INTELLECTUAL USUFRUCTS: TRADE SECRETS, HOT NEWS, AND THE USUFRUCTUARY PARADIGM AT COMMON LAW

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ContemporaryAmericanintellectualproperty(“IP”)scholarshipsumeassethatpatentsand
copyrightsareclearly“property”rights,andthatrightstotradesecretsandgatherednewsarenot.
The scholarship assumes that a right is a property right if it confers a “right to exclude,”
meaningarighttomonopolizeanyuse,copying,orcommercialgainfromthework.Patentsand
copyrightsconfersuchrights,buttradesecrecyandlegalinterestsinthecommercialuseofnews
do not.

There are two problems with this conventional wisdom. One has been identified
elsewhere:1 The wisdom classifies patent and copyright correctly, but for the wrong reasons. In
American common law, “property” is conceived of most accurately not as a right to exclude but
as a right securing a normative interest in determining exclusively the use of an external asset.2
What IP scholars assume are “rights to exclude” are actually one kind of property rights,
trespassory rights, or rights of exclusive control and disposition. Such rights entitle owners to
exclude most claimants from their assets without needing to show that the formers’ intended uses
deserve priority over the latters’. In real property, the law confers such rights on land and
chattels. With adjustments, IP law confers similar rights on inventions and works of authorship.

This Chapter identifies and focuses on another problem: In relation to trade secrets and
gathered or “hot” news, the conventional wisdom uses the wrong reasons to come to the wrong
result. Not all species of “property” come with rights of exclusive control and disposition.
Property may also confer on owners a standard package of rights associated with another
paradigm property interest, the usufruct. A usufruct refers to a right to use an asset, to continue
using it, and to be free from attempts to divert one’s efforts to extract benefits from the asset. In
contrast with rights of exclusive control and disposition, the owner of a usufruct may not exclude
from an asset other claimants who extract similar benefits from it by their own independent
efforts.
In real property, there is barely any controversy about whether to classify riparian usufructs as property. To a property lawyer familiar with property common law, trade secrets and hot-news interests seem to apply the usufructuary paradigm to IP. IP law and scholarship, however, seem unfamiliar with that possibility.³ This Chapter tries to correct that shortcoming by advancing two claims.

The first is conceptual. If property is defined conceptually as a right of exclusive use-determination, trade secrets and hot-news interests belong in the property family, as two species in the genus for IP usufructs. The right of first publication may belong in this genus as well, although copyright specialists will need to examine that possibility for themselves in subsequent scholarship.

The second claim is historical. In several key authorities that laid the groundwork for American IP law, leading judges or treatise writers justified rights in trade secrecy, common law rights of first publication, and gathered news applying this usufructuary conceptual paradigm.⁴

I. Property As a Right to Exclude

Most leading contemporary authorities in IP assume that a right is not a property right unless it confers a monopolistic right to exclude. In the 1974 decision *Kewanee Oil Co. v. Bicron Corp.*, the U.S. Supreme Court held that federal patent law does not preempt state trade secrecy law. The Court described patent law as a bargain involving a right to exclude: “In return for the right of exclusion—this ‘reward for inventions,’ the patent laws impose upon the inventor a requirement of disclosure.”⁵ In *The Economic Structure of Intellectual Property Law*, William Landes and Richard Posner begin their substantive argument with a restatement of the general economic theory of property rights. In their restatement, a “property right is a legally enforceable power to exclude others from using a resource—all others . . . , and so with no need to make contracts with would-be users of the resource forbidding their use.”⁶

This assumption is informed by several sources. In lay perceptions, the quintessential class of “property” is land, and property certainly does confer on land broad rights to exclude. Separately, because IP scholarship is extremely functionalist and utilitarian, it borrows significantly on conceptual assumptions propounded by the Legal Realists, who helped make functionalism and utilitarianism dominant in American private law scholarship. Prominent Realists and fellow travelers reconceived of property from a right of exclusive use-determination into a right to exclude.⁷
II. The Right to Exclude in IP

The right-to-exclude conception conditions how scholars approach IP rights. At one extreme, scholars unanimously agree that patent rights are property rights. Any unauthorized manufacture, use, or sale of an invention under patent infringes the patent, no matter whether the person engaging in the infringement discovered the idea embodied in the invention by his own independent research or development. Because these rights seem rights to exclude, IP scholars assume they are property rights. IP scholars also assume that copyrights are property rights because they also incline toward such exclusion. Although federal copyright law does not bar subsequent authors from recreating independently works similar to those of earlier authors, it does generally confer on authors rights of exclusive control over the copying or distribution of their works of authorship.

By contrast, in mainline IP law and scholarship, trade secrets are assumed not to confer property rights because they lack the necessary exclusion. A trade secret confers on its owner a right to prevent others from acquiring a secret by spying or by bribing his employees or licensees, but it does not entitle the owner to exclude others from using the substance of the secret if they discover it by their own independent research. Because of that qualification, in the 1917 case *E.I. du Pont de Nemours Powder Co. v. Masland*, Justice Oliver Wendell Holmes suggested that “[t]he property may be denied” in a trade secret and favored a theory grounded in the confidential relation between a trade secret’s claimant and his employee or other confidante. Holmes was a proto-Realist. In his scholarly writings, Holmes maintained that a property owner is one who is “allowed to exclude all, and is accountable to no one.” Although practitioners and scholarly dissenters maintain that trade secrets constitute property rights, among scholars, the mainline view follows Holmes. For example, Pamela Samuelson maintains that trade secrets are not property because the rights delineated by a trade secret are “not ‘good against the world’ … i.e., the exclusionary power is actually just a by-product of the relational power that the owner has against those in certain types of relationships with him.”

A parallel debate recurs in law and scholarship about hot news. This field of law makes it actionable for a copier to appropriate without authorization information published by the gatherer, republish that information in his own writing or format, and then sell the republished information, during its commercial life, in a market in which the gatherer is publishing it for commercial gain. When the Supreme Court endorsed this doctrine (in the 1918 case
International News Service v. Associated Press, it was strikingly ambivalent about whether the right it was declaring counted as a property right. The dissenters were certain there could be no property in hot news. Justice Holmes (joined by Justice McKenna) rejected that possibility because “[p]roperty depends on exclusion by law from interference, and a person is not excluded from using any combination of words merely because someone has used it before.” Justice Brandeis (another Realist fellow traveler) also insisted in dissent that “[a]n essential element of individual property is the legal right to exclude others from enjoying it.” Somewhat sheepishly, Justice Pitney (the author of the Court opinion) assumed that rival news-gathering agencies could not have “any remaining property interest as against the public in uncopyrighted news matter after the moment of its first publication.” Nevertheless, he still insisted that “as between [the rivals], it must be regarded as quasi property.” Nevertheless, he still insisted that “as between [the rivals], it must be regarded as quasi property.” Yet the term “quasi property” seems oxymoronic. No wonder that most commentators conclude that Holmes and Brandeis had the better of the argument.

III. Property at Common Law

A. Blackstone

Yet this commentary does not accord with the concept of property dominant in American property common law. A monopolistic right to exclude is not a conceptually necessary feature of property. Of course, one can find passages suggesting it is. Blackstone described the “right of property” as “that sole and despotic dominion which one man claims and exercises over the external things of the world, in total exclusion of the right of any other individual in the universe.” Nevertheless, at the end of the same chapter, Blackstone conceded that “after all, there are some few things, which … must still unavoidably remain in common; being such whereas nothing but a usufructuary property is capable of being had; and therefore they still belong to the first occupant, during the time he holds possession of them, and no longer.” Among these he listed air, light, water, and wild animals. So to appreciate property’s conceptual range and flexibility, we need a definition that reconciles the exclusion evident in land law with the “usufructuary” paradigm Blackstone identified for water rights.

B. Property As a Right of Exclusive Use-Determination

As an alternative, consider this entry for “property,” from an 1892 encyclopedia of English and American law: “Property” refers to “that dominion or indefinite right of user and disposition which one may lawfully exercise over particular things or subjects, and generally to
Obviously, this definition ties the concept “property” to a “thing” or “subject,” which is to say an external asset. Of course, “property rights in things are defined not against the thing, but over the thing and against the rest of the world.” Yet the legal relations between the owner and the rest of the world do not count as “property” relations unless the owner is asserting normative rights and powers against the world in relation to an external asset—not, say, in relation to a reputational interest or an interest in someone else’s affections and support.

These social relations are ordered through the concept of a “right.” In doctrine and background concepts, the term “right” does not mean “any entitlement conferred by the state.” Rather, rights presume a social community in which different individuals have different concurrent normative interests. Rights settle conflicts among the interests of non-owners and owners of different resources. A property “right” confers on an owner a moral power to consume, use, or otherwise engage with the property within certain outer parameters delineated by the scope of the right. Those limits also entitle him to exclude or repel others who interfere with his moral power within those parameters. The parameters, however, are drawn to encourage different owners and non-owners all concurrently to pursue their own interests in using assets or their own personal talents to enlarge their own individual and concurrent well-beings.

Last, this right in relation to an asset secures an owner’s interest in using the asset. In the narrowest possible case, “use” refers only to a right to consume an asset—to eat fruit one has picked. Usually, however, the right to “use” confers on an owner a meta-right to decide how to use. This meta-right may incorporate not only the privilege to consume but also some combination of the following privileges: to deploy as a tool instrumental to another goal, to save for later consumption, to merge with another asset to create an even more useful asset, to give away, or to exchange. The 1892 definition suggests as much by speaking not of “use” but of “disposition” and “user” (an archaic term for deciding how to use)—and of a sphere of “dominion” or an “indefinite” right to dispose or enjoy user. In my definition, that sphere consists of a right of “use-determination.”

Although this domain of indefinite user or use-determination is “exclusive,” here “exclusivity” is derivative, not fundamental. An owner may exclude others only within the legitimate bounds of his use rights. His and every other claimant’s rights are legitimate only
within parameters set to reconcile their interests in deciding how to use their assets with the concurrent and conflicting interests of others in deciding how to use different assets or other personal talents. In short, property comes to refer to a right securing an interest in determining exclusively the use of a thing.

C. Land

When property consists of such a right, it may be adapted differently to different assets. For example, in relation to land, all societies with moderately developed economies accentuate the “exclusivity” and “determination” in property. Trespass law does so by conferring on an owner a right to exclude any unconsented entry, no questions asked. That right confers on land owners an extremely broad domain of choice. Indirectly, it promotes use. Land may be deployed for residential homes, farms, apartments, factories, businesses, and many other uses, and a boundary rule lets any one owner decide among all these uses. In extreme cases, however, when a non-owner’s interest in using the land is beyond any doubt more compelling than the owner’s, the owner’s right to exclude is qualified to leave the non-owner with a right to use. This qualification comes out in disputes involving claims of necessity, grazing rights and other easements implied by law, or good faith and *de minimis* encroachments. So a right of exclusive use-determination explains trespass’s exclusion as well as a right to exclude, and it explains trespass’s qualifications better.

D. Water Flow

By contrast, in property’s general conceptual structure, usufructs downplay the “exclusivity” and the “determination” and accentuate the “interest” and the “use.” As an ideal type, a usufruct consists of a right not to possess or deplete an asset but to use it or consume it without depleting it. “Usufruct” derives from the Latin phrase *usus fructus*, or “use and enjoyment.” In Roman law, these were two of the three powers associated with absolute ownership of property; the third, *abusus*, consisted of the power to consume even to the point of destruction. Usufructs emerged in Roman law as “the right to use and take the fruits and profits of another’s property … without fundamentally altering its character.”

In Anglo-American law, however, the usufruct refers not only to use rights in someone else’s property—A’s profit to pick fruit from B’s tree—but also to a legal interest in undivided absolute ownership. For assets clothed with such an interest, a usufruct is structured to encourage multiple claimants to use the same asset for similar purposes and on similar terms. A
claimant enjoys a usufruct in relation to an asset only as long as he is actually using or extracting benefits from the asset. (In Blackstone’s terms, access to the asset “belong[s] to the first occupant, during the time he holds possession of” it.) Usufructs do not entitle claimants to exclude others from acquiring similar rights on the same asset. Instead, they give a claimant some assurance (though not an ironclad one) that he may continue using a resource at the level or volume at which he has done so previously. A usufruct also gives a claimant a (stronger) assurance that no one else will divert his efforts to extract benefits from a resource to her own benefit without engaging in similar extraction efforts on her own.

Water law has long relied on the usufructuary paradigm to design property rights for river waters. It is black-letter law that water rights are “real property rights.” Such rights are “incorporeal rather than corporeal,” however, “because one cannot possess the flow of a stream.”27 “The property in the water, therefore … consists, in general, not so much of the fluid itself, as of the advantage of its impetus.”28 Historically and conceptually, that focus made riparian law an extremely helpful paradigm for IP. Real property established an abstract and intangible legal relation in the use of water flow or momentum. IP lawyers need not stretch concepts much further to institute similar relations around the use of intellectual works.29

Different jurisdictions institute different rules for river water depending on whether they have “humid” or “arid” climates; both regimes institute hybrid regimes relying substantially on usufructuary principles.30 In humid climates, water usually runs abundantly in streams and rivers without encouragement from or extraction by man. In such climates, the best way to encourage the concurrent private use of river water is to confer property over river water by accession to the owner of riparian land. Because these rights are incident to the ownership of riparian land, riparian rights withhold from a riparian the right to alienate water rights separate from the land. By the same token, a riparian’s property rights entitle him to exclude non-riparians from diverting any water from his river, without needing to show that the diversion frustrates any ongoing use or causes him any other special harm. In relation to other riparians, however, a riparian has only an equal right of reasonable use. To lodge a claim against another riparian, he must show that he suffers specific harm, in the form of interference with his ongoing uses. That requirement requires him actually to use river water.31 And when two riparians both use water, normally, neither may claim that his use takes priority over the other’s by earlier usage. The law instead rates uses depending on how “reasonable” they are, which is to say how “essential” they
are in relation to drinking, bathing, animal-feeding, irrigation, power-generation, or other “wants
of man.”\textsuperscript{32} In short, the riparian lacks a right to alienate the riparian rights separate from the
land. He has a right of exclusive control in relation to non-riparians—but he has only
usufructuary rights in relation to other riparians.

By contrast, in arid climates, it is extremely labor- and capital-intensive to gather water in
quantities large enough for beneficial human uses. Doctrine thus adapts general principles of
water law to encourage the effective extraction and use of water. In a prior-appropriation
regime, an appropriator acquires property only in “the amount of water that he puts to beneficial
use,” and “[b]eneficial use ... represents a continuing obligation which must be satisfied in order
for the appropriation to remain available.”\textsuperscript{33} The appropriator is not required to own riparian
land; he appropriates water rights simply “on the application of water to a beneficial use.”\textsuperscript{34}
Prior-appropriation rights confer on a claimant a right to continue appropriating and using water
beneficially in the future at volumes marked off by previous use. That right gives earlier
appropriators priority to exclude water extraction by later appropriators. In addition, prior-
appropriation rights (with qualifications and jurisdictional variations) are transferrable separately
from the riparian land to which the extracted water is appurtenant.\textsuperscript{35} In short, prior-appropriation
rights are usufructuary in that they have a “use it or lose it” character, they are trespassory in that
earlier claims operate to the exclusion of later claims, and they are generally transferrable.

\textbf{E. Usufructs Reconsidered}

To be fair, lawyers and courts have vacillated somewhat about riparian usufructs. Prior-
appropriation rights are clearly held to count as property rights.\textsuperscript{36} In riparian systems, however,
some courts have insisted that riparian rights are “right[s] of property,”\textsuperscript{37} while others have
denied “a property in the water itself” and called riparian rights “a simple use of it” or a mere
“incident” of ownership “annexed … to the land” adjacent to the river.\textsuperscript{38} Blackstone confirms
the same equivocation when he contrasts property’s “sole and despotic dominion” with a mere
“usufructuary property.” Nevertheless, a usufruct can still count as a form of property even if it
does not seem the \textit{quintessential} form of property.

Judges and scholars vacillate about usufructs in part because they are not sure whether
usufructs generate \textit{in rem} or \textit{in personam} legal obligations. Doctrinally, however, usufructs have
long been understood as being \textit{in rem}.\textsuperscript{39} The reluctance stems primarily from confusion about the
\textit{in rem}/\textit{in personam} distinction. This distinction is understood in at least two senses. In a coarse
sense, rights are \textit{in rem} if their mandates are indefinite and “good against the world” and not (as \textit{in personam} rights are) binding in relation only to one or a few people.\textsuperscript{40} Although this standard is difficult to apply in determinate fashion, water rights can be portrayed as good against the world. When \(A\) owns riparian land in a regime of riparian rights, everyone else in the world is subject to two conditional duties: “If you are a stranger to \(A\)’s watershed, do not divert any of \(A\)’s water; if you are a fellow riparian, do not claim water for less-reasonable uses than \(A\)’s or more water for the same uses as \(A\)’s.”\textsuperscript{41} Both duties apply to everyone in the world. Riparian rights are no less \textit{in rem} because they have built-in reasonability limits in relation to other riparians. In land law, nuisance duties are qualified by reasonability limits, but that qualification does not stop them from remaining \textit{in rem}.\textsuperscript{42}

In the more precise conceptual usage, a right is defined as \textit{in rem} if rights- and duty-holders come into normative relations with one another only through the medium of a \textit{res}, some thing. By contrast, a right is \textit{in personam} if individuals acquire rights and duties in relation to one another through their actions, past promises, their past history with one another, or other similar aspects of their personalities.\textsuperscript{43} Under this definition, there is no question that riparian rights are \textit{in rem}. Non-claimants owe duties to \(A\) not by virtue of any promise they make or action they take but by virtue of normative relations emanating from \(A\)’s entitlement to his water flow.

Of course some may wonder whether the foregoing analysis grapples with a leading policy associated with the \textit{in rem} concept: \textit{In rem} property rights diminish third-party information costs by presenting non-owners with simple and easy-to-process rights.\textsuperscript{44} I cannot respond to this criticism fully here, for it makes a policy argument and I am focusing primarily on conceptual structure. Conceptually and doctrinally, however, not all of property law solves the information-cost dilemma as land and patent rights do. A subfield of property applies those fields’ strategy—the subfield for rights of exclusive control and disposition—but the subfield for usufruits does not. Normatively, perhaps usufruits’ information costs are outweighed by other gains—in particular, the gains from encouraging as many claimants as possible to extract and deploy a resource that is not labor- or investment-intensive to extract.\textsuperscript{45}

IV. The Conceptual Case for Intellectual Usufructs

The concepts explained in the last part leave room in IP for intellectual usufructs. Consider trade secrecy. A valuable and secret business discovery counts as an external asset. If
a business wants to decide how to deploy a secret to enhance the competitive advantage of products or services it sells separately from that secret, it claims a normative interest in determining the use of the secret. The business has a right to exclude non-owners from acquiring or using the secret unless the business forfeits its secrecy or non-owners discover the secret’s substance independently. Under the definition of “property” set forth in section III.B, that right is a property right.

Hot news may ground a similar interest and right. As J.E. Penner explains, a news gatherer has a conceptual property right protecting “his publication of the news he has gathered by the imposition of a legal duty on all others (not just between him and other news agencies) not to publish for consideration (i.e., a market monopoly, not a total monopoly) said news, unless that other has gathered the same news himself.”46

IP scholars resist these conceptual classifications on two grounds relevant here. I will respond to the objections as they apply trade secrecy, but the responses apply with appropriate adjustments to hot-news doctrine.47 First, as Samuelson argues, “A does not have the right to exclude B from the trade secret, he merely has the ability to prevent B from taking certain actions to obtain it.”48 Yet trade secrecy institutes a right to exclude. A may exclude B when B uses or discloses A’s secret “wrongfully.” B acts wrongfully if he: breaches a duty of confidentiality to A; uses or discloses the secret on inquiry notice that it was disclosed accidentally or by some third party’s prior misappropriation; or acquires it not by independent research but by circumventing A’s reasonable precautions to keep the discovery secret and proprietary. These rules excuse B in borderline cases, when B has no reason to know that A’s secret was disclosed accidentally or by previous misappropriation. They definitely excuse B when he discovers the substance of A’s secret by independent research. Yet these rules still allow A to exclude B in situations in which common sense suggests B is free-riding on A’s research and use of the discovery.49 When Samuelson argues otherwise, her argument hinges on the assumption that a right is a “property right” only if it confers on its owner a “right to exclude” with no qualifications. To the extent Samuelson is making a general conceptual assumption about “property,” her assumption must be judged by how well it applies across the law of property. As sections III.D and -.E explained, that assumption does not apply to water law. If her argument cannot explain why water law institutes property relations, it cannot establish a knock-down argument against property relations in trade secrets, either.
Separately, critics insist that trade secrets are not good “against the world.” 50 This criticism is harder to pin down. Perhaps the argument is that a right does not generate a property right unless the duties it generates apply on a one-size-fits-all basis to all non-owners. If so, this criticism also assumes and applies a mistaken view of property duties. Riparian rights defy such characterizations, and so do rights specified in nuisance and easements and many other use rights not covered here.

Alternatively, the criticism could trade on the fact that most trade secrecy misappropriation disputes involve “relational” agreements, especially alleged breaches of licensing agreements or employer/employee confidentiality clauses. 51 For example, in trade secrecy misappropriation cases litigated in federal court between 1950 and 2008 and generating a reported opinion, 90% or more of the cases involved an employee, former employee, or a business partner. 52 Yet those statistics do not make the criticism any more persuasive.

To begin with, an in rem account of trade secrecy manages to explain the facts just cited at least as well as in personam accounts of trade secrecy. In trade secrecy, the res consists of the limited monopoly a business claims over the direction of the use of its iteration of a discovery and the research that generated the discovery. That res establishes a duty, that non-owners refrain from acquiring the business’s iteration of the secret or research except by consent of the business or by sheer accident. (Rivals may also acquire the substance of the secret by independent discovery, but the in rem right does not exclude rivals from, and their in rem duties do not obligate them to refrain from, engaging in such discovery.) That in rem duty applies to all non-owners—not only strangers but also potential licensees or employees before they are exposed to a secret. That in rem duty lays the groundwork for in personam contracting. Owner A may waive his in rem right to exclude prospective employee or licensee B from A’s iteration of a secret discovery if B promises in return to use the secret for A’s ends and under A’s direction. (Indeed, such contracts comprise some of the ways in which an owner may “use” a secret, for his right of use-determination gives him a right to decide whether he can extract value from the secret most effectively through personal use, contracts, or a firm. 53) When licensees or employees agree to non-disclosure agreements, they accept in personam duties reinforcing and specifying their in rem duties. It is thus no more or less significant that contracts are involved in 90% of reported trade secrecy lawsuits than that they are involved in 100% of reported real-covenant lawsuits. 54
Conversely, *in personam* interpretations of trade secrecy cannot explain many important features of trade secrecy that can be explained by the *in rem* interpretation. Like covenants running with the land, trade secrecy contracts also have an *in rem* feel because they adapt general principles of contract to agreements involving property. For example, if an *in personam* license or employment contract were primary in establishing a trade secret, it would be extremely difficult to explain why trade secrecy nondisclosure clauses are extremely easy to enforce in equity.55

More fundamentally, *in personam* accounts of trade secrecy cannot explain why three of the four theories of trade secrecy misappropriation establish *in rem* duties. If A’s employees throw out an intact customer list mistakenly and contrary to A’s standard document-shredding policy, garbage-hauler B breaches a duty to A if he uses the list with any reason to know that it was disclosed accidentally.56 If A tries to build a building concealing machinery that will embody a secret process for making a chemical, B uses “improper means” and breaches a duty to A if he pays a commercial pilot to fly over the half-built building and photograph its interior.57 If B acquires A’s trade secret from C after C misappropriated it, B owes a duty not to use or disclose it if he has any reason to know that the secret is proprietary and was misappropriated.58 These three doctrines constitute three of the four theories for misappropriation delineated in all the leading persuasive authorities on trade secrecy.59 One could say B triggers an *in personam* obligation in each of these cases by the “personal” action of engaging with a secret discovery he has reason to know he lacks consent to use. In each of these cases, however, the *in personam* obligation has no traction unless A’s secret establishes an *in rem* duty in everyone except A, that they refrain from engaging with the secret if they have any reason to know it may be proprietary. At worst, the *in personam* accounts of three misappropriation theories cannot explain these three misappropriation theories; at best, they are derivative of the *in rem* account.

Critics do not accept the implications of these three misappropriation theories. When they do deal with these implications, critics instead argue that the theories are bad law and should be repudiated.60 Although critics are entitled to make such arguments, inquiring readers should consider those arguments with care. Such arguments do not propose to restore trade secrecy to its genuine conceptual structure but rather to reform the field to fit a different normative and conceptual vision.
V. Intellectual Property in Kent’s Commentaries

Let me turn to my historical claim: Seminal American common law authorities classified trade secrets and hot-news interests using the usufructuary concept described in the two preceding Parts. New York Chancellor James Kent’s Commentaries on American Law was the first homegrown American treatise covering American public and private law as comprehensively as Blackstone’s Commentaries covered the parallel English sources. Although most of Kent’s section on IP concentrates on patent and copyright, it begins as follows:

Another instance of property acquired by one’s own act and power, is that of literary property, consisting of maps, charts, writings, and books; and of mechanical inventions, consisting of useful machines or discoveries, produced by the joint result of intellectual and manual labour. As long as these are kept within the possession of the author, he has the same right to the exclusive enjoyment of them, as of any other species of personal property; for they have proprietary marks, and are a distinguishable subject of property. But when they are circulated abroad, and published with the author’s consent, they become common property, and subject to the free use of the community. It has been found necessary, however, for the promotion of the useful arts, and the encouragement of learning, that ingenious men should be stimulated to the most active exertion of the powers of genius, in the production of works useful to the country, and instructive to mankind, by the hope of profit, as well as by the love of fame, or a sense of duty…. We have, accordingly, in imitation of the English jurisprudence, secured by law to authors and inventors, for a limited time, the right to the exclusive use and profit of their productions and discoveries.61

In this passage, Kent covers patents, copyrights, trade secrets, and the right of first publication over a work of authorship. A few features of his survey should seem familiar to modern IP lawyers and scholars. Kent takes for granted that most ideas belong in the public domain (the realm of “common property, … subject to the free use of the community”). Although he justifies patent and copyright in terms of “intellectual labour,” he also does so in terms of a reward theory (“stimulat[ing] the most active exertion of the powers of genius”) consonant with the terms of the Constitution’s Intellectual Property Clause (“the promotion of the useful arts, and the encouragement of learning”).62

Kent’s portrait of trade secrets and the right of first publication may seem less familiar to contemporary readers. If readers know the conceptual background recounted here, however, Kent’s portrait makes considerably more sense. Kent declares and confirms that trade secrets and rights of first publication are usufructs. Although I will examine the passages on patent and
trade secrets consistently with this Chapter’s focus, the same basic contrasts probably apply between copyright and the right of first publication.

Readers may doubt whether Kent recognizes any intellectual property in trade secrets. When he speaks of “property” in “mechanical inventions,” he may be referring only to the common law principle that a person keeps absolute ownership of any chattel he creates. Yet Kent specifies that such machines may consist of “machines” or “discoveries,” and that both are “produced by the joint result of intellectual and manual labour.” So the “property acquired by one’s own act and power” generates two species of property. The creator acquires not only absolute ownership over the machine created by “manual labour” but also some sort of property over the “intellectual labour” for the machine’s design. That latter property claim is an intellectual usufruct. Kent contrasts the “right of exclusive use and profit” associated with a patent with “exclusive enjoyment” associated with a secret invention. The former clearly refers to what I have called here a right of exclusive control and disposition. The right of “exclusive enjoyment” is narrower—the right to extract benefits from the invention. Kent confirms as much by using the term “enjoyment”—a faithful translation of *fructus*. The structure of his argument reinforces the same point. If any business acquired hard-edged rights to exclude by virtue of “exclusive enjoyment,” multiple competitors’ rights would be mutually inconsistent, as blocking patents can be. By contrast, if these rights are usufructs, they can coexist easily. All trade secret claimants may enjoy the fruits of their parallel discoveries of the same intellectual work. Indeed, because intellectual works are non-rival and non-exclusive, parallel uses of the same trade secret are not consumptive as multiple drawdowns on the same river can be. Hence, trade secrecy has no and needs no reasonable-use limits, as riparian law does.

Conversely, Kent’s discussion helps clarify one remaining question about how the usufructuary paradigm applies to trade secrets. Again, in the paradigm case, a usufruct institutes a “use it or lose it” requirement and a “keep it or lose it” requirement. Since information is non-exclusive and non-rival, scholars may reasonably wonder how common law applies any use or continuing-appropriation requirements to IP. Kent supplies the answer: secrecy. Common law acquisition principles require an actor to signpost to others that he claims ownership over an external asset. That requirement is especially powerful in IP, because people have a reasonable non-conventional expectation that any idea in the public domain must be usable by all and not be private property. In Kent’s terms, it is secrecy that establishes “proprietary marks” over a
business design or an unpublished writings, and secrecy that makes the design “a distinguishable subject of property.” It is not obvious what proxy could be used as a substitute for secrecy in IP law—at least, in IP common law, which cannot institute notice or registration requirements anywhere near as authoritative as the legislative requirements established in patent or copyright.

More generally, Kent helps situate trade secrets in an important intermediate role. As a first approximation, Kent presumes that ideas should remain “common property, and subject to the free use of the community.” A person is entitled to keep an idea out of the commons only if it reflects some “intellectual labour,” understood as a positive and productive contribution over and above common social knowledge. When an inventor develops a useful invention, the law flips to a second approximation. In this approximation, each inventor is entitled to prevent others from stealing his own research or its fruits. However, he is not entitled to exclude any from conducting the same research independently. In addition, he is entitled to enjoy the fruits of his research exclusively only as long as he keeps the research out of the public domain, so that others may avoid confusion and have “free use” of everything in the public domain.

If, however, a discovery reflects substantial “genius,” the law moves to the last approximation, namely patent law. The patent confers a right of exclusive control and disposition. In doing so, patent also overrides the common law principle of secrecy and its functions. Patent law generates wider benefits to society by publishing the invention. Patent also abrogates the common law principle of secrecy, and the pre-conventional expectations about the free use of information on which the common law builds. Yet patent manages to settle and clarify boundaries by giving inventors more definitive proof of ownership, namely the patent. It also gives non-owners clearer notice, by requiring inventors to publish the patent and by withholding the most potent remedies against infringement unless they mark their inventions with the inventions’ patent numbers.64

V. Intellectual Usufructs at Common Law

One might object that this passage from Kent is an outlier. Yet nineteenth-century American IP law (or, at least, extremely prominent lines of precedent in it) developed along the lines Kent sketched.65

Peabody v. Norfolk, an 1868 trade secrecy case decided by the Massachusetts Supreme Court, is probably the best-known nineteenth-century American trade secrecy decision. Cook, the main defendant, hired away Norfolk from Peabody’s cloth-making factory and allegedly paid
him to disclose Peabody’s secret cloth-making process. When Peabody’s devisees sued Cook in equity for misappropriation, he raised a laundry list of objections, all grounded in the argument that a trade secret cannot be property. In response, Chief Justice Gray began his opinion for the court with a general overview of IP:

> It is the policy of the law, for the advantage of the public, to encourage and protect invention and commercial enterprise. … If [an inventor] makes a new and useful invention of any machine or composition of matter, he may, upon filing in a public office a description which will enable an expert to understand and manufacture it, and thus affording to all persons the means of ultimately availing themselves of it, obtain letters patent from the government securing to him its exclusive use and profit for a term of years. If he invents or discovers, and keeps secret, a process of manufacture, whether a proper subject for a patent or not, he has not indeed an exclusive right to it as against the public, or against those who in good faith acquire knowledge of it; but he has a property in it, which a court of chancery will protect against one who in violation of contract and breach of confidence undertakes to apply it to his own use, or to disclose it to third persons.\(^{66}\)

In this passage, Gray describes the property in a patent using the same terms as Kent—the right to “exclusive use and profit.” In his discussion of trade secrecy, Gray also confirms this Chapter’s conceptual point: Property consists not of a right to exclude but a right to determine use exclusively. In his portrait, trade secrecy’s “exclusivity” is derivative. The owner of a trade secret may not insist that the substance of his secret discovery is “exclusive” in relation to those who discover it independently or otherwise “in good faith acquire knowledge of it.” Since those individuals could publish the secret, that substance is not “exclusive” as against the world, as a patent is. Nevertheless, Gray also insists that the owner still has a “property” in the discovery. Peabody had an “exclusive” res in relation to Norfolk and other employees. Since Peabody had a res in the exclusive use of the cloth-making process, he could exclude his employee Norfolk from “undertak[ing] to apply it to his own use, or to disclose it to third persons.” And that same res explains why Cook owed and breached a duty not to acquire the process in bad faith, by bribing Norfolk instead of discovering the process independently. That limited right makes perfect sense as an intellectual usufruct. As Adam Mossoff explains, in trade secrecy, “[t]he fundamental right is the possessor’s ‘own use’ of the information, which thus dictates the extent of the ‘exclusive enjoyment’ of that information.”\(^{67}\)

When American judges developed hot-news doctrine later in the nineteenth century,\(^{68}\) they made only one significant adjustment: They relaxed the legal consequences of secrecy and
publication as those distinctions apply in trade secrecy and the right of first publication. The New York Supreme Court considered one early challenge in 1876, in *Kiernan v. Manhattan Quotation Telegraph Co.* Kiernan enjoyed a license with the Associated Press and an intermediary giving him the exclusive use of all “foreign financial news” received by AP wires for fifteen minutes after the intermediary’s receipt of such news from AP. Manhattan Quotation employed Abbot to collect the same news, and he did so by procuring ticker-tapes from Kiernan’s customers and reprocessing the information on the tapes. Kiernan petitioned for a judgment restraining Manhattan Quotation from republishing the substance of the foreign financial news Abbot was procuring from Kiernan’s tickertapes; Abbot argued that an injunction was inappropriate because Kiernan lacked property in the news.

Supreme Court Judge van Brunt conceded “that no person could be restrained from the publication of this news in Europe,” because the news was already in common circulation. Here, he followed the same lines Kent drew between secret information and information published and released into the public domain. Van Brunt also conceded that “in respect to news, its publication cannot be interfered with where the party procures the intelligence by the diligence of his own agents.” Here, he applied the principle that a usufruct does not entitle one user to exclude others from using the same resource with their own independent effort. Nevertheless, after canvassing two English hot-news unfair competition disputes, he concluded “that a man may impress upon materials, which are open to all the world, a right of property when he has, as the result of his own efforts and expenditure, collected and reduced to a form serviceable to the public such material.” He also found it “an atrocious doctrine to hold that dispatches, the result of the diligence and expenditure of one man, could with impunity be pilfered and published by another.” In other words, a news-gatherer is entitled to exclude others from diverting the fruits of his gathering without doing their own gathering independently. That entitlement is one of the core features of a usufruct.

For van Brunt, the harder question was whether Kiernan waived his claims of property by publishing the information he got from AP and AP’s intermediary. Here, van Brunt appealed to the basic distinction between secret (proprietary) versus published (common) information delineated by Kent. Van Brunt qualified that distinction slightly, however, using precedents from New York’s common law of copyright. He drew on a “distinction between a general and unrestricted publication, which works a forfeiture of th[e] [property] right, and a qualified or
limited publication, which has no such result ….” Elsewhere, the common law sometimes institutes doctrines of “constructive possession,” to award ownership to someone who has performed an act that comes close to appropriating the asset without actually reducing the asset to manual possession. In these cases, the law relaxes the appropriation requirement to encourage the useful investment and effort needed to appropriate the asset. Evidently, New York copyright doctrine had instituted a doctrine of “constructive non-publication,” so that an author did not necessarily waive copyright by mailing a letter to a recipient. Van Brunt concluded it was appropriate to let Kiernan “restrain the publication by” recipients of his ticker tapes “of such intelligence” as those tapes contained. Van Brunt did so to encourage what he regarded as productive investments and effort to gather financial information in a form useful to a distinct group of consumers.

Of course, by dispensing with the secrecy requirement, van Brunt loosened hot-news doctrine’s connection to the general usufructuary requirement that property claimants continuously use and keep control over the asset for which they want property protection. That doctrinal move is bound to be controversial. Maybe the hot-news doctrine creates unnecessarily and distracting entitlement-delineation costs, especially when juxtaposed with doctrines, like trade secrecy, where actual secrecy still matters. Yet maybe it is still preferable to encourage the investments needed to gather and process information in commercially useful form—and the entitlement-delineation costs are not that great since the hot-news interest creates in rem duties only in competitors (and those duties are time-limited anyway). These arguments are normative, however, and we are interested here in how background concepts channel those arguments into doctrine. Van Brunt channeled them into the usufructuary paradigm.

This account also helps explain why, in International News Service v. Associated Press, Justice Pitney was so sheepish about whether hot-news interests counted as “property” or mere “quasi property.” Perhaps Pitney assumed the accuracy of Holmes and Brandeis’s definitions of property as a right to exclude. If so, his opinion simply provides one more early example in which American judges started to forget the connection between usufructs and property as they fell into the grip of Legal Realism.

Yet there is another possibility. In INS, the AP had claimed not only a right to be free from misappropriation under unfair competition precedents in Kiernan’s spirit but also a copyright under federal copyright law. When Pitney conceded that hot news was not “property”
but “quasi-property,” perhaps he was saying simply that hot-news interests were not as quintessentially “property” as copyrights were. Here, he may have been repeating an implicit comparison between “usufructuary property” and more common “property” that Blackstone had made in his *Commentaries*. Yet when Pitney described hot-news rights as “quasi property,” he recognized that such rights belong in the family “property” even they do not belong in the genus “property” including IP rights of exclusive control and disposition. In this reading, Pitney’s opinion reinforces this Chapter’s two lessons: Conceptually, hot-news interests may helpfully be classified, and historically, they have been classified, as usufructuary property.

VI. Implications and Conclusion

These lessons may help focus more explicitly normative scholarship in trade secrecy or hot news. For example, scholars sometimes find trade secrecy’s secrecy or reasonable-precautions elements perverse or counter-intuitive. Since the public benefits when novel discoveries are published, it can seem wasteful to encourage firms to prevent the publication of trade secrets. The usufructuary paradigm, however, insists that things held in usufruct be marked off tolerably clearly—from the public on one hand and from other users and prospective users on the other. Scholars conducting normative research must ask whether society could enjoy all the benefits of published trade secrets without creating transaction costs attributable to badly-delineated entitlement claims. Although this Chapter’s conceptual and historical insights cannot settle this normative tradeoff, they supply institutional details scholars will need to settle it.

In the meantime, these lessons should also put IP scholars on notice to be careful of scholarship that uses alternative interpretations of concepts or history in scholarship on trade secrecy or hot news. For example, scholarship has suggested that hot-news interests sound conceptually in equity or unjust enrichment. Although more needs to be said about these suggestions, this Chapter has presented conceptual arguments in favor of the property category that these authorities have overlooked.

Similarly, Robert Bone has claimed that “the historical roots of trade secret law provide no reason to endorse the doctrine today,” and that the field does not make sense as a field of property law because “the relational focus of trade secret’s liability rules aligns trade secret law more closely with the law of contract than with the law of property.” Yet Bone assumes that an IP interest counts as conceptual “property” only if it confers on an owner “an exclusive right to it
as against the public,” which is to say he does not consider the possibility that a usufruct might also count as conceptual property. No surprise, then, that Bone also reads seminal decisions like *Peabody* anachronistically and skeptically. Bone cites trade secrecy’s seeming conceptual and historical incoherence as two reasons to abolish the field as an autonomous field of IP. Those arguments illustrate this Chapter’s most important lesson: When contemporary scholars make conceptual or historical arguments to buttress normative arguments to overhaul trade secrecy, hot news, or other common law fields of IP, those arguments should be discounted significantly if they do not consider the IP usufruct.

ENDNOTES

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3 For two significant exceptions, see Mossoff, supra note 1, at 333-35; Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839 (2007). This Essay’s insight in relation to trade secrets has been anticipated by McKenna, see id. at 1883 n.198, and also by Mossoff, supra note 2, at 415-18.

4 Although these historical and conceptual lessons have policy implications, for reasons of space and focus those implications must be elaborated elsewhere. I have given a general account of trade secrecy policy in Eric R. Claeys, *The Use Requirement at Common Law and Under the Uniform Trade Secrets Act*, 33 HAMLINE L. REV. 583, 594-97 (2010).


10 See, e.g., RESTATEMENT (FIRST) OF TORTS § 757 & cmt. a (1939).

11 244 U.S. 100, 102 (1917).


15 See, e.g., Nat’l Basketball Ass’n v. Motorola, Inc., 105 F.3d 841, 850-53 (2nd Cir. 1997).

16 248 U.S. 215, 236 (1918); id. at 246 (Holmes, J., dissenting); id. at 250 (Brandeis, J., dissenting).

57 See E.I. du Pont de Nemours Co. v. Christopher, 431 F.2d 1013, 1016 (5th Cir. 1971), cert. denied, 400 U.S. 1024 (5th Cir. 1971); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 43 cmt. b, illus. 2, at 494, cmt. c, illus. 3, at 494-95 (1995).
58 See RESTATEMENT (FIRST) OF TORTS § 757(c) (1939).
59 See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40; UNIF. TRADE SECRETS ACT § 1(2); RESTATEMENT (FIRST) OF TORTS § 757 (1939).
60 See, e.g., Bone, supra note 14, at 298-99 (arguing that the rule from du Pont v. Christopher should be repudiated).
62 U.S. Const. art. I, sec. 8, cl. 8.
63 Elsewhere, Kent assumed that riparian rights and other incorporeal hereditaments counted as property rights. See 3 Kent, supra note 61, at 344, 353-67.
65 A decade after Kent’s Commentaries, an early American treatise of patent law suggested that trade secrets were not property. See Willard Phillips, The Law of Patents for Inventions; Including the Remedies and Legal Proceedings in Relation to Patent Rights 333 (1837). However, the author cited English law for this proposition, see Richard Godson, Practical Treatise on the Law of Patents for Inventions and of Copyright with an Introductory Book on Monopolies 170-71 (1823), cited in Phillips, supra, at 333. As this Part shows, American trade secrecy case law followed Kent.
66 98 Mass. 452, 457-58 (1868). In the passages omitted by ellipsis, Gray also described trademarks and rights to business goodwill as IP usufructs. Those passages confirm McKenna’s portrait of those fields, supra note 3, at 1884-86.
69 50 How. Pr. 194 (N.Y. Supr. 1876).
70 See id. at 195-96.
71 Id. at 196, 198.
72 Id. at 201.
73 See, e.g., Ghen v. Rich, 8 F. 159 (D. Mass. 1881) (declaring that whalers perfect claims of ownership over finback whales by sinking marked harpoons in the whales even if they do not immediately kill or subdue the whales).
74 Kiernan, 50 How. Pr. at 201.
78 Bone, supra note 14, at 244, 296, 254; see id. at 296-304, 253-59, 261.