inc. v. LG Electronics, Inc.*¹²). I will discuss the implications of this transactional turn for Intellectual Property policy towards the end of this article. I would first like to explore what this transactional turn entails, looking at the important overlap between Intellectual Property and transactional practice in Section Two, and then at the details of a transactional Intellectual Property course in Section Three. Section Four offers considerations on how to implement a transactional focus in an Intellectual Property curriculum. Section Five concludes.

⁵ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

⁶ *See Grokster*, 545 U.S. at 932.

⁷ *Quanta Computers, Inc. v. LG Electronics, Inc.*, 128 S.Ct. 2109, 2115 (2008).

⁸ RICHARD GRUNER, SHUBHA GHOSH & JAY KESAN, *INTELLECTUAL PROPERTY IN BUSINESS ORGANIZATIONS: CASES AND MATERIALS* (LexisNexis 2006).

⁹ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

¹⁰ *Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28 (2006).

¹¹ *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

¹² *Quanta*, 128 S.Ct. at 2109.

II. THE TRANSACTIONAL TURN

Everyone has some sense of what Intellectual Property is about (the set of rules and institutions designed to promote innovation and creativity in society), but the term transactional law may be less clear. The term covers, at the least, traditional business law courses such as Business Enterprise (or Business Organizations, Business Associations, or some similar term), Securities, Mergers & Acquisitions, and other related doctrinal areas. More broadly, the transactional law curriculum would also include skills-focused courses such as negotiation, contract drafting, and deal-making. So described, what I am calling the transactional law curriculum includes clinical and doctrinal courses that are geared towards developing transactional skill sets, both through learning the details of transactional practice and through understanding legal relationships as transactional (as opposed to adversarial).

My appreciation of the transactional turn in Intellectual Property arose from the need for Intellectual Property reform. Like other law professors and practitioners, I have watched the ongoing debates over the past fifteen years or so (roughly when I formally entered into the area of Intellectual Property with coursework in law school), including the debate over ownership and access and the role of each in promoting innovation. I have watched as these issues were addressed at the statutory and constitutional levels. My continuing concern, however, has been with Intellectual Property practice in its many ways—in other words, how the policies of Intellectual Property have become reflected in practice. Of course, practice means different things to different constituencies. For the Intellectual Property bar, it often means how to ensure that one's patent is granted and not challenged (even seemingly at the expense of whether the patent covers a valuable invention or at the expense of future inventors or users). The Intellectual Property bar, for obvious reasons, is concerned with strong Intellectual Property protection even if such protection is not conducive from a broader perspective for innovation. Users and follow-on inventors, creative and inventive people of many stripes, are often ignored in the balance. One needs to recognize Intellectual Property practice pretty broadly—especially the way in which it is used by and affects wide sets of constituencies, not just ones represented within the Intellectual Property bar.

The response in these Intellectual Property debates has been one of balance, which often means finding some utilitarian, highly principled way to define legal rights to reach the correct policy result. I have become skeptical of this notion of balance, not just in the area of Intellectual Property, but perhaps more broadly.¹³ Focusing on Intellectual Property

¹³ For a partial critique of the notion of balance in intellectual property law, see Shubha Ghosh, *Patent Law and the Assurance Game: Refitting Intellectual Property in the Box of Regulation*, 18 *CAN.*

policy here, I suggest that reaching the right result is not a matter of balance in the abstract, but in recognizing the practices affected by a legal rule and coming up with an approach that attempts to be the least disruptive to the broad set of practices that arguably tend to promote innovation. Recent Supreme Court decisions in the field of Intellectual Property exemplify this goal by implicitly recognizing the transactional turn and have been largely successful, especially when compared to reforms pursued by Congress and the United States Patent and Trademark Office (“USPTO”). I want to emphasize this last point: my argument is about relative institutional success as opposed to absolute success. The latter is rarely possible in a world with a large set of often irreconcilable interests. From the perspective of incremental change and relative competence, Supreme Court patent reform has done a good job.

I will discuss three cases in which the Court has implicitly recognized the transactional turn in Intellectual Property and the role of Intellectual Property as a business asset, and I will make the point for the success of the decisions. In *eBay Inc. v. MercExchange, L.C.C.*, a 2006 decision, the Court ruled that patent injunctions were discretionary.¹⁴ The Court split three ways on how this discretion was to be exercised, with one group of three supporting traditional equitable principles,¹⁵ another group of three supporting principles based upon patent policies,¹⁶ and a third group supporting principles based on the business effects of the injunction on the defendant.¹⁷ In *KSR International Co. v. Teleflex Inc.*, a 2007 decision, the Court attempted to raise the standard for non-obviousness in patent law in response to concerns over low-quality patents issued by the USPTO that potentially affected the integrity and reputation of the patent system.¹⁸ Finally, in *Quanta Computers, Inc. v. LG Electronics, Inc.*, a 2008 decision, the Court applied the principle of patent exhaustion, specifically the first sale doctrine, to strike down certain licensing practices that allowed the patent owner to control use and distribution by downstream users of the patented technology.¹⁹ Each of these decisions, as well as others I could have mentioned, was shaped by the business use of patent law and potentially its disruptive effect on markets and competition. These cases are examples of the transactional turn in action.

J. L. & JURIS. 307, 327-28 (2005) (examining patent law as a response to a particular failure in private orderings as opposed to a balance between private and public interests).

¹⁴ *eBay*, 547 U.S. at 391.

¹⁵ *Id.* at 394.

¹⁶ *Id.* at 395 (Roberts, C.J., Scalia, J., and Ginsburg, J., concurring).

¹⁷ *Id.* at 395-97 (Kennedy, J., Stevens, J., Souter, J., and Breyer, J., concurring).

¹⁸ See *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415-18 (2007).

¹⁹ *Quanta Computers, Inc. v. LG Electronics, Inc.*, 128 S.Ct. 2109, 2122 (2008).

As I have stated before, these cases are not examples of perfection. Members of the Intellectual Property bar and business practitioners are often up in arms about these decisions. These cases illustrate how to pursue patent reform narrowly and Intellectual Property reform more broadly, by giving attention to the use of Intellectual Property as a business asset. These are examples of practical reforms—ones that attempt to align Intellectual Property law more effectively with its goals of promoting innovation and shaping markets.

At a recent conference, a speaker described the Court's treatment of Intellectual Property as an example of neoconservative appeal to markets and resulting skepticism of Intellectual Property.²⁰ I am not sure if this is completely the case. Perhaps there are Justices who are influenced by neoconservative ideology. I am not sure if that is the case for the more liberal Justices on the Court. Perhaps the transactional turn in Intellectual Property reflects a neoconservative consensus in the political arena that, in turn, affects the legal system. I am not convinced of that either; one can identify support for Intellectual Property from both conservative and liberal camps. A better explanation is that the Court is engaged in common law decision making to resolve what is viewed as the anti-competitive effects of Intellectual Property law.²¹ The *eBay* decision, with its defense of judicial discretion, is a good example of common law reasoning in action, so are the *KSR* and *Quanta* decisions.

Skeptics of my interpretation of the Supreme Court decisions may point to two decisions in which the Court, perhaps, supported business interests too readily. In *Eldred v. Ashcroft*, the Court upheld Congress's extension of the copyright term for already created works by twenty years.²² In *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, the Court found a peer-to-peer network potentially liable under a novel theory of secondary liability.²³ Arguably, each of these cases reflects how the Court bends too readily to business interests. I have two responses to this argument. First, there are other theories under which these cases can be understood. In *Eldred*, the Court was deferring to Congress's legislative judgment, which is admittedly a selective decision by the Court, but also is a decision that is ostensibly based on deeply-rooted institutional grounds.²⁴ In *Grokster*, the Court was following the logic of its 1984 *Sony* decision, which was correctly decided for upholding disruptive technologies, but was

²⁰ See Mathew Sag et al., *Ideology and Exceptionalism in Intellectual Property: An Empirical Study*, 97 CAL. L. REV. 801, 838 (2009) (reporting empirical support for the view that conservative judges tend to vote in favor of IP owners).

²¹ See Shubha Ghosh, *Carte Blanche, Quanta, and Competition Policy*, 34 J. CORP. L. 1209, 1212-14 (2009) (analyzing the role of courts as enforcer of competition norms).

²² *Eldred v. Ashcroft*, 537 U.S. 186, 204 (2003).

²³ See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 933-34 (2005).

²⁴ *Eldred*, 537 U.S. at 222.

fundamentally misguided in reading a broad secondary liability taken from the Patent Act into copyright law.²⁵ Second, and more importantly, these two cases illustrate the need for understanding the transactional turn because in each of these two cases the Court ignored the business implications of the rule at issue and, as a result, decided cases that were antithetical to the principles of competition and innovation that is at the heart of the transactional turn.²⁶

The Supreme Court's *Eldred* decision illustrates the Court's shortsightedness in recognizing the transactional turn in Intellectual Property. The Court adopted a deferential approach to Congress's extension of the copyright term, which also retroactively applied to works already created and protected under copyright law. Congress, according to the Court, had a rational basis for adding twenty years across the board to the duration of the copyright.²⁷ Part of Congress's rationale rested in conforming to international standards for the copyright term.²⁸ Also, part of the rationale was creating incentives for commercializing works published decades earlier, particularly as new media for dissemination, such as through digital platforms, emerged.²⁹ In other words, the Court accepted the argument that an additional twenty years of copyright protection and attendant economic returns would help publishers, and perhaps even authors, mine new markets for already created works.

Even if one were to accept the argument that twenty years of future economic returns (appropriately discounted) were enough to stimulate the creation of these markets,³⁰ the Court's reasoning was inconsistent with the facts of the case. In *Eldred*, the plaintiff challenging the term extension was himself attempting to digitize and potentially commercialize works that were about to fall in the public domain before Congress essentially interfered with his business plans by extending the copyright term.³¹ If *Eldred* did not need the incentive of copyright, then why would anyone else? The Court's deference to Congress was built on an economic model of copyright that overlooked the transactions that the copyright public domain made possible. The *Eldred* decision privileged a business model based on proprietary copyright over alternative business models less dependent on copyright without giving much consideration to the competing set of transactions.

²⁵ See *Grokster*, 545 U.S. at 941.

²⁶ See *id.*; *Eldred*, 537 U.S. at 222.

²⁷ *Eldred*, 537 U.S. at 207-08.

²⁸ See *id.* at 195, 199, 206.

²⁹ *Id.* at 207.

³⁰ *Id.* at 206.

³¹ *Id.* at 193.

An opportunity to adopt the transactional turn in Intellectual Property was also missed in the Supreme Court's 2005 *Grokster* decision.³² This case, involving the secondary liability of file sharing systems, raised two sets of transactional issues.³³ The first issue raised is that of the set of transactions between the users of file sharing systems and the copyright owners.³⁴ File sharing technology users stood in the same position with respect to the copyright owners as the users of the videocassette recorder in the 1984 *Sony* decision.³⁵ In this latter decision, the Court found that the videocassette recorder constituted fair use when used to copy broadcasted programs for time-sharing purposes.³⁶ As Wendy Gordon famously stated, the transactional failure arising from the difficulty of negotiating a license between copyright owners and videocassette recorder users justified this finding of fair use.³⁷ Fair use results from the market failure in establishing transactions that would allow copyright owners to price the use of broadcast materials for time-sharing purposes. As applied to the facts of the *Grokster* case, the market failure analysis justified the finding of fair use of file sharing technologies, which permitted multiple, discrete uses among many users that would be difficult for the copyright owner to price through negotiated transactions. This transactional failure, analogizing from the *Sony* case, was the basis for the Ninth Circuit's decision in favor of *Grokster*.³⁸

The Supreme Court's reversal of the Ninth Circuit illustrates the broader set of transactions raised by disruptive technologies like file sharing.³⁹ In granting certiorari in the *Grokster* case, the Court scrutinized the substantial noninfringing use standard for secondary liability established by the 1984 *Sony* decision.⁴⁰ Under the substantial noninfringing use test, a disruptive technology creates secondary liability for the manufacturer or distributor of such technology if there is no substantial noninfringing use of the technology.⁴¹

With respect to the file sharing technology, the Ninth Circuit found that there was substantial noninfringing use of file sharing, and therefore,

³² See generally *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) (holding that *Grokster*'s peer-to-peer file sharing program would be used to commit copyright infringement).

³³ *Id.* at 930.

³⁴ *Id.* at 925.

³⁵ *Id.* at 942.

³⁶ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 456 (1984).

³⁷ Wendy Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600, 1628-30 (1982).

³⁸ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F. 3d 1154, 1163-64 (2004).

³⁹ CLAYTON M. CHRISTENSEN, *THE INVENTOR'S DILEMMA: WHEN NEW TECHNOLOGIES CAUSE GREAT FIRMS TO FAIL* xviii-xix (1997) (introducing and explaining concept of disruptive technologies).

⁴⁰ *Grokster*, 545 U.S. at 927.

⁴¹ *Id.* at 933-34.

there was no secondary liability.⁴² The Supreme Court was split on this issue between Justices Ginsburg and Breyer, authoring contesting concurring opinions that differed on how substantial the noninfringing use had to be.⁴³ Justice Ginsburg's opinion suggests that the noninfringing use has to be quite substantial to warrant a finding against secondary liability.⁴⁴ Justice Breyer, by contrast, pointed out that substantial noninfringing use was meant to be a flexible standard favorable to new technologies that might affect the rights of copyright owners.⁴⁵

This split on how to apply its own precedent set in the 1984 *Sony* decision led the Court to a new test for secondary liability based on inducement by the manufacturer or distributor of the disruptive technology to promote copyright infringement.⁴⁶ The Court remanded the case for the application of this new test to the file sharing technology.⁴⁷ While the *Sony* test was based on the transactional failure in negotiating a license between the copyright owner and the user of the technology, the inducement test focuses on the transactional relationship between the manufacturer and the distributor of the technology and the user.⁴⁸ Specifically, under the inducement test, encouragement by the manufacturer or distributor of copyright infringement by the user could provide the basis for secondary liability.⁴⁹

As my discussion of *Sony* and *Grokster* indicates, the transactions over and around Intellectual Property provide the background for the Supreme Court's jurisprudence on secondary liability in copyright. What is missing is a systematic treatment of transactional issues by academics and by practitioners. For example, in neither *Sony* nor *Grokster* did the Court address the transactional issues arising between the copyright owner and the manufacturer and distributor of the disruptive technology. Is it possible, for example, for these two parties to develop a licensing arrangement for the use of the technology? What are the implications for vertical integration of the copyright owner and the owner of the disruptive technology? These transactional issues should inform the policy underlying the imposition of secondary liability.

Additionally, the Copyright Act, unlike the Patent Act, is relatively silent about secondary liability that arises from a competing technology.⁵⁰

⁴² *Id.* at 927-28.

⁴³ *Id.* at 942 (Ginsburg, J., concurring); *Id.* at 965-66 (Breyer, J., concurring).

⁴⁴ *Id.* at 948 (Ginsburg, J., concurring).

⁴⁵ *Id.* at 965-66 (Breyer, J., concurring).

⁴⁶ *Id.* at 936-37.

⁴⁷ *Id.* at 941.

⁴⁸ *Id.* at 937.

⁴⁹ *Id.* at 940.

⁵⁰ See Peter S. Menell & David Nimmer, *Unwinding Sony*, 95 CAL. L. REV. 941, 977-78 (2007) (comparing and contrasting treatment of secondary liability in patent and copyright law).

This silence might suggest that Congress did not intend secondary liability to be so broad as to encompass the creator of new copying technologies within the property rights of the copyright owner.⁵¹ Instead, the Supreme Court in both its *Sony* and *Grokster* decisions extended the standards for secondary liability under the Patent Act into copyright law. This move not only ignores the two very different statutory schemes but also the differences for the purpose of transactions raised by disruptive technologies for patents and for copyrights.

From a transactional perspective, the Supreme Court's extension of secondary liability for disruptive technologies from patent law to copyright law was an error of concept and policy. There are good reasons to think that copyright law should be more permissive to new technologies than patent law. First of all, patent law arguably provides a stronger right to exclude than copyright law. This stronger right is supported by the administrative hurdles that a patent owner must go through before obtaining the patent grant. By contrast, a copyright is obtained automatically upon the creation of the work. The stronger right and higher administrative burden is justified for patents, which are to be awarded to novel and innovative inventions that expand the scope of current knowledge in a field. Copyrights, by contrast, protect personal, and often times idiosyncratic, expression.⁵²

Second, and more importantly, a copyright's domain covers the right to exclude specific types of uses: copying, adapting, distributing, publicly performing, and publicly displaying.⁵³ Patent law, by contrast, gives the recipient of the patent a broad right to exclude a wide range of uses, consistent with the promotion of innovative technologies.⁵⁴ The specific uses proscribed by copyright law are understood within a particular technological, social, and market context. Disruptive technologies alter this landscape and raise such provocative questions as what should constitute copying, how broad is the right to adapt, what constitutes a public performance, and what is a distribution? There is no reason to think that these questions should be answered in favor of the copyright owner. If the goal of copyright is to promote progress in science and the useful arts in its own way, then arguably these questions should be answered in favor of the disruptive technologies. At the minimum, courts should engage in a more agnostic examination of these questions, especially when the Copyright Act is ambiguous on the issue. Instead, the Supreme Court has, through its *Sony* and *Grokster* decisions, grafted a theory of secondary liability taken from patent law and adapted it into the traditionally more flexible contours of

⁵¹ *Id.* at 977.

⁵² *See* 17 U.S.C. § 102(a) (2006) (extending copyright protection to original works in a tangible medium of expression).

⁵³ *See id.* § 106.

⁵⁴ *See* 35 U.S.C. § 271(a) (2006).

copyright law.

What is missing in the *Sony* and *Grokster* cases is a systematic understanding of the transactional relationship between copyright owners and the creators of disruptive technologies. The two cases focus respectively on the relationship between copyright owners and users and between the creator of new technologies and users, but neglect the set of transactions that might exist between copyright owners and creators of new technologies. Of course, I am not naïve enough to think that a little theory is what is needed to make these cases turn out the way I think they should. My broader point is that while Supreme Court jurisprudence recognizes the transactional turn in Intellectual Property, in large part, it has not appreciated the full set of consequences stemming from this turn. In part, the movement I am describing is still a work in progress. The emerging case law and its missteps provide scholars ample fodder for future scholarly creativity. A deeper appreciation of the transactional edge of Intellectual Property can lead to better Intellectual Property policy.

III. THE TRANSACTIONAL TURN IN PRACTICE

What bridges theory and practice is the teaching of law, at least ideally. This section examines how the transactional turn in Intellectual Property has affected the teaching of Intellectual Property. Specifically, the focus is on the use of Intellectual Property to promote and motivate transactional skills in the law school curriculum.

There are five areas where Intellectual Property and transactional legal skills overlap: (1) formation of a business, (2) licensing, (3) employment, (4) identifying sources of transactional value, and (5) securities disclosure and due diligence. Transactional skills are most critical at the formation stage of a business. The formation stage also raises numerous Intellectual Property issues, such as trademark registration and protection, patenting, and the identification and clearance of Intellectual Property rights. Businesses at various stages have to decide between making or buying, a decision which affects the negotiation and drafting of licenses. The internal organization of a business also hinges on employment decisions, the choices of whether to use independent contractors or employees, and the terms on which these parties are hired. The choice of the type of worker and the terms of employment may be shaped by the Intellectual Property strategies of the firm. Finally, Intellectual Property is a source of transactional value within a firm, and the identification of Intellectual Property sources of value would affect disclosure requirements and the due diligence of a seller and purchaser of a firm's securities and other assets.

These five practical areas of overlap translate into a distinct set of transactional skills that can be effectively conveyed through the teaching of Intellectual Property. The first transactional skill is identifying business assets. Understanding Intellectual Property law and institutions is critical in identifying the sources of value for a business and the types of business assets which can be the basis for realizing value. Identifying what is a patent, copyright, and trademark, as well as what is protectable by patent, copyright, or trademark, is foundational for recognizing and valuing business assets. The second skill is in understanding how background common law and statutory law serve as defaults for contractual negotiation in some instances and as immutable rules in others. In other words, Intellectual Property law shapes the contours of a business asset and affects its value. The final skill is in negotiating the rights over Intellectual Property in order to realize and transfer these sources of value and to avoid litigation over these assets. Intellectual Property provides a basis for teaching business planning and organizational skills.

IV. IMPLEMENTING THE TRANSACTIONAL TURN

In this Section, I will discuss how to integrate a transactionally-oriented Intellectual Property course into the law school curriculum. Some of the ideas expressed here are based on my experiences writing and teaching a co-authored casebook on this subject. For more reading and a different perspective, I highly recommend Sean M. O' Connor's work on the subject.⁵⁵ I know many schools have implemented a transactional Intellectual Property course, and I apologize for not mentioning these efforts in more detail.⁵⁶

It is important to address the issue for the law school with a lean curriculum, where faculty and administrators may view a transactionally-oriented Intellectual Property course as too exotic or impractical to offer. There are ways to integrate a transactional Intellectual Property component into lean curricula beyond hiring an upper level adjunct to teach a specialized course to a handful of students. First, transactional concepts can be introduced into a basic Intellectual Property course with some attention to licensing and employment issues. Second, Intellectual Property issues can be integrated into a business organizations course, especially one that discusses start-up businesses. Intellectual Property issues may also be raised in a discussion of securities and due diligence to the extent that these topics are addressed in the business curriculum. Such inclusion can enrich the

⁵⁵ Sean M. O'Connor, *Teaching IP From An Entrepreneurial Counseling and Transactional Perspective*, 52 ST. LOUIS U. L.J. 877, 888-89 (2008).

⁵⁶ See, e.g., Georgetown Law, Curriculum: Intellectual Property, Entertainment and Technology Law, http://www.law.georgetown.edu/curriculum/tab_clusters.cfm?Status=Cluster&Detail=14 (last visited May 8, 2010).

discussion of these fields and introduce contemporary topics.

For a school with a slightly larger curriculum, there is of course more room to integrate transactional Intellectual Property courses into the set of electives available for students. A third-year capstone course on transactional Intellectual Property would be a desirable way to introduce business students to Intellectual Property and Intellectual Property students to business. Ideally, a survey Intellectual Property course or a basic business organizations course could be prerequisites for the Intellectual Property course, or you could require one of these two courses as a prerequisite for the Intellectual Property course. The course could be open to business school students, permitting classroom assignments allowing business schools and law schools to work together. As a third-year capstone course, the focus would be on integrating skills learned during the previous two years of law school and for laying a foundation for future practice. Such a capstone course would complement courses on law and entrepreneurship like the ones taught and developed by Gordon Smith, Darian Ibrahim, and others.⁵⁷ Furthermore, for law schools that are associated with universities with technology transfer offices, such a course might benefit students employed by these offices or might serve as a basis for a clinical Intellectual Property component in the curriculum.

Thinking more globally, a transactional Intellectual Property course might alter how Intellectual Property and business transactions are taught. In most schools, Intellectual Property is introduced through a survey course. There is some ongoing controversy over whether an Intellectual Property course is necessary, but my sense is that the debate is over. Most serious schools offer a survey Intellectual Property course that presents the four big areas of Intellectual Property (trade secrets, copyright, patent, and trademark) in an integrated and comprehensive way. The idea behind such a course is to lay a foundation for more advanced courses. While this survey course has traditionally been doctrinally focused with an eye towards litigation practice as the norm, there is no reason why the basic survey course could not be taught as a transactions-oriented course.

The three principle themes of the course would be identifying Intellectual Property assets (that is, identify what can be the basis for trade secret, copyright, patent, or trademark protection), learning how to secure rights in these assets (use of non-disclosure agreements and non-competition agreements, the basics of patent and trademark prosecution, an introduction to work-for-hire, and other employment issues), and learning how to realize value through licensing practice. Personally, I have not taught the survey course primarily in this way when I have taught it. I do touch on some of

⁵⁷ See Darian M. Ibrahim & D. Gordon Smith, *Entrepreneurs On Horseback: Reflections On the Organization of Law*, 50 ARIZ. L. REV. 71, 71 (2008).

the business issues raised by Intellectual Property, but my course has been fairly traditional. There is no reason, however, why the survey course could not be taught with a transactional slant as opposed to the traditional litigation or constitutional policy slant. I should point out here that my co-authors, Richard Gruner and Jay Kesan, have an Intellectual Property survey casebook with Thomson-West (on which Robert Reis is also a co-author),⁵⁸ and we have tried to integrate transactional concepts into that book, partly to lay a foundation for our Intellectual Property and business organizations course and casebook (previously mentioned).

In addition, transactional Intellectual Property might alter how we think of the traditional business organizations course. Intellectual Property is an important tool for business organizations, a mechanism for codifying knowledge within a firm and for defining its boundaries. Scholarship developed by Paul Heald,⁵⁹ Dan Burk and Brett McDonnell,⁶⁰ and me⁶¹ has explored this issue. In terms of teaching, the links between Intellectual Property and the firm would shift the focus of the traditional business course to start-ups, employment, and licensing issues. For those who cover business taxation, the intersection of Intellectual Property and tax could also be introduced. Some reading this may view my suggestion as just adding more to an already bulging course. My suggestion, however, is not to add to the set of materials out there but to propose an alternative way of teaching transactional skills that recognizes how Intellectual Property issues inform the current practice and shape the legal regulation of business activity.

V. A BEND IN THE RIVER?

Debates within Intellectual Property are often debates about the identity of Intellectual Property. Similarly, debates within law schools are often about the nature and direction of the legal profession. The transactional turn in Intellectual Property suggests that the debates over Intellectual Property and the role of law schools have converged. Both debates now center on the need for a transactional focus in how Intellectual Property law functions and on defining what goals the law schools should serve. My narrow point in these pages is that Intellectual Property is moving in a transactional direction. Law schools, in turn, should see that the role of the Intellectual Property curriculum is to reinforce transactional skills and strengthen the role of attorneys in adding value to transactions. It is my hope that recognizing the transactional turn in Intellectual Property

⁵⁸ SHUBHA GHOSH, RICHARD GRUNER, JAY KESAN & ROBERT REIS, *INTELLECTUAL PROPERTY: PRIVATE RIGHTS, THE PUBLIC INTEREST, AND THE REGULATION OF CREATIVE ACTIVITY* (2007).

⁵⁹ Paul J. Heald, *A Transactional Cost Theory of Patent Law*, 66 OHIO ST. L.J. 473, 476-77 (2005).

⁶⁰ Dan L. Burk & Brett H. McDonnell, *The Goldilocks Hypothesis: Balancing Intellectual Property Rights at the Boundary of the Firm*, 2007 U. ILL. L. REV. 575, 575 (2007).

⁶¹ Shubha Ghosh, *Decoding and Recoding Natural Monopoly, Deregulation, and Intellectual Property*, 2008 U. ILL. L. REV. 1125, 1183 (2008).

will be an important first step towards a broader debate about the role of economic rights and the function of legal skills, shaping and serving them for the broader social good.

