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Articles

Intellectual Liability

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"Intellectual property" is increasingly a misnomer since the right to exclude is the defining characteristic of property and incentives to engage in inventive and creative activity are increasingly being granted in the form of liability rights (which allow the holder of the right to collect a royalty from users) rather than property rights (which allow the holder of the right to exclude others from using the invention or creation). Much of this recent reorientation in the direction of liability rules arises from a concern over holdout or monopoly power in intellectual property. The debate over whether liability rules or property rules are preferable for intellectual property has focused too narrowly on the benefits and costs of allowing the right to exclude, which is only one stick in the potential bundle of rights. Each stick in the bundle interacts with other sticks to affect both the rewards of engaging in inventive and creative activity and the social costs attributable to the grant of the rights. Sometimes, the optimal solution is to allow the exercise of other market-power-conferring rights but to remove the right to exclude. Administrability of a liability-rights-oriented regime should not be a major concern, since liability rules usually result in private bargaining rather than judicial or administrative rate setting.

I. Introduction

If the right to exclude is the essential stick in the bundle of rights known as property,[1] then intellectual property is increasingly not property. In

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1. The Supreme Court has called the right to exclude others "one of the most essential sticks in the bundle of rights that are commonly characterized as property." Kaiser Aetna v. United States, 444 U.S. 164, 176 (1979). Richard Epstein goes further and asserts that "it is difficult to conceive of any property as private if the right to exclude is rejected." Richard A. Epstein, *Takings, Exclusivity and Speech: The Legacy of* PruneYard v. Robins, 64 U. CHI. L. REV. 21, 22 (1997). Similarly, Tom Merrill argues that the right to exclude others "is more than just 'one of the most

important ways, statutory innovation,[2] legal doctrine,[3] and judicial,[4] executive,[5] and administrative practice[6] have begun to cast intellectual property as a right to recover the risk-adjusted costs of invention but not necessarily to exclude others from the invention. Intellectual property is incrementally moving away from the conventional right of the landowner to fence out trespassers and toward a right to collect royalties from constructive licensees.

As a categorical matter, this trend away from a right to exclude toward a right to collect royalties represents a shift from a property regime to a liability regime. In their seminal work, Guido Calabresi and Doug Melamed showed that economic interests can be protected under either property rules (which entail the right to bar the trespasser) or liability rules (which entail the right to make the trespasser pay).[7] Under this nomenclature, intellectual property is incrementally being depropertized. Innovation incentives, once protected by property rights, are increasingly being protected by liability rights.[8] Instead of speaking about "intellectual property," it may be more appropriate to speak about "intellectual rights" consisting in part of intellectual property rights and in part of intellectual liability rights.

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essential' constituents of property—it is the *sine qua non*. Give someone the right to exclude others from a valued resource, . . . and you give them property. Deny someone the exclusion right and they do not have property." Thomas W. Merrill, *Property and the Right to Exclude*, 77 NEB. L. REV. 730, 730 (1998) (quoting *Kaiser Aetna*, 444 U.S. at 176).

2. *See, e.g.*, Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified as amended in scattered sections of 17 U.S.C.) (expanding the domain of compulsory licenses for Internet music transmission); Audio Home Recording Act of 1992, Pub. L. No. 102-563, 106 Stat. 4237 (codified as amended at 17 U.S.C. §§ 1001–1010 (2006)) (substituting a liability rule and a statutory royalty rate for the right to enjoin digital recording-equipment manufacturers from contributory infringement).

3. *See, e.g.*, Andrew Beckerman-Rodau, *The Aftermath of* eBay v. MercExchange, *126 S. Ct. 1837 (2006): A Review of Subsequent Judicial Decisions*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 631, 632–33 (2007) (describing how the legal doctrine articulated in *eBay v. MercExchange* has given trial courts discretion to choose remedies for patent infringement other than permanent injunctions); Joseph P. Liu, *Regulatory Copyright*, 83 N.C. L. REV. 87, 116–21 (2004) (discussing a general trend away from traditional property rights and toward compulsory-licensing schemes with respect to digital copyrights, especially in music).

4. *See, e.g.*, eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391–93 (2006) (rejecting the proposition that patent holders have a right to injunctive relief where other remedies at law, such as monetary damages, provide adequate compensation).

5. *See, e.g.*, *infra* text accompanying notes 50–57 (discussing the rate-setting jurisdiction of the Copyright Royalty Board over significant segments of the copyright economy).

6. *See* U.S. DEP'T OF JUSTICE & FED. TRADE COMM'N, ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS: PROMOTING INNOVATION AND COMPETITION 22 (2007), http://www.ftc.gov/reports/innovation/P040101PromotingInnovationandCompetitionrpt0704.pdf [hereinafter ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS] ("If a unilateral refusal to license patents were found to violate the antitrust laws, one appropriate remedy likely would entail compulsory licensing.").

7. *See generally* Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089 (1972).

8. *See supra* notes 2–6 and accompanying text.

Substantial literature has debated whether liability rights or property rights are more appropriate for the protection of the interests traditionally protected by intellectual property.[9] Proponents of property treatment have argued, for example, that liability rules lead to chronic undercompensation,[10] and that property rules incentivize intellectual property holders to invest in institutions that beneficially lower the costs of intellectual property exchanges.[11] Proponents of liability treatment have argued, for example, that a court's inability to adequately tailor injunctive relief may lead to exploitative holdup uses of intellectual property to exact excessive monopoly rents from licensees.[12] The property rule versus liability rule debate has generally focused on the value and costs of the right to exclude.

This Article reframes this debate by showing that the property–liability debate has focused too narrowly on the "right-to-exclude" stick in the bundle of rights. While that stick is undoubtedly crucial for real and tangible property and sometimes also for intellectual rights, in many circumstances, insistence upon a strong right-to-exclude stick weakens the argument for the inclusion of other, possibly more valuable, sticks. This occurs when the exercise of a particular right would allow the intellectual-rights holder to exploit economic power in excess of the socially optimal amount if the intellectual-rights holder was also permitted to unilaterally set its license fee to third parties.

For example, bundling together multiple intellectual rights (such as patents or copyrights) into a single license can be thought of as a potential,

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9. *See generally* Ian Ayres & Eric Talley, *Solomonic Bargaining: Dividing a Legal Entitlement to Facilitate Coasean Trade*, 104 YALE L.J. 1027, 1099–1103 (1995) (arguing that divided entitlements are often most economically efficient); Mark A. Lemley & Philip J. Weiser, *Should Property or Liability Rules Govern Information?*, 85 TEXAS L. REV. 783, 784 (2007) (arguing that liability rights are preferable to traditional property rights in markets where injunctive relief cannot be narrowly tailored); Robert P. Merges, *Of Property Rules, Coase, and Intellectual Property*, 94 COLUM. L. REV. 2655, 2664–67 (1994) (arguing that property rights are generally preferable in protecting intellectual property); Henry E. Smith, *Intellectual Property as Property: Delineating Entitlements in Information*, 116 YALE L.J. 1742, 1799–1806 (2007) (describing how information costs help explain why copyright law relies more on liability rights and patent law relies more on property rights); Stewart E. Sterk, *Property Rules, Liability Rules, and Uncertainty About Property Rights*, 106 MICH. L. REV. 1285, 1304–18 (2008) (arguing that liability rules limit incentives to conduct searches for the scope of property rights).

10. *See, e.g.*, Richard A. Epstein, *The Property Rights Movement and Intellectual Property*, REG.: THE CATO REV. OF BUS. & GOV'T, Winter 2008, at 58, 62 (criticizing the Supreme Court's decision in *eBay Inc. v. MercExchange* as creating a risk of "systematic under-compensation during the limited life of a patent[, which] is likely to reduce the level of innovation while increasing the administrative costs of running the entire system").

11. *See, e.g.*, Merges, *supra* note 9, at 2655 ("[I]n the presence of high transactions costs, industry participants have an incentive to invest in institutions that lower the costs of IPR exchange.").

12. *See, e.g.*, Lemley & Weiser, *supra* note 9, at 784 ("In the case of many technology markets, the inability to tailor injunctive relief so that it protects only the underlying right rather than also enjoining noninfringing conduct provides a powerful basis for using a liability rule instead of a property rule.").

and highly valuable, stick in the relevant bundle of rights.[13] However, antitrust or other regulatory authorities may be unwilling to allow the bundling of intellectual rights if such bundling excludes rival intellectual-rights owners and allows the intellectual-rights holder to charge a monopolistic price.[14] Conversely, if a court or administrative agency—rather than the holder—is setting the price of the intellectual rights, the concern over monopoly pricing may be abated and the bundling stick allowed.[15] In this illustration, the deletion of the right-to-exclude stick from the bundle could result in the inclusion of a right-to-bundle stick, which could be more valuable to the holder of the intellectual rights and to society more generally.

The question of whether property rights or liability rights are preferable for intellectual rights should not be answered merely with reference to the single, right-to-exclude stick. Rather, it should be answered with reference to the totality of sticks in the bundle of rights. Sometimes, the right-to-exclude stick will be important enough for the stimulation of *ex ante* innovation incentives or *ex post* exploitation incentives that strong property protections should be allowed.[16] Sometimes, the right-to-exclude stick will be relatively less important than other sticks whose inclusion in the bundle depends on the exclusion of the right-to-exclude stick.[17] In that case, liability treatment for intellectual rights may be preferable.

Part II of this Article shows how impulses from both within and without intellectual property law are pushing toward the partial depropertization of intellectual property rights (IPRs). Copyright law has long maintained a partial-liability regime through compulsory licensing for mechanical rights, but the number and complexity of compulsory licenses has grown in recent years. Patent law is depropertizing the patent right (and, by extension, the copyright) by declining to grant injunctive relief for patent infringement as a

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13. *See, e.g.*, Robert P. Merges, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CAL. L. REV. 1293, 1293–94 (1996) (noting that intellectual-property-right pooling agreements may lower transaction costs for repeat players).

14. 1 HERBERT HOVENKAMP, MARK D. JANIS & MARK A. LEMLEY, IP AND ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW § 22.4 (2002 & Supp. 2007).

15. *See* Justin Hurwitz, *The Value of Patents in Industry Standards*, 36 AIPLA Q.J. 1, 24–26 (2008) (discussing the use of compulsory licensing to counteract monopoly power).

16. *See* 1 HOVENKAMP, JANIS & LEMLEY, *supra* note 14, § 13.2c ("The purpose of intellectual property rights is to encourage innovation by granting their owner a reward better than it could obtain in a competitive market. Sometimes that reward is maximized if the intellectual property owner uses the right itself and does not license it to others.").

17. Hovenkamp, Janis, and Lemley illustrate several situations in which the right to exclude will be relatively unimportant to the patentee:

> [I]ntellectual property owners . . . may be ill-equipped to make the protected product; they may want a revenue stream without having to invest in producing and selling the product; they may wish to reserve one geographic or product market to themselves, while allowing others to exploit the intellectual property right elsewhere; or they may simply feel that broad dissemination of their product will redound to their benefit.

Id.

matter of right. This means that courts may instead assess a royalty rate for infringement. To a lesser degree, antitrust law is depropertizing intellectual property by directly or indirectly compelling dominant patentees and copyright holders to share their intellectual property with others in exchange for a reasonable royalty. All three of these impulses are driven by a concern that, left to their own devices, holders of IPRs would enjoy a monopoly-holdout position enabling them to extract excessive royalties from licensees. Conjunctively, these impulses are creating a state in which inventors and creators of economically valuable intellectual resources should expect that they may have to share their inventions and creations with others in exchange for a fee determined by a third party.

Part III advances the central normative claim of this Article—that the effect of depropertization on the incentives of inventors and creators to undertake "useful arts" cannot be assessed in isolation. Instead, everything depends on the valence of intellectual rights—the interaction between the various sticks in the bundle. Inventors and creators are often quite happy to forgo the right to exclude in exchange for the introduction of other sticks into the bundle. For example, patentees who enter standard-setting organizations or patent pools are often happy to exchange property protection for liability protection if that buys them greater flexibility in the creation of the standard or the pool. Similarly, copyright holders are often content with liability protections if they are allowed to exploit their copyrights collectively rather than individually—for example, by creating copyright clearinghouses or performance-rights organizations. Hence, both proponents and critics of the depropertization of intellectual property should focus beyond the single right-to-exclude stick. Intellectual liability sometimes may be the optimal right given the inclusion of other rights in the bundle, even if it cannot be justified standing alone.

Part IV considers how to operationalize a decisional rule on intellectual rights that takes into account the interaction of various possible sticks in the relevant bundle. It addresses three questions:

- First, should the right to exclude ever be removed involuntarily from an intellectual-rights holder on the ground that the socially optimal combination of sticks in the bundle does not include the right to exclude? I answer in the affirmative. Although negotiated rate setting between licensors and licensees is generally preferable to mandatory judicial rate setting, relying on external legal pressures such as antitrust law to steer IPR holders toward voluntary rights trade-offs is unlikely to achieve optimal results.
- Second, how do institutional constraints—particularly the reluctance of generalist judges to act as rate regulators—affect the optimality of the trade-off between the right to exclude and other sticks in the bundle? Institutional competence concerns may be overstated. Rate-setting courts are rarely used, even when they are available to intervene upon bargaining impasses.

Most inventors and creators of economically valuable resources would like to share their intellectual property with others—sharing is how inventors and creators make money. In the context of intellectual rights, the consequence of the choice between liability and property rules is usually the price at which the intellectual rights will be licensed. What changes with the depropertization of intellectual rights is not so much that courts or administrative agencies are frequently dragged into rate-setting proceedings but that the terms and conditions under which others access the inventions and creations are determined by bargaining in the shadow of rate-setting courts or administrative agencies rather than bargaining in the shadow of a categorical right to exclude.

- Third, and finally, how should liability treatment of intellectual rights affect adjacent doctrines concerning IPR entitlements—particularly, antitrust law's refusal-to-deal doctrine? To the extent that recent developments in intellectual property law have begun to address problems of market power by removing the right-to-exclude stick from the bundle of rights, these developments provide a partial solution to the longstanding debate in antitrust circles over whether the holder of a dominant IPR ever has an obligation to share her intellectual property with rivals. If intellectual property law itself mandates access by rivals and other parties disadvantaged by the IPR holder's market power, then there is no need for antitrust law to do so. At the same time, viewing dominant intellectual property through a liability lens provides a clear-cut line of demarcation for antitrust purposes. Although intellectual property law may require an IPR holder to "share" her intellectual property in the sense that rivals may not be enjoined from infringing, antitrust law need not go any further and create mandatory obligations to cooperate with rivals who cannot appropriate the intellectual property through self-help infringement.

II. Toward Liability

It may seem odd to speak about the depropertization of intellectual property at a time when it is commonplace to decry the overpropertization of information.[18] But the depropertization of intellectual property does not

18. *See* Robin Jacob, *The Onward March of Intellectual Property Rights and Remedies*, *in* EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY: INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY 415, 415 (Rochelle Dreyfuss et al. eds., 2001) (decrying the "onward march of IP rights and remedies" in the United States and Europe); Mark A. Lemley, *Romantic Authorship and the Rhetoric of Property*, 75 TEXAS L. REV. 873, 902 (1997) (reviewing JAMES BOYLE, SHAMANS, SOFTWARE, AND SPLEENS: LAW AND THE CONSTRUCTION OF THE INFORMATION

necessarily coincide with a general movement to diminish the economic rights granted by the intellectual property system. It is possible to grant expansive economic interests through a liability regime just as it is through a property regime.[19] Imagine, for example, the grant of a corporate charter to create a toll road. The charteree undoubtedly has a valuable economic right, but it is not a true property right—there is no right to exclude since the turnpike would be subject to a common-carrier obligation[20]—but only a right to collect a fee for passage. In a world in which traveling on roads used to be free, the establishment of tolls may appear to "propertize" roads even though, in a Calabresi–Melamed sense, it creates liability rights rather than property rights. In the same way, the intellectual property system may be moving away from an open-access regime and toward ever greater economic rights for creators and inventors while, at the same time, moving away from a traditional property regime and toward a liability regime. This Part considers three important ways in which this is occurring.

A. Copyright's Compulsory Licenses

For over a hundred years, copyright has been a mixed liability- and property-rights regime; nevertheless, the movement toward liability has gathered steam in the last thirty years.[21] A compulsory license to make and distribute phonorecords—the "mechanical" license—entered the system in 1909 when Congress reacted to the Supreme Court's decision in *White-Smith Music Publishing v. Apollo Co.*[22] by extending the copyright in musical compositions to mechanical recordings.[23] The quid pro quo for this statutory

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SOCIETY (1996)) (criticizing "the 'propertization' of intellectual property" and the simultaneous expansion of intellectual property protections). *See generally* MICHAEL HELLER, THE GRIDLOCK ECONOMY: HOW TOO MUCH OWNERSHIP WRECKS MARKETS, STOPS INNOVATION, AND COSTS LIVES 1–22 (2008); LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CENTRAL CREATIVITY 83–173 (2004) (both criticizing the overexpansion of intellectual property rights in media).

19. Michael Carrier argues that "[o]ne of the most revolutionary legal changes in the past generation has been the 'propertization' of intellectual property (IP)." Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 DUKE L.J. 1, 4 (2004). However, his vision is not propertization in the Calabresi–Melamed sense but rather the expansion of the economic interests covered by the intellectual property interest. *See id.* at 6–7 (clarifying propertization to mean "the expansion of the duration and scope of initial rights to approach unlimited dimensions" and arguing that property rights are unlimited in duration until limitations are created by courts and legislatures).

20. *See* Munn v. Illinois, 94 U.S. 113, 129 (1877) (describing turnpike roads as traditionally regulated as common carriers).

21. A useful discussion of copyright's statutory evolution toward compulsory licensing appears in Joseph Liu's article, *Regulatory Copyright*. *See* Liu, *supra* note 3, at 94–114 (summarizing the statutory trend away from traditional property rules and toward liability rules in the context of digital copyrights).

22. 209 U.S. 1 (1908).

23. Copyright Act of 1909, Pub. L. No. 60-349, §§ 1(e), 25(e), 35 Stat. 1075, 1075–76, 1081–82 (1909) (codified as amended at 17 U.S.C. § 102 (2006)); *see also* Liu, *supra* note 3, at 97 ("The 1909 Act legislatively overruled [*White-Smith*] . . . .").

extension in favor of composers was that the recording industry received a statutory license to access copyrighted compositions, provided they pay a standard fee.[24] The 1909 Act is a good example of a departure from an open-access regime[25]—the status quo ante being the *White-Smith* holding that piano rolls were not within composition copyrights—but in the direction of liability rights rather than property rights.

From 1909 to 1976, the mechanical compulsory license remained an aberration to copyright's general presumption in favor of property rights. The 1976 Copyright Act[26] opened a new season of compulsory licensing. It retained the compulsory mechanical license, which now applied to the much larger universe of sound recordings.[27] It added a compulsory license for jukebox operators, which had been exempted altogether by the 1909 Act.[28] More significantly, the 1976 Act contained a complex compulsory-licensing regime for cable television retransmission of broadcast television signals.[29] Later, amendments extended the retransmission compulsory license to satellite transmissions.[30] As one commentator has noted, the 1976 Act "made greater use of compulsory licenses and established them more firmly as an alternative to a property entitlement."[31]

A different form of liability regime appeared in the Audio Home Recording Act of 1992 (AHRA).[32] In response to music industry fears that the advent of digital audio technologies would enable rampant piracy, Congress effectively established a tax on digital technologies for the benefit of composers and record labels. The AHRA imposes a 2% levy on the sale price of digital audio recording devices and a 3% levy on the sale of blank audio media used to make digital recordings.[33] The Copyright Office collects

24. *See* Timothy Wu, *Copyright's Communications Policy*, 103 MICH. L. REV. 278, 302–04 (2004) (describing interest-group compromises that led to the 1909 Copyright Act).

25. *See* James A. Swaney, *Common Property, Reciprocity, and Community*, 24 J. ECON. ISSUES 451, 451–53 (1990) (distinguishing between open access and commons and noting confusion between the terms).

26. General Revision of Copyright Law, Pub. L. No. 94-553, 90 Stat. 2541 (1976) (codified as amended in scattered sections of 17 U.S.C.).

27. 17 U.S.C. § 115(a)(1) (2006).

28. *Id.* § 116; *see also* Marilyn S. Wise, *Trials of the Tribunal: Toward a Fair Distribution of Jukebox Royalties*, 16 SW. U. L. REV. 757, 762 (1986) (explaining that the 1976 Act ended jukeboxes' exemption from a compulsory-licensing system and reflected a compromise under which composers would be compensated for their work while jukebox operators could play music as they wished).

29. 17 U.S.C. § 111; *see also* C.H. Dobal, Note, *A Proposal to Amend the Cable Compulsory License Provisions of the 1976 Copyright Act*, 61 S. CAL. L. REV. 699, 703–07 (1988) (describing the evolution of the administration of the cable-television compulsory-license regime).

30. 17 U.S.C. §§ 119, 122.

31. Liu, *supra* note 3, at 108.

32. Pub. L. No. 102-563, 106 Stat. 4237 (codified as amended at 17 U.S.C. §§ 1001–1010); *see also* Tia Hall, *Music Piracy and the Audio Home Recording Act*, DUKE L. & TECH. REV., 2002 (explaining the AHRA's establishment of the Serial Copy Management System and a royalty tax to protect copyright owners' interests).

33. 17 U.S.C. § 1003–1004.

the levy and distributes it to owners of copyrights in sound recordings (who take two-thirds of the proceeds) and to owners of copyrights in musical works (who take a third of the proceeds).[34] In exchange for these revenues, the copyright owners lose their right to sue makers of digital recording equipment for copyright infringement.[35] In effect, the AHRA substitutes a liability rule and a statutory royalty rate for the right to enjoin digital recording-equipment manufacturers from contributory infringement.

Three years later, in its first effort to address music distribution over the Internet, Congress continued the trend toward the depropertization of copyright with the Digital Performance Right in Sound Recordings Act of 1995 (DPRSRA).[36] The DPRSRA extended the domain of copyright by granting sound-recording owners certain rights to control digital public performances subject to a complex scheme of compulsory licenses.[37] The domain of compulsory licenses for Internet music transmission expanded in 1998 with the Digital Millennium Copyright Act (DMCA),[38] which gave copyright owners and performers of sound recordings a performance right when a song is publicly performed by means of a digital transmission, subject to a compulsory license.[39]

The trend toward liability rules does not seem to have abated. Legislation introduced in 2006 and reintroduced in 2008 would deal with the problem of "orphan works"—copyrighted works where the copyright holder cannot be located—by limiting the copyright owner's remedy (under specified circumstances) to "reasonable compensation" for the past use of the copyrights.[40] Reasonable compensation would be defined as "the amount on which a willing buyer and willing seller in the positions of the infringer and the owner of the infringed copyright would have agreed with respect to the infringing use of the work immediately before the infringement began."[41] In effect, this legislation would grant a compulsory license to copy orphan works subject to an obligation to pay for them if the owner emerges.[42]

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34. *Id.* § 1006.

35. *Id.* § 1008.

36. Pub. L. No. 104-39, 109 Stat. 336 (codified as amended in scattered sections of 17 U.S.C.).

37. *See generally* David Nimmer, *Ignoring the Public* (pt. 1), 7 UCLA ENT. L. REV. 189, 189–94 (2000) (surveying regulation of digital public performance rights, and arguing that Congress created an unnecessarily complex regulatory scheme).

38. Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified as amended in scattered sections of 17 U.S.C.).

39. 17 U.S.C. § 114.

40. Orphan Works Act of 2008, H.R. 5889, 110th Cong. § 2(a) (2008); Orphan Works Act of 2006, H.R. 5439, 109th Cong. § 2(a) (2006).

41. H.R. 5889.

42. *See* Darren Keith Henning, *Copyright's Deus Ex Machina: Reverse Registration as Economic Fostering of Orphan Works*, 55 J. COPYRIGHT SOC'Y U.S.A. 201, 213 (2008) (describing the proposed legislation as creating a "de facto compulsory license"). The legislation would retain some property rights elements: injunctions against future infringement would be permitted if the work's parent reappeared. H.R. 5889.

Much of copyright's expansion in the last thirty years has been in the form of liability rules. What is significant for present purposes is not only the increasing number of statutory compulsory licenses but also the institutional mechanisms governing the terms and conditions of the compulsory license—particularly the price. There are essentially two ways to run a liability regime. One is to establish a compulsory license by statute, set a flat statutory fee, and provide some legal or administrative mechanism for collecting the fee.[43] The other way is to grant a compulsory license without specifying its terms and then provide for a legal or administrative rate-setting mechanism in the event that the licensor and licensee cannot agree.[44]

Examples of both sorts of compulsory license provisions appear in the Copyright Act. The 1909 mechanical license established the price and terms of the license, reporting procedures for the recording industry and penalties for noncompliance with the statute.[45] The AHRA went even further in the direction of a flat, statutory royalty rate, dealing with copyright-holder remuneration on a class-wide basis rather than linking compensation to actual copying.[46] But the more prevalent practice seems to be in the direction of individualized royalty setting in an administrative process. The 1976 Act created an administrative body called the Copyright Royalty Tribunal to engage in rate setting for various classes of compulsory licenses.[47] In 1993, after significant criticism, the Copyright Royalty Tribunal gave way to a system of copyright arbitration royalty panels, convened on an ad hoc basis by the Librarian of Congress.[48] Just over a decade later, in 2005, Congress returned to a more permanent institutional arrangement for ascertaining compulsory license rates, creating the Copyright Royalty Board.[49]

A wide swath of copyrights are currently subject to the rate-setting jurisdiction of the Copyright Royalty Board. The Board has jurisdiction to set rates for cable and satellite retransmission of copyrighted programming,[50] "ephemeral" copies for transmission of public performances and certain other

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43. The AHRA establishes such an institutional mechanism. *See supra* notes 32–35 and accompanying text.

44. For example, the DPRSRA mandates that rate schedules set by copyright royalty judges shall be binding if a copyright owner and an individual entitled to a compulsory license for making and distributing phonorecords do not agree upon the terms and rates of royalty payments. 17 U.S.C. § 115(c)(3)(B)–(E).

45. Liu, *supra* note 3, at 97–98.

46. *See supra* text accompanying notes 32–35.

47. *See, e.g.*, Recording Indus. Ass'n of Am. v. Copyright Royalty Tribunal, 662 F.2d 1, 3 (D.C. Cir. 1981) ("[D]etermination of the appropriate royalty rates is one of the principal functions Congress has assigned to the Copyright Royalty Tribunal.").

48. Copyright Royalty Tribunal Reform Act of 1993, Pub. L. No. 103-198, § 801, 107 Stat. 2304 (codified as amended in scattered sections of 17 U.S.C.).

49. *See* Copyright Royalty and Distribution Reform Act of 2004, Pub. L. No. 108-419, 118 Stat. 2341 (codified as amended in scattered sections of 17 U.S.C.) (stating as its purpose "to replace copyright arbitration royalty panels with Copyright Royalty Judges").

50. 17 U.S.C. § 111(c)–(d) (2006).

copyrighted works,[51] digital audio transmissions,[52] distribution for private use of copyrighted nondramatic music works,[53] jukebox owners,[54] public broadcasting systems transmitting copyrighted works,[55] superstations and satellite companies rebroadcasting local and other copyrighted programming,[56] and digital audio-recording devices.[57] For these significant segments of the copyright economy, a liability regime—complete with mandatory access rules and a rate-setting administrative body—are the rule of the day.

B. Patent's Injunction Standard

Unlike copyright, U.S. patent law is not characterized by a series of statutory compulsory licenses.[58] But there is another way to achieve the same effect—decline to grant permanent injunctions for patent infringement.[59] In the event that a permanent injunction is declined, the court hearing the infringement suit may award the patentee a reasonable royalty for the infringer's continued use of the patented technology.[60] In effect, the combination of declining to issue a permanent injunction and awarding the patentee a reasonable royalty is a compulsory license subject to a rate-setting court's oversight of the terms and conditions of the license.[61]

Until recently, property-rights protection of patents was the norm and rate-setting treatment was an aberration. The Federal Circuit, which generally controls the law of patents, followed a "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances."[62] However, in its 2006 *eBay v. MercExchange*[63] decision, a fractured Supreme Court rejected this presumptive treatment of patents as property and instead held that the ordinary, permanent-injunction rule—

51. *Id.* § 112(e).

52. *Id.* § 114(e)–(f).

53. *Id.* § 115(c).

54. *Id.* § 116.

55. *Id.* § 118(b).

56. *Id.* § 119.

57. *Id.* § 1004.

58. *See* Andrew Beckerman-Rodau, *Patent Law—Balancing Profit Maximization and Public Access to Technology*, 4 COLUM. SCI. & TECH. L. REV. 1, 46 n.179 (2002) ("U.S. law has consistently rejected statutory authorization for compulsory licenses of patents.").

59. *See* Atlas Powder Co. v. Ireco Chems., 773 F.2d 1230, 1233 (Fed. Cir. 1985) (equating the denial of injunctive relief for patent infringement with the grant of a compulsory license).

60. 35 U.S.C. § 284 (2006); *see also* Ga.-Pac. Corp. v. U.S. Plywood Corp., 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), *modified*, 446 F.2d 295 (2d Cir. 1971) (listing relevant factors in determining a reasonable royalty).

61. *See, e.g.*, Hybritech Inc. v. Abbott Labs., 849 F.2d 1446, 1457 (Fed. Cir. 1988) ("'If monetary relief were the sole relief afforded by the patent statute then . . . infringers could become compulsory licensees . . . .'" (quoting *Atlas Powder*, 773 F.2d at 1233)).

62. MercExchange L.L.C. v. eBay, Inc., 401 F.3d 1323, 1339 (Fed. Cir. 2005).

63. 547 U.S. 388 (2006).

requiring irreparable harm, no adequate remedy at law, balance of hardships, and public interest—applied.[64]

In light of *eBay*, injunctions no longer issue as a matter of course in infringement cases, but it remains to be seen just how wide the impact of *eBay* will be.[65] Although the Court was unanimous in rejecting the Federal Circuit's "absent exceptional circumstances" standard,[66] two concurring opinions struck widely different notes about the value of injunctions for patent infringement. Chief Justice Roberts, joined by Justices Scalia and Ginsburg, believed that even under the generic four-part, permanent-injunction test, the historical practice in patent cases—granting an injunction—should usually prevail.[67] Justice Kennedy, joined by Justices Stevens, Souter, and Breyer, believed that changed economic and technological circumstances—in particular the rise of "patent trolls"—should make courts more skeptical about granting patent injunctions.[68] The deep case for either property rules or liability rules remains to be made on the Court.

In the meantime, the lower courts are taking a more nuanced approach toward patent infringement injunctions than they previously did. Two years after the *eBay* decision, a commentator summarized the early returns as follows:

> (1) The district courts continue to grant permanent injunctions in most cases; (2) Typically, permanent injunctions continue to issue when the patent owner and the infringer are direct marketplace competitors; (3) Typically, permanent injunctions are denied if the patent owner is a non-practicing entity; and, (4) Other factors such as willful infringement, venue, the existence of a complex invention incorporating a patented feature, the willingness of the patent owner to license the invention and the likelihood of future infringement are not overly predictive with regard to whether patent infringement will result in issuance or denial of a permanent injunction.[69]

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64. *Id.* at 390–91.

65. *See generally* John M. Golden, *Principles for Patent Remedies*, 88 TEXAS L. REV. (forthcoming Feb. 2010) (indicating that *eBay* has created debate in how to handle patent remedies, while suggesting principles for policymakers to follow).

66. *eBay*, 547 U.S. at 394.

67. *Id.* at 394–95 (Roberts, C.J., concurring).

68. *Id.* at 395–97 (Kennedy, J., concurring).

69. Beckerman-Rodau, *supra* note 3, at 632. Cases subsequent to these early returns seem to be pointing toward an even more pronounced trend toward liability treatment. Several courts have declined to grant permanent injunctions against even direct-competitor infringers. *See, e.g.*, Nichia Corp. v. Seoul Semiconductor, Ltd., No. 06-0162, 2008 U.S. Dist. LEXIS 12183, at *5, *9 (N.D. Cal. Feb. 7, 2008) (finding that the plaintiff, who held patents related to light-emitting diodes (LEDs), failed to show an entitlement to a permanent injunction against the defendants' sale of LEDs); Respironics, Inc. v. Invacare Corp., No. 04-0336, 2008 U.S. Dist. LEXIS 1174, at *1–2, *18 (W.D. Pa. Jan. 8, 2008) (denying the plaintiff's motion for a permanent injunction against the defendant, who sold a commercialized sleep-therapy device despite the plaintiff's patents in the sleep-therapy field).

In other words, we are not seeing a complete shift away from property rules, but the number of ordinary patent infringement cases in which courts engage in prospective rate setting is growing.[70] Patents are no longer presumptively property rights—they are presumptively liability rights. The patentee must prove, on an individualized and case-specific basis, that its patent should be treated as a property right.[71] If the patentee fails to meet that burden, the court treats the IPR as a right to recover a reasonable royalty but not as a right to exclude.[72]

C. *Antitrust's Looming Shadow*

Copyright's statutory compulsory licenses and patent's permanent-injunction rule are liability-rule-oriented impulses from within intellectual property law itself. There are also impulses from outside of intellectual property law pushing toward the depropertization of intellectual rights. The chief of these impulses is antitrust law.[73]

Antitrust's relationship to the property–liability debate in intellectual property can be deceiving. U.S. antitrust law generally does not impose an obligation to license intellectual property on even dominant IPR holders.[74] Only a small number of controversial judicial decisions have suggested the possibility that the refusal to license intellectual property could be an ingredient of an unlawful monopolization strategy, or, to put it the other way, that antitrust law could ever impose an obligation to license intellectual property

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70. *See* Tim Carlton, *The Ongoing Royalty: What Remedy Should a Patent Holder Receive When a Permanent Injunction is Denied?*, 43 GA. L. REV. 543, 546–48 (2009) (explaining that in the wake of *eBay*, district courts have tended to deny permanent injunctions and instead award ongoing royalties at the reasonable royalty rate).

71. *See eBay*, 547 U.S. at 391–92 (requiring a patentee who seeks a permanent injunction to satisfy the four-factor test historically employed by equity courts: (1) that the patentee has suffered an irreparable injury; (2) that remedies available at law are inadequate to compensate for that injury; (3) that a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction).

72. *See id.* at 391 (explaining that a plaintiff who fails to meet the standard for injunctive relief is entitled only to monetary damages).

73. Another recent innovation that has moved some technologically intensive industries in the direction of liability rules is the Telecommunications Act of 1996, which requires incumbent, local telephone-service providers to provide access and interconnection to their networks, including the leasing of network elements, to new entrants. *See* Lemley & Weiser, *supra* note 9, at 809–13 (extracting the following three lessons from the history of the 1996 Act: (1) liability rules should be clearly defined; (2) liability rules should be limited so that they do not undermine investment incentives; and (3) setting and enforcing liability rules can be costly). However, the Telecommunications Act's liability rules are not limited to intellectual property but require the sharing of physical infrastructure. *Id.* at 810. As discussed in subpart IV(C), such mandatory sharing of physical assets raises a different set of considerations than mandatory sharing of nonrivalrous public goods like patents or copyrights.

74. *See generally* Herbert Hovenkamp, Mark D. Janis & Mark A. Lemley, *Unilateral Refusals to License*, 2 J. COMPETITION L. & ECON. 1, 4–5 (2006) ("Antitrust law does not itself impose an obligation to use or license intellectual property rights, such that a refusal to use or license the right would violate the antitrust laws.").

(other than as a remedy for some independent violation).[75] The Justice Department's Antitrust Division and the Federal Trade Commission take the view that refusals to license intellectual property should rarely, if ever, be the basis for antitrust liability.[76] It is conventional to juxtapose U.S. law's general refusal to assign antitrust liability for refusals to share intellectual property with the EU's approach, which does sometimes impose an obligation to deal.[77]

Despite the reluctance of the courts and enforcement agencies to create an antitrust obligation to license intellectual property, in much of the scholarly debate over property rights or liability rights for intellectual property, antitrust has been the unappreciated backdrop. Many arrangements by IPR holders that substitute liability rules for property rules seem to be purely voluntary undertakings.[78] Voluntary abandonment of property protections may not seem relevant to the baseline Calabresi–Melamed question of whether property or liability rules should be the defaults. Even the strongest proponent of property protection for intellectual rights would not argue that IPR holders should be barred from abandoning their property protections and voluntarily treating their IPRs as liability rights.[79] Instead, property advocates see property protections as the optimal baseline rule from which IPR holders may then bargain to efficient solutions.[80]

For example, Robert Merges has argued that property protection should be preferred for intellectual rights because "in the presence of high transaction costs, industry participants have an incentive to invest in institutions that

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75. *See, e.g.*, Image Tech. Servs., Inc. v. Eastman Kodak Co., 125 F.3d 1195, 1228 (9th Cir. 1997) (affirming a jury finding of Kodak's liability for monopolization for refusing to license its patents to independent service organizations); Data Gen. Corp. v. Grumman Sys. Support, 36 F.3d 1147, 1187 (1st Cir. 1994) ("[W]hile exclusionary conduct can include a monopolist's unilateral refusal to license a copyright, an author's desire to exclude others from use of its copyrighted work is a presumptively valid business justification for any immediate harm to consumers.").

76. *See* ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS, *supra* note 6, at 30 ("[T]he Agencies conclude that liability for mere unconditional, unilateral refusals to license will not play a meaningful part in the interface between patent rights and antitrust protections.").

77. *See* Brett Frischmann & Spencer Weber Waller, *Revitalizing Essential Facilities*, 75 ANTITRUST L.J. 1, 57–64 (2008–2009) (contrasting the EU approach to the essential-facilities doctrine, including in intellectual property cases, with the U.S. approach); Melanie J. Reichenberger, Note, *The Role of Compulsory Licensing in Unilateral Refusals to Deal: Have the United States and European Approaches Grown Further Apart After* IMS?, 31 J. CORP. L. 549, 550 (2006) (arguing that the European Court of Justice's order of the compulsory licensing of a copyrighted market-research-collection system to an infringing competitor further distanced the approaches of U.S. and European courts).

78. *See, e.g.*, Merges, *supra* note 9, at 2662 (discussing ASCAP and patent pools—institutions that have arisen when firms have contracted into liability rules).

79. *See, e.g.*, *id.* at 2664, 2669–70 (arguing that a property rule would better effectuate a bargain in IPR cases but acknowledging that such a rule can be transformed into a voluntary liability rule).

80. *See generally* Ronald H. Coase, *The Problem of Social Cost*, 3 J.L. & ECON. 1, 43, 42–44 (1960) (arguing that given sufficiently low transaction costs, parties will bargain to the efficient solution irrespective of the initial assignment of property rights).

lower the costs of IPR exchange."[81] Merges argues that, given strong property protections as a baseline, intellectual-rights owners have incentives to create institutions that are "designed to streamline the exchange of property rights" by modifying "the strong property rule baseline of intellectual property law by contracting into liability rules."[82] He argues that property rules facilitate this flexible bargaining into efficient regimes for information exchange whereas, perversely, "statutory liability rules work against the flexible, voluntary institutions that are formed to overcome the costs faced by transactors."[83] Merges offers two examples of efficient information-exchange institutions created against the backdrop of strong property rights protection: the American Society of Composers, Authors, and Publishers (ASCAP) and Broadcast Music, Inc. (BMI) music-performance-rights organizations (PROs) and patent pools.[84]

PROs and patent pools are certainly examples of efficient liability regimes for information exchange, but it is less clear that their liability-rule orientation arises from a baseline of strong property rules. In both cases the decision to treat intellectual rights as liability rights arose in large part from antitrust pressures, not from the voluntary abdication of property protections.

In the case of the PROs, the liability treatment arose initially from consent decrees with the Justice Department in which potential antitrust liability was exchanged for a liability regime for the relevant copyrights.[85] BMI and ASCAP are music-performance-rights clearinghouses that aggregate and license millions of individual artists' performance rights.[86] In the 1940s, the Justice Department brought suit against the PROs on antitrust grounds and resolved both actions by consent decree.[87] Under the consent decrees, BMI and ASCAP must make through-to-the-listener licenses available for public performances of their music repertoires and provide applicants with proposed license fees upon request.[88] If the PROs and the applicant cannot agree on a fee, either party may apply to the rate court for

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81. Merges, *supra* note 9, at 2655.

82. *Id.* at 2662.

83. *Id.*

84. *Id.*; *see also id.* at 2662, 2669–70 (further discussing collective rights organizations (specifically ASCAP and BMI) as examples of "a property rule for IPRs [being] transformed into a voluntary liability rule").

85. *See* United States v. BMI, 1966 Trade Cas. (CCH) ¶ 71,941 (S.D.N.Y. 1966); United States v. ASCAP, 1950 Trade Cas. (CCH) ¶ 62,595 (S.D.N.Y. 1950) (both deciding cases on the basis of a consent decree).

86. For a discussion of the economic justifications for the BMI and ASCAP system, see BMI v. CBS, 441 U.S. 1, 4–6, 21–23 (1979).

87. *See BMI*, 1966 Trade Cas. (CCH) at 83,324; *ASCAP*, 1950 Trade Cas. (CCH) at 63,754 (both stating that, without trial or testimony, both parties agreed to a civil decree and judgment).

88. United States v. BMI, 1996-1 Trade Cas. (CCH), ¶ 76,891 (S.D.N.Y. 1994); *ASCAP*, 1950 Trade Cas. (CCH) at 63,754.

determination of a reasonable fee.[89] Other antitrust consent decrees contain similar provisions requiring the defendants to license their intellectual property on reasonable and nondiscriminatory terms, and reserving jurisdiction in the court to assess a reasonable royalty rate in the event that the parties cannot agree.[90]

Similarly, participants in patent pools often agree to liability rules not simply to promote efficient exchange of rights but because of antitrust pressures.[91] Patent pooling has faced a long history of antitrust challenges,[92] and patentees often hope to avoid antitrust suits by agreeing to license on reasonable and nondiscriminatory terms.[93] Participants in patent pools trade property treatment for liability treatment because the right to participate in a patent pool is more valuable than the right to exclude,[94] and the right to participate in patent pools may depend on the abandonment of the right to exclude.[95]

The coercive influence of antitrust law to abandon property protections for IPRs does not end with the two examples given by Merges—PROs and patent pools. Many standard-setting organizations (SSOs) have bylaws requiring participants to license their patents on reasonable and nondiscriminatory (RAND) terms. An empirical study conducted by Mark Lemley in 1992 found that twenty-nine out of thirty-six SSOs that had

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89. *ASCAP*, 1950 Trade Cas. (CCH) at 63,754; *see also BMI*, 1996-1 Trade Cas. (CCH) at 76,891 (modifying the original 1966 consent decree to include a provision requiring the rate court to determine a reasonable fee in the event that the parties cannot agree).

90. *See* Daniel A. Crane, *Bargaining in the Shadow of Rate-Setting Courts*, 76 ANTITRUST L.J. 307, 309 (2009) (stating that antitrust decrees that "require the defendants to license their intellectual property on reasonable terms and retain jurisdiction in the court to determine what is reasonable are said to create rate-setting courts").

91. *See* Daniel A. Crane, *Patent Pools, RAND Commitments, and the Problematics of Price Discrimination* 9–12 (Benjamin N. Cardozo Sch. of Law Jacob Burns Inst. for Advanced Legal Studies, Working Paper No. 232, 2008), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1120071 (describing voluntary remedies undertaken to avoid accusations of anticompetitive behavior and offering DVD technology as an example of such voluntary remedies in practice).

92. *See* 1 HOVENKAMP, JANIS & LEMLEY, *supra* note 14, § 34.3 (surveying Supreme Court decisions analyzing patent pools opposed by antitrust challenges beginning in 1902); *see also* Robert P. Merges, *Institutions for Intellectual Property Transactions: The Case of Patent Pools, in* EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY: INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY, *supra* note 18, at 123, 156–58 (discussing the impact of government antitrust policy on patent pools).

93. *See* Richard J. Gilbert, *Antitrust for Patent Pools: A Century of Policy Evolution*, 2004 STAN. TECH. L. REV. 3, ¶ 66 (reviewing case law suggesting that patent pool participants may avoid antitrust liability by offering licenses on reasonable and nondiscriminatory terms).

94. *See* Merges, *supra* note 13, at 1341–42 (stating that patent pools reduce transaction costs by providing a "regularized transactional mechanism" that takes the place of property rules requiring a separate bargain for each transaction).

95. *See* George M. Armstrong, Jr., *From the Fetishism of Commodities to the Regulated Market: The Rise and Decline of Property*, 82 NW. U. L. REV. 79, 99 (1987) (noting "abuses of the patent privilege" that have anticompetitive consequences that justify courts "strip[ping] the owner of his right to exclude others").

written policies about the ownership of IPRs required the IPR holders to license on reasonable and nondiscriminatory terms.[96] Again, a primary motivation for such abandonment of property protections in favor of a liability regime is the avoidance of antitrust liability.[97]

Antitrust is the invisible hand pushing toward the coerced abandonment of property protections for intellectual rights. Although antitrust's sway is only felt when the IPR holders could potentially exercise market power—a small percentage of cases—IPRs that are involved in litigation tend to be the most valuable IPRs and the ones most likely to confer market power.[98] The classes of IPRs about which a court might be called on to make a "property or liability" decision are the very ones that antitrust is pushing, preemptively, toward voluntary liability treatment.

Antitrust's implicit pressure complements copyright's statutory compulsory licenses and patent's emergent injunction standard. Often, the impulses work conjunctively in the direction of depropertization. For example, the PRO liability arrangement began under antitrust consent decrees and eventually made its way into a federal statute requiring a compulsory license.[99] Patent infringers may use antitrust counterclaims (or patent misuse, its analog) as leverage to strengthen their case for denial of a permanent injunction once infringement is found.[100] From both within and without, intellectual property is increasingly moving away from a true property regime.

III. The Valence of Intellectual Rights

No single, deliberate impulse accounts for the trend toward intellectual liability. Indeed, the trend described in the previous Part finds its impetus in all three branches of government. Congress enacts statutory compulsory licenses; the courts create permanent injunction norms; and the antitrust enforcement agencies (and, to some extent, the private antitrust bar) provide the stimulus for IPR holders to voluntarily abandon property claims in exchange for freedom to engage in otherwise suspect activities.

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96. Mark A. Lemley, *Intellectual Property Rights and Standard-Setting Organizations*, 90 CAL. L. REV. 1889, 1906 (2002).

97. *See* Hurwitz, *supra* note 15, at 4 ("The root of the [RAND commitment] problem lies in antitrust law.").

98. Brief of Prof. F.M. Scherer as Amicus Curiae in Support of Respondent at 5–7, Ill. Tool Works, Inc. v. Indep. Ink, Inc., 547 U.S. 28 (2006) (No. 04-1329), 2005 WL 2427642, at *5–7.

99. *See* W. Jonathan Cardi, *Über-Middlemen: Reshaping the Broken Landscape of Music Copyright*, 92 IOWA L. REV. 835, 846–47 (2007) (describing the effects of a 1941 consent decree on PROs); Tim Wu, *Copyright's Communications Policy*, 103 MICH. L. REV. 278, 304–11 (2004) (recounting the early history of the struggles between broadcasters and PROs). The essential mechanisms of the BMI decree are discussed in *United States v. Broadcast Music, Inc.*, 426 F.3d 91, 95 (2d Cir. 2005). The rate-setting provision is codified in 17 U.S.C. § 513 (2006).

100. *See, e.g.*, Paice LLC v. Toyota Motor Corp., 504 F.3d 1293, 1314–15 (Fed. Cir. 2007) (stating that setting a royalty rate for patents is appropriate both as a remedy for patent infringement and for antitrust violations).

The justifications for—and objections to—these various liability-rule influences are many. The justifications for liability treatment generally focus on the presence of high transaction costs and the need to curb excessive IPR-holder power in licensing negotiations.[101] All three of the liability-rule trends described in the previous Part are driven by a common aversion to holdout power by IPR holders. Copyright compulsory licenses are justified as a means of preventing the exercise of market power in copyright licensing or its creation in downstream markets.[102] Denials of permanent injunctions in patent cases are justified as means of preventing patent trolls from exacting excessive royalties through holdup strategies.[103] And antitrust pressures on IPR holders to grant liability-rule access are driven by concerns over the monopoly power that can arise when IPR holders have the unfettered right to decide with whom to deal and on what terms.

The criticisms of liability rules generally focus on the risk of chronic undercompensation to IPR holders—and, hence, the risk of insufficient incentives to stimulate socially beneficial inventive or creative activity.[104] They also focus on the information-production value of property rules, which could be undermined in a world of increasing liability rules where intellectual-asset appropriators free-ride on the inventor or creator's information-production efforts.[105]

Both the justifications and criticisms usually share a common focus on the value and costs of the right-to-exclude stick in the bundle of rights. That single stick, however, can be too narrow a focus. The right to exclude often interacts with other sticks in the bundle of rights both to provide incentives to

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101. *See, e.g.*, Jane C. Ginsburg, *Creation and Commercial Value: Copyright Protection of Works of Information*, 90 COLUM. L. REV. 1865, 1925 (1990) ("The most popular current justification for compulsory licensing is the reduction of otherwise insuperable transactions costs.").

102. *See* Alan M. Fisch, *Compulsory Licensing of Blacked-Out Professional Team Sporting Event Telecasts (PTSETS): Using Copyright Law to Mitigate Monopolistic Behavior*, 32 HARV. J. ON LEGIS. 403, 417–28 (1995) (discussing compulsory licenses as tools for lessening harm caused by the exercise of market power); Michael J. Meuer, *Vertical Restraints and Intellectual Property Law: Beyond Antitrust*, 87 MINN. L. REV. 1871, 1906 (2003) ("Copyright law has enacted compulsory licenses to moderate the danger that exclusive licenses can be used to create market power in downstream markets."). *But cf.* F.M. SCHERER, THE ECONOMIC EFFECTS OF COMPULSORY PATENT LICENSING 84–88 (Edwin J. Elton & Martin J. Gruber eds., 1977) (suggesting that compulsory licensing is unnecessary when market power is absent).

103. *See* Peter Lee, *The Evolution of Intellectual Infrastructure*, 83 WASH. L. REV. 39, 115 (2008) ("Allowing liability rule protection for patented intellectual infrastructure held by trolls will help mitigate their threats of holdout."); Mark A. Lemley, *Are Universities Patent Trolls?*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 611, 613–14 (2008) ("Hundreds of companies are engaging in efforts to capture not just the value of what they contributed to an invention, but also a disproportionate share of somebody else's product.").

104. *See* Epstein, *supra* note 10, at 62 ("[S]ystematic under-compensation during the limited life of a patent is likely to reduce the level of innovation while increasing the administrative costs of running the entire system.").

105. *See, e.g.*, Henry E. Smith, *Property and Property Rules*, 79 N.Y.U. L. REV. 1719, 1729 (2004) ("Ownership concentrates on the owner the benefits of information developed about—and bets placed on—the value of the asset.").

engage in inventive and creative activity and to enable the exercise of market power. A full account of the Calabresi–Melamed issue, as applied to intellectual rights, requires analysis of the valence of intellectual rights.

A. A Matrix for Valuating the Right-to-Exclude Stick

All other things being equal and focusing just on any given intellectual creation, the owner of that intellectual creation would prefer to be allowed to refuse to license her creation unless the licensee agrees to pay the fee she requests.[106] This is not to say that intellectual-rights owners as a class necessarily prefer property rules to liability rules. In some contexts—for example, high-technology markets—intellectual-rights owners are licensees just as often as they are licensors.[107] There, the class-wide preference will depend not simply on the immediate advantages of the right to exclude to the owner of the right but on the systemic costs and benefits of the two regimes.[108] Conversely, in some contexts—for example, the creation of new musical compositions—there are distinct classes of creators and licensees.[109] There, average reciprocity of advantage is not a consideration and class-wide preference for property rules is clear—all other things being equal.[110]

But all other things are not equal. The inclusion of any one right in the bundle of intellectual rights necessarily affects the inclusion of other rights. From an economic perspective, intellectual rights are primarily given to induce creative and inventive activity.[111] Each successive stick adds to the inducement by increasing the value of the bundle.[112] At some point, the bundle may grant an excessive inducement—a reward that exceeds the risk-adjusted cost of creating or inventing.[113] At that point, the bundle of rights

106. Lemley and Weiser refer to this maxim as "Epstein's Law," in honor of Richard Epstein. Lemley & Weiser, *supra* note 9, at 788.

107. *See, e.g.*, Peter C. Grindley & David J. Teece, *Managing Intellectual Capital: Licensing and Cross-Licensing in Semiconductors and Electronics*, 39 CAL. MGMT. REV. 8, 10 (1997) (discussing extensive cross-licensing in electronics); David J. Teece & Edward F. Sherry, *Standards Setting and Antitrust*, 87 MINN. L. REV. 1913, 1928–29 (2003) (discussing the multiple hats worn by patentees in high-technology industries).

108. *See, e.g.*, Grindley & Teece, *supra* note 107, at 8–10 (contending that in the high-technology industry the use of licensing and cross-licensing has been necessary and beneficial).

109. In the case of the PROs, for example, there are distinct classes of songwriters, music publishers, and PROs. *See* Skyla Mitchell, *Escape from the Byzantine World of Mechanical Licensing*, 24 CARDOZO ARTS & ENT. L.J. 1239, 1252–55 (2007) (describing the complex organization of the current music-licensing regime).

110. *See id.* at 1288 (arguing that in order to protect songwriters, the compulsory license should be replaced with a right to negotiate prices, which necessarily includes a right to exclude).

111. WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 12–16 (2003). In addition to providing incentives, intellectual property rights may also help to solve coordination problems. Smith, *supra* note 9, at 1751.

112. *Cf.* LANDES & POSNER, *supra* note 111, at 12–13 (explaining that the enclosure movement in England—in which farmers, who had previously only had the right to use a common pasture, were given the right to exclude others from their pasture—increased the value of farmland).

113. *See id.* at 16–18 (describing the common phenomenon of rent-seeking in which the potential for profit greatly exceeds the cost of generating the profit).

imposes social deadweight losses and the bundle slides into a position of negative social worth.[114]

Louis Kaplow has developed a useful framework for evaluating what rights should be included in the bundle of patent rights.[115] According to Kaplow, patent and antitrust law should operate conjunctively to provide sufficient incentive—but no more—for inventive activity to take place.[116] There are two ways of providing incentives. Congress could either add additional years to the life of the patent, or Congress or the courts could permit the patentee to engage in certain restrictive activities (such as price-fixing with other patentees or tying together patented goods with nonpatented goods).[117] Kaplow refers to both the additional lifeyears and the restrictive activities as "practices."[118] Each of these practices adds to the reward the patentee enjoys but also creates monopoly costs.[119] Kaplow argues that antitrust law and patent law should ordinally arrange these various practices based on their patentee-reward to monopoly-loss ratio and permit them in sequence until the patentee has just enough reward to undertake the invention.[120]

Kaplow's analysis is useful for appraising the appropriate sticks in the bundle of intellectual rights more generally. The right to exclude others—that stick in the bundle of IPRs that correlates with property rules—is simply one "practice" that could be included or excluded from any given bundle of intellectual rights. Whether it should be included or excluded depends on the ratio between its value in stimulating incentives to engage in inventive or creative activity and its social costs in comparison to the ratios between the same factors with respect to other practices. If the right to exclude is a significant source of incentives to authors and inventors in relation to the social costs it imposes, it should be preferred to other practices that have a comparatively inferior ratio of positive incentives and social costs.

114. *See id.* (explaining that when incentives are too high, too many individuals are willing to invest in obtaining the property right and the aggregated cost of investment exceeds the social benefit of the property right; at this point, a "deadweight social loss" is incurred).

115. *See generally* Louis Kaplow, *The Patent-Antitrust Intersection: A Reappraisal*, 97 HARV. L. REV. 1813 (1984).

116. *Id.* at 1828.

117. *Id.* at 1829–30.

118. *Id.* at 1829.

119. *See id.* at 1817 ("[T]he very purpose of a patent grant is to reward the patentee by limiting competition, in full recognition that monopolistic evils are the price society will pay.").

120. Kaplow offers three questions one should ask in determining the ratio. First, "[h]ow [m]uch of the [r]eward is [p]ure [t]ransfer?" *Id.* at 1835. For example, if the practice mostly siphons off consumer surplus (i.e., price discrimination), it is more efficient than one that involves a restriction in output. *Id.* Second, "[w]hat [p]ortion of the [r]eward accrues to the [p]atentee?" *Id.* For example, if practices were to allow price-fixing, then the value of the reward is diluted because the patentee would have to share the monopoly profits with others. *Id.* at 1835–37. Finally, "[t]o [w]hat [d]egree [i]s this [s]ource of [r]eward an [i]ncentive?" *Id.* at 1837. Unless an *ex post* reward can be reasonably expected *ex ante*, it will not incentivize the desired inventive behavior. *Id.* at 1836.

Conversely, if the right to exclude has a relatively worse ratio than other practices, it should not be included in the relevant bundle of rights.

Suppose, for example, that the amount of incentive necessary for a particular, socially beneficial invention to occur is $20. To simplify, assume that the twenty-year patent life is a given,[121] and that this confers $10 of reward. The remaining $10 must be made up through other "practices"—permissions to the patentee to do other things with its patents. There are any number of practices that confer value on the patentee. Permission to engage in price-fixing conspiracies would undoubtedly confer value on the patentee, but the social costs of the conspiracy would be very high in relation to the amount of reward. Say that allowing such a practice would result in an additional $5 of reward but impose a social cost of $10. There would be relatively little bang for the buck. That practice probably should not be allowed. Other practices might yield a more favorable reward to social-cost ratio. Say that allowing the patentee to impose downstream, vertical resale price maintenance provided a reward of $5 with a social cost of $2, that allowing the patentee to enter SSOs provided a reward of $5 with a social cost of $3, and that allowing the patentee to exclude others from the patent provided a reward of $5 with a social cost of $4.[122] In this analysis, the package of patent rights should include the rights to engage in resale-price maintenance and to enter SSOs, but not to exclude others.

Significantly, the right-to-exclude practice may not only have an inferior reward-to-cost ratio than other practices, but disallowing it from the bundle of intellectual rights may actually improve the reward-to-cost ratio of other practices, thus improving the overall welfare effects of the grant of intellectual rights. Suppose, for example, that the reason that the right to enter into SSOs is socially costly is that patentees sometimes are able to game the system and obtain extra monopoly power by virtue of having their patented technology adopted as a standard (a matter that will be considered in greater detail below).[123] However, that power can only be exercised in the form of a demand for supracompetitive royalties if the patentee can threaten not to license and can unilaterally set its own royalty rates. But if the right to exclude is not included in the relevant bundle of rights, then the reward from the SSO practice may shrink a bit, even while the social cost vanishes altogether.[124] On balance, the social gain will be pronounced since the

121. *But see* 35 U.S.C. § 154(a)(2) (2006) (requiring a payment of fees for the grant of a twenty-year patent life).

122. For purposes of these illustrations, I am assuming that the social cost is fully externalized—in other words, that the IPR holder does not internalize any of the social cost and therefore that it does not diminish the reward.

123. *See generally infra* text accompanying notes 141–44.

124. The magnitude of the decline in social cost depends, in part, on whether both deadweight losses and wealth transfers are included in the social cost. *See* RICHARD A. POSNER, ECONOMIC ANALYSIS OF LAW 7 (6th ed. 2003) (noting that some wealth transfers cause no social costs); Richard A. Posner, *An Economic Theory of the Criminal Law*, 85 COLUM. L. REV. 1193, 1195–98

increase in social welfare will far offset the loss of incentive. In that event, the interaction between the SSO practice and the right-to-exclude practice makes it desirable that the right to exclude not appear in the package.

The social desirability of including a right-to-exclude stick in the bundle of IPRs depends not merely on the effect this has on incentives, and not merely on the costs such a stick imposes on society, but on the ratio between the incentives and the costs *and* the effect that the right-to-exclude stick has on the ratio between incentives and costs as to other factors. In other words, the value and costs of the right-to-exclude stick can never be fully assessed in isolation. Everything depends on the valence of sticks in the bundle—the way that different IPRs interact to create both incentives to engage in socially desirable behavior and social costs.

This observation is really nothing more than an elaboration of the long-held view that property entitlements to exclude others must sometimes be forfeited in exchange for other, more valuable rights.[125] Consider, for example, the historical effect of receiving exclusive franchise protection. In exchange for exclusivity, the franchisee became a common carrier, subject to an obligation to provide service to all comers on reasonable and nondiscriminatory terms.[126] The franchisee thus exchanged property protection for liability protection given the assumption of another right—one that tended to confer market power.[127]

This is not to say that the inclusion of any stick conferring market power in a bundle of intellectual rights should lead to automatic forfeiture of property protection. Granting certain forms of market power may be a relatively efficient way to grant the reward necessary to induce inventive or creative activity. In all cases, the question should be how the right-to-

(1985) (discussing how coercive wealth transfers are socially costly). Liability treatment of patents should lead to a diminution of both the wealth transfers and the deadweight losses. On the other hand, the reward will shrink by the amount of wealth transfer that the patentee could have captured by engaging in monopolistic holdup.

125. *See, e.g.*, Joseph William Singer, *The Reliance Interest in Property*, 40 STAN. L. REV. 611, 674–77 (1988) (discussing how protection of the public interest can limit the right to exclude).

126. *See* 2 ALFRED E. KAHN, THE ECONOMICS OF REGULATION 8 (1988) (noting that public utilities typically have been given exclusive franchises in return for assuming common-carrier obligations). *See generally* Epstein, *supra* note 1, at 47 ("[I]nnkeepers and common carriers historically had a monopoly position and the obligation to take all comers at a reasonable price . . . .").

127. *See* H.W. Chaplin, *Limitations upon the Right of Withdrawal from Public Employment*, 16 HARV. L. REV. 555, 556–57 (1903) (discussing the duties and obligations of common carriers); Herbert Hovenkamp, *Regulatory Conflict in the Gilded Age: Federalism and the Railroad Problem*, 97 YALE L.J. 1017, 1045 (1988) ("As early as the 17th century, the common law had derived the duty to charge reasonable rates from the common carrier's obligation to serve everyone."); Henry Hull, *Reasonable Rates*, 15 MICH. L. REV. 478, 479 (1917) (stating that common carriers had a common law duty to make reasonable charges).

exclude stick interacts with other potential sticks in the bundle to create both rewards and social costs.[128] We now turn to some examples.

B. Applications of a Valence-Based Approach

The primary social cost imposed by allowing the right to exclude is the holdup power it confers on the IPR holder. If the IPR holder may categorically refuse to deal with others—except upon terms to which he consents—then, in many situations, he may be able to appropriate nearly all the gains of trade from the licensee. This holdup power may or may not be "market power" in a strong sense—in the sense in which that concept is employed in antitrust law, for example.[129] Antitrust law is generally only concerned with the kind of market power in which a seller is able to deviate significantly from marginal-cost pricing because buyers cannot readily turn to substitutes for the seller's goods.[130] Whether or not it is market power in a strong sense, it is power that can potentially both add to the reward of the IPR holder and to the social costs of allowing the relevant practice.

1. Strong Forms of Market Power

a. Performance-Rights Organizations.—As noted earlier, the ASCAP and BMI PROs are pervasively regulated by an antitrust consent decree, now partially codified in a federal statute, that requires them to treat the musical-composition copyrights that they have authority to license as liability rights, and to license performance rights to all comers on reasonable terms.[131] A rate-setting court stands ready to set the royalty rate in the event the parties cannot agree.[132] This long-standing arrangement makes sense as an application of the Kaplow reward-to-cost-ratio test. Allowing copyright owners to appoint a collective licensing agent on their behalf runs obvious risks of anticompetitive behavior—the PROs clearly obtain a large amount of market power by virtue of issuing blanket licenses on behalf of millions of

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128. Ian Ayres and Paul Klemperer apply Kaplow's ratio test to the preliminary-injunction standard and conclude that more sparing use of preliminary injunctions would be preferable. Ian Ayres & Paul Klemperer, *Limiting Patentees' Market Power Without Reducing Innovation Incentives: The Perverse Benefits of Uncertainty and Non-injunctive Remedies*, 97 MICH. L. REV. 985, 1020–23 (1999).

129. Another, lesser form of ostensible market power are Ricardian rents, which arise when intellectual property confers a cost advantage in production, but the IPR holder sells its products into a competitive market. *See* Ariel Katz, *Making Sense of Nonsense: Intellectual Property, Antitrust, and Market Power*, 49 ARIZ. L. REV. 837, 867–71 (2007) (distinguishing between Ricardian rents and market power and arguing that the term "Ricardian rents" is overused at the expense of clarity).

130. RICHARD A. POSNER, ANTITRUST LAW 22 (2d ed. 2001); William M. Landes & Richard A. Posner, *Market Power in Antitrust Cases*, 94 HARV. L. REV. 937, 939 (1981).

131. *See supra* text accompanying notes 85–89.

132. *Id.*

copyright owners.[133] On the other hand, prohibiting copyright owners from employing PROs would seriously undermine the reward of the copyrights for reasons that will be discussed momentarily. To the extent that the liability treatment of copyrights that are licensed to PROs removes a substantial part of the PROs' market power, the simultaneous inclusion of a "right to enter PROs" and the removal of the right to exclude from the relevant bundle of rights may be optimal.

The PRO situation illuminates the relationship between Kaplow's ratio test and arguments about the preferability of property rules or liability rules. The typical argument in favor of liability rules is that the presence of high transaction costs may impede efficient bargaining between property owners and potential users such that a court's determination of the price for the use allows more efficient use of social resources.[134] The PROs, however, do not face substantial downstream transaction costs (costs in licensing performance rights to downstream users like television stations). Indeed, their very purpose is to solve a transaction-cost problem. When the Supreme Court rebuffed CBS's antitrust challenge to the ASCAP and BMI arrangements in 1979, it did so on the grounds that the transaction costs that arise from thousands of copyright owners bargaining with thousands of licensees over millions of compositions make some form of collective licensing plainly efficient.[135] ASCAP and BMI solve a transaction-cost problem that arises in dispersed markets where individualized bargaining is cost prohibitive. But the solution to the transaction-cost problem created another problem: it enabled the exercise of market power by the middlemen PROs. The consent decrees reflected an implicit acknowledgment of the necessary trade-off:

133. *See* Howard H. Chang et al., *Some Economic Principles for Guiding Antitrust Policy Toward Joint Ventures*, 1998 COLUM. BUS. L. REV. 223, 297 ("BMI and ASCAP's repertories jointly covered virtually all U.S. copyrighted compositions, with . . . rights to about 1 million and 3 million compositions respectively. Because of the shares of BMI and ASCAP and because the blanket licenses at issue do require price setting, . . . we would most likely find evidence of market power.").

134. *See* Ian Ayres & J.M. Balkin, *Legal Entitlements as Auctions: Property Rules, Liability Rules, and Beyond*, 106 YALE L.J. 703, 706 n.9 (1996) ("[L]egal scholars have interpreted Calabresi and Melamed to be saying that property rules are more efficient when transaction costs are low."); James E. Krier & Stewart J. Schwab, *Property Rules and Liability Rules: The Cathedral in Another Light*, 70 N.Y.U. L. REV. 440, 451 (1995) (summarizing the outworking of the Calabresi–Melamed principle as "[w]hen transaction costs are low, use property rules; when transaction costs are high, use liability rules"); Lemley & Weiser, *supra* note 9, at 786 ("The conventional approach that emerged from Calabresi and Melamed's classic article is that courts should rely on liability rules when transaction costs are sufficiently high that the relevant parties will not be able to reach a consensual arrangement for access to the resource in question."); Merges, *supra* note 9, at 2655 ("Ever since Calabresi and Melamed, transaction costs have dominated the choice of the proper entitlement rule, with a liability rule being the entitlement of choice when transaction costs are high.").

135. BMI v. CBS, 441 U.S. 1, 21–23 (1979) (discussing the efficiencies of a blanket licensing system). The Court did not find that the ASCAP and BMI arrangements, as modified by the earlier consent decrees, were per se legal. The Court simply rejected CBS's argument that the PROs' blanket licensing arrangements were per se illegal. *Id.* at 24–25.

allowing the right to participate in blanket licensing through PROs—a highly valuable right—required the abandonment of a less valuable right—the right to exclude others from the compositions through copyright property protections.[136]

b. Standard Setting Organizations.—SSOs pose unique challenges for antitrust enforcement.[137] SSOs are valuable tools for solving coordination problems and facilitating interconnectivity.[138] In principle, the goal of an SSO should be to specify the "best" standard given technological constraints and cost.[139] But the participants in the standard-setting process are not disinterested technocrats.[140] Many of them are patentees, and the standard is likely to take a path through a thicket that includes some of their own patents.[141] The SSO participants have an obvious interest in steering the standard through their own patents. A patentee who can quietly steer the standard through his undisclosed patents will later enjoy a powerful holdout position.[142] For this reason, the antitrust enforcement agencies have taken a dim view of SSO participation by firms with undisclosed patents later

136. *See* RICHARD A. EPSTEIN, ANTITRUST CONSENT DECREES IN THEORY AND PRACTICE: WHY LESS IS MORE 32–33 (2007) (substantiating the "negative implications for the likelihood of new entry by competitors," and remarking on the "novel challenges" of the "advent of radio").

137. *See generally* Lemley, *supra* note 96, at 1937 (describing potential liability of an SSO and its members for collaborating to compel a license from an intellectual property owner); Erica S. Mintzer & Logan M. Breed, *How to Keep the Fox out of the Henhouse: Monopolization in the Context of Standards-Setting Organizations*, INTELL. PROP. & TECH. L.J., November 2007, at 5 (explaining that SSOs face pressure to design licensing policies that limit patent holdup without violating antitrust rules against *ex ante* royalty discussion or negotiations); Dorothy Gill Raymond, *Benefits and Risks of Patent Pooling for Standard-Setting Organizations*, 16 ANTITRUST 41, 45–46 (2002) (identifying antitrust issues associated with SSOs using patent pools to facilitate contribution of complementary intellectual property); Christopher L. Sagers, *Antitrust Immunity and Standard Setting Organizations: A Case Study in the Public-Private Distinction*, 25 CARDOZO L. REV. 1393, 1395–97 (2004) (noting how a rule immunizing SSOs from antitrust suits may allow powerful groups to regulate their own market with little democratic process or judicial review).

138. *See, e.g.*, Carl Shapiro, *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard Setting*, *in* 1 INNOVATION POLICY AND THE ECONOMY 119, 136–38 (Adam B. Jaffe et al. eds., 2000) (highlighting the benefits of compatibility and standards for industry participants).

139. Gerald F. Masoudi, Deputy Assistant Att'y Gen., Antitrust Div., U.S. Dep't of Justice, Address at Tilburg Law & Economic Center, Tilburg University: High-Level Workshop on Standardization, IP Licensing, and Antitrust (Jan. 18, 2007) (transcript available at http://www.usdoj.gov/atr/public/speeches/220972.htm) ("The goal of standard setting, generally speaking, is to find the best combination of technical success, cost, and time-to-market, while also delivering enough economic surplus that all parties (inventors, producers, and consumers) can share, so that the product is commercially viable.").

140. *See, e.g.*, Daniel A. Crane, *Technocracy and Antitrust*, 86 TEXAS L. REV. 1159, 1196–97 (2008) (noting that private administrative commitments "replace[] ideological struggle over antitrust norms with pragmatic problem solving, usually by technology experts").

141. *Id.*

142. *See id.* (noting that if a patentee's technology is adopted by an SSO, the "result [may be] . . . very substantial market power").

adopted into the standard,[143] and some SSOs explicitly require participants to disclose their patents up front.[144]

Antitrust disclosure obligations and contractual enforcement by SSOs may guarantee that the royalties and other licensing terms will be bargained for up-front, but this merely replaces the potential for unilateral monopoly holdouts with the potential for cartelization.[145] As the Department of Justice and Federal Trade Commission recognized in their report on intellectual property, *ex ante* negotiations over licensing terms create a serious potential for both naked price-fixing (i.e., agreeing on downstream prices or using standard setting as a sham to cover a price-fixing agreement on royalties) and the joint exercise of market power by members of the standard-setting body.[146]

Empirical evidence on the behavior of SSOs suggests that while the SSO process does sometimes result in the choice of superior technologies at lower prices, it sometimes descends into horse trading or—perhaps worse—impasses between competing intellectual property owners. Case studies on the development of mobile Internet standards by the Institute of Electrical and Electronics Engineers (IEEE) and the development of DSL standards by a team at the Harvard Business School reached a number of troubling conclusions about the performance of SSOs.[147] SSOs often have supermajority requirements for approving new technologies, which leads to often lengthy delays in standard setting as stakeholders fight for preferred positions.[148] Rules that open participation in the standard-setting process to any member facilitate packing of the standard-setting committees by corporate interests who want to ensure that their technologies receive preferential treatment.[149] Finally, "[i]n some cases, the rules of standard-setting bodies may be

143. The currently pending *Rambus* case, which raises such issues, is discussed below. *See infra* text accompanying notes 153–63. There is one other major enforcement action involving an undisclosed patent. *See In re* Dell Computer Corp., No. 931-0097, 1995 FTC LEXIS 466, at *10–11 (F.T.C. Oct. 20, 1995) (creating a consent decree under which Dell agreed not to assert patent rights and disclaimed the existence of such patents during the standard-setting process).

144. *See* Lemley, *supra* note 96, at 1904.

145. *See* Mintzer & Breed, *supra* note 137, at 5 (remarking that while holdup concerns have generated a desire for *ex ante* licensing, SSOs are weary that a collaborative process will be subject to antitrust challenges regarding collusion).

146. ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS, *supra* note 6, at 50–52. Curiously, the agency's report refers to the potential for anticompetitive exercise of group market power as one of monopsony—buying power—as though, outside of naked collusion, the primary antitrust concern was that the SSO would artificially suppress the price of patent inputs by collective bargaining with patentees. *See id.* at 49 (noting that the most efficient standard would be the one that is the least costly to produce). To me, it seems that the much larger risk is one of group cartelization on the *selling* side, as patentees—participants in the standard-setting and patent-pooling process—horse trade favors.

147. *See generally* Brian J. DeLacey et al., *Strategic Behavior in Standard-Setting Organizations* (Harvard Bus. Sch. Negotiation, Org. and Mkts. Unit, Working Paper No. 903214, 2006), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=903214#.

148. *Id.* at 35.

149. *Id.*

successfully exploited by firms with a stake in existing or alternative technologies to block the adoption of a new standard."[150] Given the difficulty in coordinating the large number of differing interests represented in SSOs, it would not be surprising if technological gerrymandering, resulting in the specification of suboptimal standards and excessive royalty exaction, occasionally occurs. Indeed, the more successful the standard in attracting industry support, the greater the opportunity for monopolistic holdup by every patentee on whose patent the standard reads.[151]

The FTC has addressed opportunistic standard-setting behavior by patentees in several recent, high-profile decisions. The Commission required Dell to forgo charging royalties on a patent after Dell participated in an SSO and falsely (or mistakenly) certified that it did not have any patents reading on the standardized technologies.[152] In a recent high-profile decision, the Commission set a maximum royalty rate that Rambus could charge for certain of its patents relating to computer memory following Rambus's failure to disclose its patents or patent applications to an SSO in which it was participating.[153] The D.C. Circuit subsequently set aside the Commission's decision, finding that the challenged acts did not constitute monopolization.[154] In the meantime, the Commission prohibited Negotiated Data Solutions from charging more than a one-time fee of $1,000 for the licensing of n-Data's NWay technology that had been adopted into an SSO's Fast Ethernet standards.[155] N-Data's predecessor in interest had promised to license its technology to all comers for the thousand-dollar fee but reneged after the promulgation of the standard.[156] Recently, the American Antitrust Institute filed a petition asking the FTC to take action against Rembrandt, Inc., a patent licensing company, for allegedly reneging on an agreement to license its patented technology on RAND terms if the technology was

150. *Id.*

151. *See* Shapiro, *supra* note 138, at 136 ("If the standard becomes popular, each such patent can confer significant market power on its owner, and the standard itself is subject to holdup if these patent holders are not somehow obligated to license their patents on reasonable terms.").

152. *In re* Dell Computer Corp., No. C-3888, Decision and Order (F.T.C. July 28, 1999), *available at* http://www.ftc.gov/os/1999/08/9823563c3888dell.htm.

153. *In re* Rambus, Inc., No. 9302, Modification of Final Order of the Commission (F.T.C. Apr. 27, 2007), *available at* http://www.ftc.gov/os/adjpro/d9302/070427commopinionpetreconsideration_pv.pdf.

154. Rambus, Inc. v. Fed. Trade Comm'n, 522 F.3d 456, 466–67 (D.C. Cir. 2008) (finding that the Commission failed to prove that the SSO would have standardized other technologies if it had known the scope of Rambus's intellectual property and that there was no proof for anticompetitive harm).

155. *In re* Negotiated Data Solutions LLC, No. 051-0094, Analysis of Proposed Consent Order to Aid Public Comment (F.T.C. Jan. 22, 2008), *available at* http://www.ftc.gov/os/caselist/0510094/080122analysis.pdf.

156. *Id.*

adopted in the Advanced Television System Committee's standards for digital television broadcasting.[157]

Much of the discussion about these SSO holdup cases has been about whether antitrust law should impose an obligation on parties participating in SSOs to disclose their patents or precommit to RAND licensing before the standard is set.[158] The D.C. Circuit's rejection of such an obligation in *Rambus* casts doubt on antitrust law's effectiveness in this area.[159] Nonetheless, the reward-to-cost-ratio test could be usefully applied as a matter of patent law. Participating in standard-setting activities is a valuable right, but it is also one that tends to inflate the value of one's own patents.[160] Requiring premature disclosure of patents or patent applications also has significant drawbacks.[161] Instead, the optimal solution may be to treat the right to participate in standard setting as inconsistent with the right to exclude. Once exercised, the right to participate in standard-setting activities would commit the patentee to liability-rule treatment for any patents that read on the adopted standard.[162]

Such a rule would undoubtedly have some negative effect on the value of the right to participate in standard-setting activities. Some patentees might be reluctant to engage in standard setting if that meant surrendering their right to unilaterally set the price of any technologies adopted by the SSO.[163] Yet the proper question is whether, on balance, the composite of rights creates a better reward-to-cost ratio than the alternative. It would take a very large reduction in the reward of participating in SSOs to offset the cost that comes from patentees engaging in post hoc holdup based on previously undisclosed patents or discarded commitments to license on RAND terms.

157. Request for Investigation of Rembrandt, Inc. for Anticompetitive Conduct that Threatens Digital Television Conversion from Albert A. Foer, President, Am. Antitrust Inst., to Donald Clark, Sec'y, Fed. Trade Comm'n (Mar. 26, 2008) (on file at http://www.ftc.gov/os/aai.pdf) [hereinafter Investigation of Rembrandt].

158. *See, e.g.*, ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS, *supra* note 6, at 55 (stating that antitrust enforcement agencies do not consider antitrust law to require SSOs to adopt any particular policy with respect to patent disclosure or RAND commitments).

159. *See infra* text accompanying notes 225–29.

160. *See supra* note 142 and accompanying text.

161. *See* ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS, *supra* note 6, at 42–43 (reporting on comments by panelists to the effect that mandatory disclosure requirements can slow down standards development and impose costs on SSO participants that may cause some to withdraw from the SSO).

162. *See* Qualcomm, Inc. v. Broadcom Corp., 548 F.3d 1004, 1015, 1026 (Fed. Cir. 2008) (holding that a party, who participated in an SSO without disclosing the existence of its patent in violation of the SSO's disclosure policies, lost the right to enforce the patent against an infringer implementing the standardized technology).

163. Significantly, Rambus withdrew from the JEDEC SSO after its outside patent counsel advised Rambus that, in light of the FTC's consent decree with Dell requiring Dell to license certain patents on a royalty-free basis after Dell denied their existence during the standard-setting process, "there should be 'no further participation in any standards body . . . do not even get close!!'" *In re* Rambus, Inc., No. 9302, Opinion of the Commission at 44–45 (F.T.C. Aug. 2, 2006), *available at* http://www.ftc.gov/os/adjpro/d9302/060802commissionopinion.pdf.

On balance, the trade-off between an unfettered right to engage in standard setting and liability-rule treatment of any covered patents may be optimal.

c. Contractual Tying.—Participation in PROs and SSOs are examples of economic rights whose reward to social cost ratio arguably improves when the right to exclude is removed from the bundle. Hence, a strong case for liability-regime treatment can be made for patentees who participate in PROs or SSOs. Contractual tie-ins between patented and nonpatented goods provide a counterexample. With tie-ins, the social reward-to-cost ratio worsens when the right to exclude is removed from the bundle.[164] Hence, subjecting patents that are used as tying goods to liability regime treatment is a decidedly suboptimal solution to the problem of market power in patent tie-ins.

Contractual[165] tie-ins between patented and nonpatented goods are common in many industries and the subject of much antitrust litigation.[166] In *Illinois Tool Works Inc. v. Independent Ink, Inc.*,[167] the Supreme Court reversed its long-standing presumption that the presence of a patent in the tying market conclusively satisfies the requirement that the plaintiff prove sufficient market power to establish an anticompetitive tie.[168] Following *Independent Ink*, plaintiffs must prove that the defendant has market power in the tying market in all cases, whether or not the defendant has a patent in that market.[169]

The economics of tying relationships are complex and in a state of some dispute in the academic literature. To provide a brief sketch, early Supreme Court decisions found that tie-ins threatened to leverage the defendant's monopoly power in one market—the tying market—to a second market—the tied market.[170] Chicago School scholars and cases refuted the "leverage

164. *See infra* text accompanying notes 185–86 (arguing that if one accepts price discrimination as output enhancing, removal of the right to exclude diminishes social welfare; if, on the other hand, one accepts price discrimination as output diminishing, removal of the right to exclude would be pointless).

165. This illustration does not consider the separate question of technological tie-ins, which raise a different set of issues. *See* United States v. Microsoft Corp., 253 F.3d 34, 84–97 (D.C. Cir. 2001) (noting that a case involving technological integration of the added functionality of Internet Explorer into Microsoft's Windows operating systems has no close parallel in antitrust cases and criticizing the application of per se tying rules).

166. *See, e.g.*, 1 HOVENKAMP, JANIS & LEMLEY, *supra* note 14, § 21.3f1–.3f3 (analyzing the different approaches courts have historically taken in applying the patent "misuse" doctrine and antitrust law to tying cases).

167. 547 U.S. 28 (2006).

168. *See id.* at 31 (concluding that because Congress amended the Patent Act in 1988 to eliminate the market-power presumption in patent cases, the presumption should not survive as a matter of antitrust law).

169. *Id.* at 146.

170. *See, e.g.*, Times-Picayune Publ'g Co. v. United States, 345 U.S. 594, 611 (1953) ("[T]he essence of illegality in tying agreements is the wielding of monopolistic leverage; a seller exploits his dominant position in one market to expand his empire into the next.").

fallacy," arguing that the monopolist could not exact a monopoly profit from the tied market without eroding its monopoly profit in the tying market.[171] Since there was only one monopoly profit to be earned, the Chicago School posited that a different explanation than monopoly leverage must account for tie-ins.[172] The emergent explanation was that firms tie in order to engage in price discrimination.[173] For example, if IBM required buyers of its patented computers to purchase its punch cards also, it could engage in metering, thereby charging a higher effective price for the use of computers and punch cards to more intensive users who tend to be less price sensitive than less intensive users.[174] Chicagoans view price discrimination as likely to be output enhancing under many circumstances and output neutral at worst.[175]

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171. *See* ROBERT H. BORK, THE ANTITRUST PARADOX: A POLICY AT WAR WITH ITSELF 229 (1978) (reasoning that because a monopolist who holds monopoly positions in both manufacturing and retailing, for instance, still faces the same consumer demand and costs at both levels, there is no incentive to gain a second monopoly that is vertically related because there is no additional monopoly profit to be taken); Ward S. Bowman, Jr., *Tying Arrangements and the Leverage Problem*, 67 YALE L.J. 19, 20–21 (1957) (arguing that because a monopolist cannot necessarily maximize his monopoly power by imposing additional restrictions on customers, any sacrifice in terms of return on the tying product must be more than compensated by the increased return on the tied product); Aaron Director & Edward H. Levi, *Law and the Future: Trade Regulation*, 51 NW. U. L. REV. 281, 290 (1956) (asserting that competitive firms cannot impose additional coercive restrictions to increase their monopoly power without also losing the advantage of the original power). The one-monopoly theory also appears in the "Harvard School" Areeda–Hovenkamp antitrust law treatise. *See* 3A PHILLIP E. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW ¶ 756b2, at 13–14 (2d ed. 2002) (elaborating that as long as outputs of all other stages are competitively priced and there are no integration economies, the optimal monopoly profit is gained from the sale of an end product, and integration and monopolization of a prior stage will have no effect on profits, prices, or outputs).

172. *See, e.g.*, 3A AREEDA & HOVENKAMP, *supra* note 171, at 55–56 (criticizing indulgence in the leverage fallacy and contending that contractual tie-ins should be properly understood as profit-maximizing techniques, not as leveraging devices).

173. *See, e.g.*, WARD S. BOWMAN, JR., PATENT AND ANTITRUST: A LEGAL AND ECONOMIC APPRAISAL 55–56, 118 (1973) (explaining tying arrangements as facilitating metering and the charging of differential, effective prices).

174. *See* Bowman, *supra* note 171, at 23–24 (describing a metering device in connection with a button-stapling machine and noting that the use of a tie-in sale as a counting device is consistent with the facts of a large number of tying cases, including punch cards tied to computers); Director & Levi, *supra* note 171, at 292 (opining that the IBM practices can be best explained as a method of charging different prices to different customers rather than as an extension of monopoly); *see also* David S. Evans & Michael Salinger, *Why Do Firms Bundle and Tie? Evidence from Competitive Markets and Implications for Tying Law*, 22 YALE J. ON REG. 37, 50 n.58 (2005) (citing sources in economic journals for initial economic discussion and explicit modeling of tie-in sales).

175. *See, e.g.*, BORK, *supra* note 171, at 398 (suggesting that two-price systems tend to increase output and that it is "very probable" that the relative output effects of price discrimination and nondiscrimination are "at worst indeterminate"); BOWMAN, *supra* note 173, at 118 (opining that price discrimination "can be socially as well as privately 'efficient'"). Price discrimination is perhaps the best way that intellectual property rights owners have to recover the high fixed costs of creating information. *See* CARL SHAPIRO & HAL R. VARIAN, INFORMATION RULES: A STRATEGIC GUIDE TO THE NETWORK ECONOMY 299 (1999) (describing and recommending personalized pricing, versioning, and group pricing as forms of price discrimination that can help recover the high fixed costs of creating information). To be fair, the Chicago School never described price discrimination as an unqualified good. *See* POSNER, *supra* note 124, at 127–28 (describing welfare consequences of imperfect price discrimination as indeterminate or potentially negative).

Post-Chicagoans have largely accepted the price-discrimination explanation for tie-ins but have questioned the Chicago School assumption that price discrimination tends to be output maximizing.[176] Thus, today there is widespread agreement that patent tie-ins often exist in order to price discriminate but widespread disagreement as to whether this fact is a reason to think well or ill of tie-ins.

Now, consider the effect of trying to solve the Chicago/post-Chicago impasse by treating contractual tie-ins as a reason to impose liability-regime treatment on tying patents. In this scenario, whenever a patentee offered to sell a patented good subject to the buyer's agreement to buy nonpatented goods from the seller, the patentee would lose its right to exclude others from the patent. There are two possible ways of implementing such a loss of the right to exclude. Under a "weak" version, the patentee could continue to sell its patented and nonpatented goods at whatever price the market would bear but could not enjoin rivals from infringing the patent. Instead, it could only collect a reasonable royalty, as determined by some objective third party (be it a court or administrative tribunal). Under the "strong" version, the patentee would effectively become subjected to an obligation to sell the tied goods to all comers and subject to judicial or administrative rate regulation for the price of the tied products.

Either way, liability-regime treatment would thwart the patentee's ability to use contractual tie-ins to price discriminate. Courts or administrative agencies that are called on to set royalty rates for patents (and, by extension, the price for goods whose value comes largely from a patent) cannot engage in the sort of cost-plus-reasonable-profit-based rate regulation that characterizes rate-regulated, brick-and-mortar industries.[177] Simply allowing a firm to recover the sum of its sunk capital costs and its marginal costs of production for any particular invention would not be remunerative since for every invention that succeeds there tends to be many others that fail.[178] Rate regulators are ill equipped to factor in an appropriate risk

176. *See, e.g.*, Brief of Professors Barry Nalebuff et al. as Amici Curiae in Support of Respondent at 17–18, Ill. Tool Works Inc. v. Indep. Ink, Inc., 547 U.S. 28 (2006) (No. 04-1329), 2005 WL 2427646, at *17–18 (arguing that while the "predominant explanation" for tying requirements is price discrimination via metering, such metering will usually lead to reductions in consumer welfare and is inefficient); Brief of Professor F.M. Scherer as Amicus Curiae in Support of Respondent at 17, *Ill. Tool Works Inc.*, 547 U.S. 28 (No. 04-1329), 2005 WL 2427642, at *17 (contending that price discrimination reduces output and decreases overall consumer welfare).

177. *See* Ariel Katz, *Making Sense of Nonsense: Intellectual Property, Antitrust, and Market Power*, 49 ARIZ. L. REV. 837, 859 (2007) (contending that one reason the price of intellectual property must deviate from marginal cost is due to a high risk of failure); Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEXAS L. REV. 1031, 1053–54 (2005) (discussing the difference in marginal cost of intellectual property and tangible goods, and the resulting difficulty in pricing).

178. For example, it is well known that only a small fraction of new drugs invented by pharmaceutical companies ever reach the market. *See* Michael A. Carrier, *Two Puzzles Resolved: Of the Schumpeter–Arrow Stalemate and Pharmaceutical Innovation Markets*, 93 IOWA L. REV.

adjustment for investments as speculative as intellectual property.[179] The few available examples from antitrust rate courts suggest that comparability to external benchmarks is the chief guiding principle.[180] The Copyright Royalty Board also relies principally on external benchmarks in setting rates pursuant to its statutory function.[181]

Mere uniformity in the level of the patent royalty rate (or the price of the patented good) would not itself destroy the patentee's power to engage in price discrimination. The price-discriminatory effect of contractual tie-ins comes not from selling the patented product at different prices based on variances in the buyers' demand elasticities but rather from lowering the price of the patented product and increasing the price of the nonpatented product.[182] This allows the patentee to charge higher prices to intensive, price-inelastic users than to nonintensive, price-elastic users. What would destroy the patentee's power to engage in price discrimination would be having to share its patented technology with rivals.[183] In that event, the rivals could destroy the patentee's ability to require customers to purchase from the patentee in the aftermarket by offering the patented good untied. Similarly, if the rate regulator did not require licensing of the patented product to rivals but instead directly rate regulated the two products, it is unlikely that the patentee would be able to charge a supracompetitive price in the aftermarket. A rate regulator setting a rate for a physical good whose value did not arise from intellectual property rights would presumably peg prices to costs.[184]

The upshot would be the patentee's loss of a primary reward: engaging in contractual tying. Whether curtailing the patentee's ability to engage in price discrimination would improve or worsen the social-cost factor depends on one's views of the general welfare effects of second-degree price

393, 419 (2008) (reporting the aggregate rates of four studies showing that 18% of drugs reach the market at the Phase One clinical stage, 30% at Phase Two, and 57% at Phase Three).

179. *See infra* text accompanying notes 237–38 (discussing the inherent problems with valuing intellectual property).

180. *See, e.g.*, United States v. BMI, 426 F.3d 91, 94 (2d Cir. 2005) ("A rate court's determination of the fair market value of the music is often facilitated by the use of benchmarks—agreements reached after arms' length negotiation between other similar parties in the industry.").

181. *In re* Determination of Rates and Terms for Preexisting Subscription Servs. and Satellite Digital Audio Radio Servs., No. 2006-1 CRB DSTRA 1, 17 (U.S. Copyright Royalty Judges 2006), *available at* http://www.loc.gov/crb/proceedings/2006-1/sdars-final-rates-terms.pdf.

182. *See* Joseph Gregory Sidak, *Debunking Predatory Innovation*, 83 COLUM. L. REV. 1121, 1127–31 (1983) (explaining how contractual tie-ins can be used to price discriminate by increasing the price of complementary components and reducing the price of the primary product).

183. *See* 1 HOVENKAMP, JANIS & LEMLEY, *supra* note 14, § 21.2g (discussing the use of technological tie-ins to advance the distribution of a newly innovated product).

184. This analysis assumes that the patent does confer market power. Price discrimination in competitive markets is also possible. *See* LANDES & POSNER, *supra* note 111, at 377 (noting that intellectual property is often priced discriminatorily even in markets where it has economic substitutes). However, if the patent confers no market power, there is no reason to remove the patentee's property rights since the right to tie and the right to exclude have no logical relationship.

discrimination.[185] If one accepts the Chicago School view that price discrimination is generally output enhancing, then liability treatment for tying patents would actually diminish social welfare. The reward side would decrease while the cost side actually increased. If one accepts post-Chicago accounts that price discrimination often decreases output, then it is rather pointless to try to discipline patentees by subjecting them to a liability regime when they use their patents to tie in order to price discriminate.[186] The appropriate response would be to prohibit tying, not to rate regulate it.

This analysis shows that removing the right to exclude from the IPR bundle of rights is not a one-size-fits-all solution to the problem of market power in intellectual property. Again, the proper analysis requires examining the interaction of the different rights in the bundle. In some cases—as with PROs and SSOs—the valence of the rights lends itself to liability treatment. In other cases, as with contractual tying, it does not—even if one concludes that a market-power problem is presented.

2. *Weak Forms of Market Power.*—The three previous examples—SSOs, PROs, and contractual tie-ins—involved uses of intellectual property that have traditionally been regulated by antitrust law because of the presence of strong forms of market power. However, the focal point for much of the recent debate over property or liability treatment for intellectual property involves "patent trolls,"[187] who typically do not have the sort of market

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185. Second-degree price discrimination is differential pricing based on the use of a complementary product. *See* John E. Kwoka, Jr., *Output and Allocative Price Efficiency Under Second-Degree Price Discrimination*, 22 ECON. INQUIRY 282, 284–85 (1984); Richard A. Posner, *Vertical Restraints and Antitrust Policy*, 72 U. CHI. L. REV. 229, 235–36 (2005); Barry Nalebuff, *Bundling, Tying, and Portfolio Effects* 78 (DTI Econ. Paper No. 1, 2003), *available at* http://www.berr.gov.uk/files/file14774.pdf (all discussing ambiguous welfare effects of second-degree price discrimination).

186. Kaplow notes that it may be sensible to permit patentees to engage in price discrimination even if the net effect of the practice (on the denominator, or cost side, of the ratio) is negative because the discrimination results in a reduction of output. This is because the negative effect on the cost side may be relatively small compared to other monopolistic practices even while the benefit on the reward (numerator) side is large. Kaplow, *supra* note 115, at 1833, 1874–78. This is an argument in favor of allowing the price-discrimination stick in the bundle of rights. If one concludes that price discrimination is, on balance, socially harmful, it would not make sense to use liability-rule treatment to control practices that result in price discrimination. The preferable course would be simply to prohibit those practices.

187. *See generally* John M. Golden, *"Patent Trolls" and Patent Remedies*, 85 TEXAS L. REV. 2111, 2112–13 (2007) (explaining that those who believe patent law has "overleaped its bounds" often blame patent trolls, then attempting to define the term); Lemley, *supra* note 103, at 611 (criticizing universities that act as patent trolls); Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEXAS L. REV. 1991, 2008–15 (2007) (lamenting that the threat of injunction creates holdup problems even when patent trolls own a patent that covers only a small piece of the product); Gerard N. Magliocca, *Blackberries and Barnyards: Patent Trolls and the Perils of Innovation*, 82 NOTRE DAME L. REV. 1809, 1812–13 (2007) (paralleling the patent troll phenomenon with the nineteenth century "patent shark" episode, showing that some patents are more vulnerable than others and suggesting that policy makers can learn from earlier generations by not focusing solely on the problem of opportunistic licensors).

power that counts in an antitrust sense.[188] Patent trolls are firms that aggregate patents for technology that they usually did not themselves create and do not themselves use, but for which they seek to exact royalty payments from commercial users.[189] Patent trolls usually do not possess market power in a strong sense because they aggregate portfolios of patents that are either unrelated to one another or, at most, complements.[190] Indeed, patent trolls are often criticized for seeking royalties on patents for which there are no ready substitutes, which puts them in the position of being able to exact royalty payments that exceed the fair value of the patented technology (more on this in a moment).[191] Since the aggregated patents do not compete with each other, their aggregation does not confer market power in an antitrust sense.[192]

Yet, patent trolls stand accused of having unfair—or worse, socially costly—bargaining power in negotiations with potential licensees. This undue power is said to arise from the troll's practice of waiting to announce its presence until firms have unknowingly adopted the troll's technology in a complex system—a computer chip, for example.[193] By this point, the infringer has made irreversible investments that assume the use of the troll's technology.[194] Further, the trolls and commercializers supposedly have asymmetrical incentives, since trolls are only interested in exacting payments whereas commercializers often resolve infringement disputes with other commercializers through cross-licensing arrangements.[195]

Troll defenders counter that trolls are socially useful intermediaries between small inventors and commercialization.[196] Small inventors may not have the resources to engage in detecting infringers, licensing negotiations,

188. *See* POSNER, *supra* note 124, at 197–98 ("[M]ost patents confer too little monopoly power to be a proper object of antitrust concern. Some patents confer no monopoly power at all.").

189. *See* Lemley, *supra* note 103, at 613 (discussing the troll problem and the increase in patent litigation by nonmanufacturing entities).

190. *See, e.g.*, Acacia Research, About Us, http://www.acaciaresearch.com/aboutus_main.htm (listing a patent holding company's broad portfolio of patents); *see also* Magliocca, *supra* note 187, at 1816–17 (describing the typical process by which patent trolls assemble patent portfolios).

191. *See, e.g.*, Magliocca, *supra* note 187, at 1828–29 (noting that a troll need not have a particularly valuable part of a complex product because of the cost of redesigning the product).

192. *See generally* Landes & Posner, *supra* note 130, at 979–80 (defining market power as the potential to compete, not simply market share).

193. Lemley, *supra* note 103, at 613.

194. *Id.*

195. Brief for Yahoo!, Inc. as Amicus Curiae Supporting Petitioner, eBay, Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006) (No. 05-130), *reprinted in* 21 BERK. TECH. L.J. 999, 1014 (2006) ("Entities of the latter type present an asymmetrical threat to potential defendants—unlike legitimate producers, patent trolls have no potentially infringing products of their own, and therefore no incentive to engage in the formal and informal cross-licensing agreements that resolve many claims of infringement without litigation.").

196. *See* Magliocca, *supra* note 187, at 1810 n.8 (citing amici briefs defending patent trolls as beneficial for innovation); Ronald J. Mann, *Do Patents Facilitate Financing in the Software Industry?*, 83 TEXAS L. REV. 961, 1024 (2005) ("[T]rolls are serving a function as intermediaries that specialize in litigation to exploit the value of patents that cannot be exploited effectively by those that have originally obtained them.").

or patent infringement lawsuits against infringers.[197] By buying up patents from small inventors, trolls may "spur innovation by investing in undercapitalized projects and reducing transaction costs for small inventors who are routinely robbed by large corporations."[198]

There are close parallels between patent trolls and PROs. Both patent trolls and PROs aggregate rights by diffuse inventors or creators and lessen transactions costs by negotiating collectively on their behalf (or in their stead).[199] Thus, both facilitate inventive or creative activity by providing a greater reward to inventors and creators than that which might exist if the inventors and creators were required to integrate forward into distribution.[200] At the same time, the act of aggregating IPRs confers some market power on the aggregator. In the case of the PRO, it is strong market power—the control over substitutes.[201] In the case of the trolls, it is of a weaker form—a superior bargaining position by virtue of industry position, first-mover advantage, or legal savvy.[202] Either way, there is the potential that property treatment will permit the IPR holder to exact more than the socially optimal royalty.

As noted earlier, post-*eBay* courts seem to be denying permanent injunctions to nonpracticing patentees almost as a matter of course.[203] This position may very well be justified by the trade-off between the right to exclude and various patent privileges that enable trolls to exist. Patent law generally allows the free transfer of patent rights from inventors to aggregators,[204] permits the patentee to sit on his own invention without ever using it,[205] and requires no disclosure from the patentee other than that which accompanies his application to the patent office.[206] Collectively, these rights

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197. *See* James F. McDonough III, Note, *The Myth of the Patent Troll: An Alternative View of the Function of Patent Dealers in an Idea Economy*, 56 EMORY L.J. 189, 210, 213 (2006) (discussing barriers to individual inventors that prevent patent infringement).

198. Magliocca, *supra* note 187, at 1810.

199. *Compare* McDonough, *supra* note 197, at 213–15 (describing the role of patent dealers in facilitating licensing), *with* BMI v. CBS, 441 U.S. 1, 20 (1979) (noting PROs' aggregation and collective bargaining functions).

200. *Compare* McDonough, *supra* note 197, at 217 ("[I]ndividual inventors gain the value of their patent . . . the public also gains from the increase in incentives inventors have to invent."), *with BMI*, 441 U.S. at 20 (recognizing the necessity of PRO organizations for artists to be compensated for the broadcast of their performances).

201. *See* ASCAP v. Showtime/The Movie Channel, Inc., 912 F.2d 563, 570 (2d Cir. 1990) (noting the strong market power possessed by PROs).

202. *See* Magliocca, *supra* note 187, at 1814–16 (outlining the advantages patent trolls possess in bringing infringement claims).

203. *See supra* notes 69–72 and accompanying text.

204. *E.g.*, 35 U.S.C. § 261 (2006) ("Subject to the provisions of this title, patents shall have the attributes of personal property. Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing.").

205. Hartford-Empire Co. v. United States, 323 U.S. 386, 432–33 (1945) (holding that a patentee has no affirmative obligation to use or license the patented invention).

206. Inventors have no general obligation to make other firms aware of their patents. *See* 37 C.F.R. § 1.56(a) (2009) (mentioning only a duty to disclose the existence of patents to the U.S.

provide substantial rewards to patentees—the downsides of prohibitions on alienation, mandatory-use requirements, and costly disclosure obligations are apparent.[207] Yet, this combination of rights also creates holdup power in trolls. The optimal solution may be to allow trolls to operate largely as they do, even while subjecting them to liability-rule treatment.

Viewing the "troll" issue through a reward-to-cost-ratio lens might improve the policy analysis of "troll" practices. Too often, the discourse seems to follow a "trolls good, trolls bad" rhetorical path.[208] As with other patent practices that potentially confer forms of market power, the "good" and "bad" categories are too vacuous to be helpful. The proper questions are (1) how large a reward does allowing the practices that enable troll behavior confer on inventors, (2) how large a social cost does troll behavior impose, and (3) would requiring the surrender of other, less valuable practices (such as the right to exclude) improve the overall reward-to-cost ratio in a way that would make the combined bundle of rights superior to alternative bundles of rights. The answers to these questions should shape the grant or denial of injunctions in cases involving nonpracticing patentees.

IV. Operationalizing a Valence-Based Perspective

Much of the debate over liability and property rules centers on the operationalization of the different rules. For example, property-rule advocates argue that property rules allow for more efficient dissemination of intellectual rights through voluntary exchange.[209] They also argue that courts and administrative agencies are ill equipped to rate regulate intellectual property, which liability-rule treatment requires.[210] This final Part addresses

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Patent Office). And, some commentators have questioned whether the patent system's formal disclosure requirements have a meaningful effect on the dissemination of technological information. *See, e.g.*, Ashish Arora et al., *R&D and the Patent Premium* 17 (Nat'l Bureau of Econ. Research, Working Paper No. 9431, 2003), *available at* http://www.nber.org/papers/w9431 ("[P]atent disclosures appeared to have no measurable impact on information flows from other firms, and therefore no measurable effect on R&D productivity.").

207. A rule prohibiting the free alienability of patents would stymie innovation and undermine efficiency by prohibiting the exploitation of comparative advantage in various functions such as research and development, manufacturing, and marketing. Survey, *Patents and Technology: A Market for Ideas*, THE ECONOMIST, Oct. 20, 2005. A "use it or lose it" rule would also undermine incentives to innovate by forcing inventors to prematurely expend resources on marketing patented products. 1 HOVENKAMP, JANIS & LEMLEY, *supra* note 14, § 13.2d (Supp. 2009). Market announcement requirements would be excessively costly and create an extreme amount of "noise" that could actually increase search costs. Brian Kahin, *Patents and Diversity in Innovation*, 13 MICH. TELECOMM. & TECH. L. REV. 389, 390 (2007).

208. *Compare* Jason Rantanen, *Slaying the Troll: Litigation as an Effective Strategy Against Patent Threats*, 23 SANTA CLARA COMPUTER & HIGH TECH. L.J. 159, 160 (2006–2007) (asserting that patent trolls "have become a major threat to market participants"), *with* McDonough, *supra* note 197, at 190 (arguing that "patent trolls actually benefit society").

209. *See* Merges, *supra* note 9, at 2655.

210. *See* Merges, *supra* note 13, at 1307–17 (asserting that administrative agencies are less effective at rate setting because IPR liability rules set by Congress are not precisely tailored valuations and can become quickly outdated, and that judicially administered liability rules become

these arguments from the perspective of the interaction of various rights in the bundle. It also considers a third and related implementation consideration—the relationship between IPR rules on the right to exclude and the continuing controversy in antitrust circles over the duty to license intellectual property.

A. Voluntary or Mandatory Liability Treatment?

The reward-to-cost-ratio approach to the right to exclude could be implemented either voluntarily or through mandatory external direction. The voluntary approach is largely in place already. When IPR holders decide that certain rights—such as participating in patent pools, SSOs, or PROs—are more valuable than maintaining the right to exclude and that maintaining the right to exclude jeopardizes the other rights, they voluntarily abdicate the right to exclude by committing to RAND treatment.[211] This is what Merges gives as an example of strong property protections leading to the creation of efficient institutions of exchange.[212] The mandatory approach would not make liability treatment contingent on the voluntary abdication of the right to exclude. Instead, it would consider the right to exclude waived whenever the IPR holder appropriated certain other rights. For example, the rule might be that participation in an SSO automatically leads to the waiver of the right to exclude.[213] Another way of saying this is that a party that actively participates in an SSO is constructively and enforceably[214] committing to RAND treatment of any of its patents adopted into the standard, whether or not it discloses those patents.

There are good reasons for making the reward-to-cost-ratio approach mandatory and establishing it within intellectual property law as opposed to allowing opt-in liability rules in order to eschew antitrust liability or other regulatory sanctions. Relying on doctrines and remedies external to intellectual property law to establish the optimal mix of intellectual rights is

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expensive as judges must study the industry and appropriate IPR valuation ranges for each case, leading to a costly parade of experts).

211. *See supra* text accompanying notes 94–95.

212. Merges, *supra* note 9, at 2655.

213. *See supra* text accompanying notes 161–62.

214. One issue with respect to voluntary RAND commitments is whether third parties can enforce them contractually as third-party beneficiaries. *See* Crane, *supra* note 91, at 3–4. In at least one case, a patentee purportedly made a RAND commitment to an SSO and then, in litigation, took the position that the RAND commitment did not create enforceable third-party beneficiary rights in potential uses of the standardized technologies. *See* Investigation of Rembrandt, *supra* note 157 (reporting that Rembrandt, Inc.—the subject of the AAI's complaint—has taken the position that its predecessor's actions with respect to the ATSC SSO did not create enforceable contractual or third-party beneficiary rights). Treatment of the patents as liability rights would partially moot this third-party beneficiary issue by making the RAND commitment a mandatory rule of patent law rather than a contractual undertaking.

problematic. Antitrust law, in particular, is "heavy artillery"[215] with which to equilibrate intellectual rights. Antitrust suffers from a "splitting" tendency. Either it identifies a practice as a "violation" of the relevant legal norm—in which case it subjects the practice to deterrence-oriented sanctions including treble damages[216] and (in extreme cases) criminal punishment[217]—or it immunizes the practice altogether.[218] There is no middle ground in which a practice can be traded-off against another practices to achieve a socially optimal balance.

An example of this is the D.C. Circuit's treatment of the FTC's challenge to Rambus's participation in the JEDEC SSO.[219] The FTC determined that Rambus should be compelled to license certain of its computer-memory patents on RAND terms (as set by the FTC in a separate order on remedy)[220] because its participation in JEDEC without disclosure of its patents and patent applications gave Rambus a monopolistic holdout position after the standard was irretrievably adopted.[221] This was a sensible and generally nonpunitive[222] transition from property rules to liability rules. Significantly, Rambus was not prohibited from future participation in SSOs, which would have eliminated a higher value right (participating in SSOs) in order to protect a lower value right (the right to unilaterally set royalty

215. *See, e.g.*, Sheridan v. Marathon Petroleum Co., 530 F.3d 590, 595 (7th Cir. 2008); United States v. Brown Univ., 5 F.3d 658, 680 (3d Cir. 1993) (both referring to federal antitrust law as "heavy artillery").

216. 15 U.S.C. § 15 (2006).

217. *Id.* § 2.

218. *See id.* § 17 (making antitrust laws inapplicable to labor organizations); *id.* § 37 (dictating that people "negotiating, issuing, participating in, implementing, or otherwise being involved in the planning, issuance, or payment of charitable gift annuities or charitable remainder trusts shall have immunity from suit under the antitrust laws").

219. *See* Rambus, Inc. v. Fed. Trade Comm'n, 522 F.3d 456, 462–69 (D.C. Cir. 2008) (acknowledging that although Rambus may have engaged in deception, the alleged deception was not anticompetitive and therefore did not violate antitrust laws).

220. *In re* Rambus, Inc., No. 9302, Order Granting in Part and Denying in Part Respondent's Petition for Reconsideration of the Final Order and Granting Complaint Counsel's Petition for Reconsideration of Paragraph III.C of the Final Order, at 2–3 (F.T.C. Apr. 27, 2007), *available at* http://www.ftc.gov/os/adjpro/d9302/070427commorderreconsideration.pdf.

221. *In re* Rambus, Inc., No. 9302, Opinion of the Commission, at 118 (F.T.C. Aug. 2, 2006), *available at* http://www.ftc.gov/os/adjpro/d9302/060802commissionopinion.pdf.

222. There was a slightly punitive aspect to the Commission's decision, which arose from the inherent difficulty in establishing the but-for market rate for Rambus's patents. The Commission found that "[t]here [was] no direct evidence as to what royalty rates would have resulted from *ex ante* SDRAM negotiations among the parties had Rambus not engaged in the unlawful conduct." *In re* Rambus, Inc., No. 9302, Final Order, at 17 (F.T.C. Feb. 5, 2007), *available at* http://www.ftc.gov/os/adjpro/d9302/070205opinion.pdf. So, the Commission considered the range of royalties that Rambus might have been able to negotiate in the but-for world and entered an injunction prohibiting Rambus from charging a royalty rate higher than prescribed rates at the lower end of the assumed range. *Id.* at 22. This effectively forced Rambus to internalize the costs of the uncertainty that it created by failing to disclose the patents.

rates).[223] Instead, the Commission functionally treated the right to participate in the SSO without disclosing its patents as interdependent with the right to exclude.[224]

The D.C. Circuit, however, set aside the Commission's decision based on antitrust formalities. The court determined that even if Rambus acted deceptively and was able to charge higher royalties as a result, the injury to consumers did not result from a monopolistic practice.[225] The injury resulted from JEDEC's missed opportunity to bargain *ex ante* for a RAND commitment or a particular royalty rate, which did not affect the competitive functioning of any relevant market.[226] Ergo, no antitrust "violation."[227]

It is questionable whether the D.C. Circuit's reasoning was correct,[228] but that is beside the point. Antitrust law, even properly applied, is not

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223. The Commission enjoined Rambus from making misrepresentations or omissions to SSOs, required full compliance with SSO disclosure requirements, and generally enjoined Rambus from doing anything that would lead an SSO to adopt a standard reading on a Rambus patent without being aware of the Rambus patent. *Id.* at 4–5.

224. Having found Rambus liable, the Commission was then faced with the difficult matter of specifying a future-oriented remedy that would prevent Rambus from charging a higher royalty rate than it could have negotiated if it had disclosed its patents during the standard-setting process. *Id.* The Commission considered the range of royalties that Rambus might have been able to negotiate in the but-for world and entered an injunction prohibiting Rambus from charging a royalty rate higher than prescribed rates at the lower end of the assumed range. *Id.* at 22. The European Commission brought a Statement of Objections against Rambus based on the same conduct and has now disseminated for public comment a proposed settlement agreement whereby Rambus would, for five years, cap its royalty rates for products compliant with the JEDEC standards. *See* Press Release, European Commission, Antitrust: Commission Market Tests Commitments Proposed by Rambus Concerning Memory Chips (June 12, 2009) (on file at http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/273).

225. *See* Rambus, Inc. v. Fed. Trade Comm'n, 522 F.3d 456, 466 (D.C. Cir. 2008) ("[A]n otherwise lawful monopolist's end-run around price constraints, even when deceptive or fraudulent, does not alone present a harm to competition in the monopolized market . . . .").

226. *Id.*

227. *Id.* at 466–67.

228. The court relied heavily (and arguably improperly) on *NYNEX Corp. v. Discon, Inc.*, 525 U.S. 128 (1998), a case in which a rate-regulated telephone service provider allegedly cheated on its rate regulators by paying inflated fees to a telephone-switching-equipment service provider, which allowed it to justify higher prices to the rate regulator, and then accepted secret kickbacks from the switching company. *Rambus*, 522 F.3d at 464–65. In *NYNEX*, there was deception and resulting consumer injury, but the consumer injury did not result from the diminished competitiveness of any market. *See NYNEX*, 525 U.S. at 136 ("[C]onsumer injury naturally flowed not so much from a less competitive market for removal services, as from the exercise of market power that is *lawfully* in the hands of a monopolist, . . . combined with a deception worked upon the regulatory agency that prevented [it] from controlling New York Telephone's exercise of its monopoly power . . . ."). By contrast, Rambus's power to overcharge licensees arose from its allegedly fraudulent failure to disclose its patents. *See Rambus*, 522 F.3d at 463 ("Had Rambus fully disclosed its intellectual property, 'JEDEC either would have excluded Rambus's patented technologies from the JEDEC DRAM standards, or would have demanded RAND assurances, with an opportunity for *ex ante* licensing negotiations.'"). In the but-for world, there would have been a market transaction that would have driven prices lower—a pre-adoption bargain over royalties or the substitution of some other technology for Rambus's. By preventing those market engagements from occurring, Rambus effectively thwarted the operation of a competitive market, and thus obtained monopoly power in a manner other than competition on the merits.

sufficiently flexible or adaptive to perform the necessary rights trade-off function. Nor is it sensible to hope that the threat of antitrust liability will consistently prompt IPR holders to make the voluntary trade-offs themselves. For example, Lemley's empirical study of SSO bylaws found a wide variety of practices and policies with respect to patent disclosure and RAND commitments—some of which provided very little protection against abusive patent practices.[229]

Treating liability rules as mandatory under specified circumstances would not necessarily curtail the role of markets or voluntary bargaining. As discussed next, the implementation of liability rules does not typically lead to the substitution of rate regulation for individualized bargaining. Rather, it leads to bargaining in the shadow of the rate regulator. Liability rules and a market-based approach to setting intellectual-rights royalties are fully compatible.

B. *Institutional Considerations*

Post-*eBay*, the Federal Circuit has made two significant rulings on institutional issues. First, the court ruled that the setting of the prospective royalty rate is not a damages-setting exercise and that the patentee has no Seventh Amendment right to have the future damages award determined by a jury.[230] Second, the court ruled that, in setting the future royalty rate, the district court is not bound by the jury's damages determination as to the royalty rate for past infringement.[231] In combination, these rulings give judges setting a future royalty rate a relatively free hand, much like a conventional rate regulator.

This new role sits uncomfortably with many judges. Judges usually claim to be poor rate regulators.[232] The sorts of specialized, technical competence and supervisory capacity assumed by public-utilities commissions are usually absent from judicial chambers.[233] Judges are generally better at

229. Lemley, *supra* note 96, at 1904.

230. *See* Paice LLC v. Toyota Motor Corp., 504 F.3d 1293, 1316 (Fed. Cir. 2007), *cert. denied*, 128 S. Ct. 2430 (2008) ("[T]he fact that monetary relief is at issue in this case does not, standing alone, warrant a jury trial . . . .").

231. *See* Amado v. Microsoft Corp., 517 F.3d 1353, 1361–62 (Fed. Cir. 2008) (explaining why the district court was correct in departing from the jury's royalty-rate determination).

232. *See, e.g.*, Pac. Bell Tel. Co. v. Linkline Commc'n, Inc., 129 S. Ct. 1109, 1121 (2009) (asserting that courts cannot act as rate regulators); Arsberry v. Illinois, 244 F.3d 558, 562 (7th Cir. 2001) (referring to rate setting as "a task [courts] are inherently unsuited to perform competently"); *In re* Coordinated Pretrial Proceedings in Petroleum Prods. Antitrust Litig., 906 F.2d 432, 445 (9th Cir. 1990) ("The federal courts generally are unsuited to act as rate-setting commissions."); Berkey Photo, Inc. v. Eastman Kodak Co., 603 F.2d 263, 294 (2d Cir. 1979) (rejecting "judicial oversight of pricing policies [that] would place the courts in a role akin to that of a public regulatory commission").

233. Unlike judicial chambers, public-utility commissions have the resources to develop long-term, strategic rate-setting plans. *See, e.g.*, FED. ENERGY REGULATORY COMM'N, STRATEGIC PLAN FOR FISCAL YEARS 2006–2011 (Sept. 2006) (detailing the ways in which the Commission

deciding rights and awarding money damages for the violations of rights than at setting (and periodically updating) the prices of assets.

Further, there is a legitimate concern that no one—whether a court or an administrative body—is very good at setting rates for licensing intellectual property. RAND commitments are frequently criticized as feckless—"reasonable" is a meaningless concept to economists.[234] Since, as previously noted, cost-based pricing is not an option for intellectual property and benchmarking is not much better at addressing the problem of market power,[235] commentators often despair that RAND commitments cannot provide a workable framework for ordering IPR-laden markets.[236] In these visions, an IPR rate setter who arrives at the true economic value of the IPR does so only by blind chance. More usually, the rate setter systematically undervalues IPR out of conservatism or an *ex post* bias[237] or else defers to market benchmarks already distorted by the patentee's excessive market power and hence systematically overvalues the IPR.[238]

These institutional weaknesses, however, may actually have some disguised virtues. Unlike a conventional statutory rate regulator, which must set the rate for public utilities, intellectual property royalties must only be set by a third-party institution if the licensor and licensee cannot agree on the rate. The very unpredictability and inadequacy of the institutional mechanisms available for such rate setting are a spur to bargaining between the licensor and licensee.[239] Further, the ambiguous directionality of the district court's putative determination—will it err on the downside because of conservatism or on the upside in light of inflated market benchmarks—

will promote the development of the country's energy infrastructure and ensure competitive markets while also complying with environmental and other law).

234. *See* ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS, *supra* note 6, at 47 (reporting on panelists' comments on the vacuousness of RAND commitments). Notwithstanding such criticisms, prominent economists have proposed methods for setting royalty rates pursuant to RAND commitments. *See, e.g.*, Daniel G. Swanson & William J. Baumol, *Reasonable and Nondiscriminatory (RAND) Royalties, Standards Selection, and Control of Market Power*, 73 ANTITRUST L.J. 1, 31 (2005) (proposing the application of an efficient component-pricing rule (ECPR) as a matrix for determining RAND licensing); Joseph Farrell et al., *Standard Setting, Patents, and Hold-Up*, 74 ANTITRUST L.J. 603, 640–41 (2007) (criticizing application of the ECPR approach).

235. *See supra* text accompanying notes 177–180.

236. *See, e.g.*, Jonathan L. Rubin, *The IP Grab: The Struggle Between Intellectual Property Rights and Antitrust: Patents, Antitrust and Rivalry in Standard-Setting*, 38 RUTGERS L.J. 509, 531 (2007) (acknowledging the belief that RAND commitments can provide a workable framework, but criticizing this view).

237. *See* Epstein, *supra* note 10, at 62 (criticizing the *eBay* decision as creating a risk of "systematic under-compensation during the limited life of a patent").

238. *See* Lemley & Shapiro, *supra* note 187, at 2021–22 (arguing that negotiated royalties and court-awarded royalties are artificially high because of patentee holdup of defendants, which gives patent holders greater bargaining power).

239. *See* Merges, *supra* note 13, at 1295 (arguing that despite legislative attempts to dictate licensing terms, bargaining among private parties is ultimately a more effective way of overcoming transactional bottlenecks).

incentivizes both parties to view the district court's decision as an unappetizing risk.[240] Hence, the framing of a liability regime for certain classes of intellectual rights does not necessarily mean that courts or administrative agencies must actually set the rates. Instead, just as with a property regime, most rate setting occurs through private bargain. The difference from the property regime is that, when a liability rule is pre-announced, the bargaining occurs in the shadow of a rate-setting court or administrative body. The rate-setter's shadow disciplines the licensing negotiation by trumping the licensor's holdout threat and setting an ill-defined, but credible, upper boundary on the price the licensor can charge.

While it is difficult to say exactly what effect the rate-setter's shadow has on the licensing bargain, it is empirically apparent that the announcement of liability-rule treatment does not lead to a substantial amount of rate-setting activity by courts or administrative agencies. In a recent study, I examined fifty-two antitrust consent decrees that contained liability-rule provisions for patents or copyrights.[241] In essence, these provisions required the defendants to license their patents or copyrights on reasonable and nondiscriminatory terms, and reserved jurisdiction in the court to set the rate in the event that the parties could not agree.[242] In only three out of fifty-two cases was the district court ever called on to set a rate.[243] In only one case—ASCAP—did a substantial amount of activity appear.[244] Between 1950 and the present, the Southern District of New York has had to set rates for ASCAP about nine times—a significant amount of activity compared to other cases, but still relatively infrequent compared to the magnitude of ASCAP's licensing activities, the length of time at issue, and the pervasiveness of the consent decree regulating ASCAP's activities.[245] In most cases, the bargaining over

240. *See* John Kennan & Robert Wilson, *Bargaining with Private Information*, 31 J. ECON. LITERATURE 45, 86 (1993) (explaining that parties tend to avoid formal litigation where transaction costs are high and the outcome is highly uncertain).

241. Crane, *supra* note 90, at 311–12.

242. The following consent-decree language—from a rare case in which the district court actually did set a rate—is typical:

> Upon application for a license under the provisions of this Section, the defendant to whom application is made shall state the royalty which it deems reasonable for the patents to which the application pertains. If the parties are unable to agree upon a reasonable royalty, the defendant may apply to this Court for the determination of a reasonable royalty, giving notice thereof to the applicant and the Attorney General, and he shall make such application forthwith upon request of the applicant. In any such proceeding, the burden of proof shall be upon the defendant to whom application is made to establish by a fair preponderance of evidence, a reasonable royalty, and the Attorney General shall have the right to be heard thereon . . . .

United States v. Am. Optical Co., 95 F. Supp. 771, 772 (S.D.N.Y. 1950).

243. Crane, *supra* note 90, at 312.

244. *Id.*

245. *Id.* at 311.

copyright or patent royalty rates happened quietly in the shadow of the rate-setting courts.

Similarly, the delegation of rate-setting authority to administrative tribunals does not necessarily stymie market-based negotiations between IPR holders and licensees. Since the 1976 promulgation of Section 801(b)(1) of the Copyright Act—which provided for Copyright Royalty Judges to "make determinations and adjustments of reasonable terms and rates of royalty payments" for the Section 112(e) and 114 compulsory licenses[246]—copyright judges (in various incarnations) have only had to set rates relatively infrequently.[247] Similarly, the DPRSRA extended the compulsory mechanical license to digital phonorecord deliveries[248] and delegated rate-setting authority to the Copyright Royalty Board,[249] but it was not until 2006 that the Board first had to entertain a rate-setting application for digital phonorecord deliveries.[250] For significant periods of time, compulsory licenses have been subject to bargaining in the shadow of copyright royalty judges.

Courts continue to set prospective rates in some patent infringement cases after declining to grant an injunction against future infringement.[251] In these cases, the defendant contests liability for infringement, and, hence, there is an issue over whether any payment for past or future infringement is even due.[252] Having decided that the defendant has infringed, the court may then determine past damages and a future royalty amount.[253] Yet even here there is space for a substantial amount of individualized bargaining. The Federal Circuit has noted that, after finding infringement but denying a permanent injunction, the district court may only set the prospective royalty rate "[s]hould the parties fail to come to an agreement."[254] The preferable practice in such a case is for the district court to announce that it will not grant a permanent injunction and then set a future date for a rate-setting determination so that the parties have time and incentives to bargain

246. Copyright Revision Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended at 17 U.S.C. § 801(b)(1) (2006)).

247. *See* Determination of Rates and Terms for Preexisting Subscription Services and Satellite Digital Audio Radio Services, No. 2006-1, *available at* http://www.loc.gov/crb/proceedings/2006-1/sdars-final-rates-terms.pdf ("There have been three statutory license proceedings involving the reasonable rate standard and the Section 801(b)(1) factors . . . .").

248. *See supra* text accompanying note 37.

249. *See supra* text accompanying notes 47–57.

250. Determination of Reasonable Rates and Terms for Noncommercial Broadcasting, 71 Fed. Reg. 1453 (Jan. 9, 2006).

251. *See, e.g.*, Paice LLC v. Toyota Motor Corp., 504 F.3d 1293, 1315 (Fed. Cir. 2007) (declining to issue an injunction, but setting a royalty rate).

252. *See, e.g.*, *id.* at 1302 (denying defendant's motion to overturn jury's finding of infringement).

253. *See, e.g.*, *id.* at 1303 (imposing a future royalty of $25 per vehicle after the jury determined that the defendant had infringed the patent).

254. *Id.* at 1315.

efficiently toward a Pareto-optimal solution shaped by the looming shadow of the rate-setting hearing. That shadow will usually be effective to frame a private and efficient bargain.

C. Implications for Antitrust's Refusal-to-Deal Doctrine

Much of the argument for liability-rights treatment of intellectual rights centers on the holdup power that IPR holders enjoy under certain circumstances.[255] The Kaplow reward-to-cost-ratio test, suggested earlier as a basis for deciding whether to accord property or liability treatment, grew out of problems at the intersection of antitrust and patent law.[256] Hence, implementation of the valence-of-rights approach could have important implications for antitrust law as well. In particular, an approach to intellectual rights that analyzed the right to exclude based upon its interaction with other market-power factors could potentially moot the parallel debate over whether antitrust law should ever impose on dominant firms a duty to share their intellectual property with rivals.

As noted earlier, U.S. courts and the antitrust enforcement agencies are reluctant to impose an antitrust obligation to license intellectual property (except perhaps as a remedy for some independent violation).[257] This impulse reflects a long-standing aversion to requiring firms to cooperate with their competitors.[258] Ever since the second half of the New Deal, atomistic competition between hostile firms, inexorably moving the market toward marginal-cost pricing, has been antitrust's normative vision.[259] Both patent and antitrust law have assumed that a patentee has an inviolable interest in denying any cooperation to his rivals.

The valence-based approach suggested above addresses the problem from a different perspective. Rather than framing the question as whether dominant firms have a duty to deal with rivals—which suggests a negative answer—the valence-based approach asks whether an IPR holder has a right to exclude. The distinction is far from semantic. There are important differences between allowing rivals access to intellectual property and a general obligation to cooperate with competitors.

First, simply treating intellectual property as a liability regime does not compel any cooperation between the intellectual-rights holder and the

255. *See supra* text accompanying notes 101–03.

256. *See supra* text accompanying notes 115–20.

257. *See supra* text accompanying notes 74–76. Further, as previously noted, post-*eBay* courts generally grant permanent injunctions against patent infringers who are competitors of the patentee on the theory that a competitor's infringement leads to irreversible and incalculable price erosion and diminution of brand distinctiveness. *See supra* note 69 and accompanying text.

258. *See* ELLIS W. HAWLEY, THE NEW DEAL AND THE PROBLEM OF MONOPOLY: A STUDY IN ECONOMIC AMBIVALENCE 47 (1966) (discussing the widespread support of individualistic competition throughout U.S. history).

259. *See generally id.* (discussing the victory of Brandeisian atomistic competitionists during the second half of the New Deal).

constructive licensee. Treating IPRs as rights to collect royalties requires no "dealing" between the parties—although, as noted earlier, they will usually prefer to deal than to have a court set the rate. Liability treatment avoids a number of concerns about imposing an affirmative duty to cooperate—for example, was the monopolist sufficiently cooperative, whose fault was the failure of cooperation, and was the monopolist obliged to treat its rivals as well as it treated its customers? Since the infringer appropriates the inventor's property through self-help, these questions do not arise.

Second, there is a strong justification for treating intellectual property differently than other forms of property for liability-regime purposes. Intellectual property is a public good—one whose consumption is nonrivalrous.[260] The second person to use a patented technology does not diminish the inventor's own ability to use the same technology. Copying of copyrighted material does not prevent the author from using or enjoying the work herself. This is very different from requiring the sharing of infrastructure, which the Supreme Court did in its *Terminal Railroad*[261] and *Otter Tail*[262] decisions and refused to do in its *Trinko*[263] decision. It is also very different than requiring a firm to enter into a joint venture with a competitor, as the Supreme Court appeared to do in the much-criticized *Aspen Skiing*[264] decision. Although infringement of a copyright or patent deprives the owner of economic value and can hence undermine incentives to engage in inventive or creative activity, it does not require the sharing of a physical asset where mutual entanglement and destructive interference are more likely.

Although the valence-based approach would sometimes respond to the threat of market power by curtailing an IPR holder's right to exclude, it could also provide a line of demarcation beyond which no duty to deal in intellectual property would be imposed. Simply denying an anti-infringement injunction to dominant IPR holders under specified circumstances would not respond to a rival's claimed need to obtain cooperation from the IPR holder.

260. *See* William M. Landes & Richard A. Posner, *Indefinitely Renewable Copyright*, 70 U. CHI. L. REV. 471, 475 (2003) (describing intellectual property as a public good); Paul A. Samuelson, *The Pure Theory of Public Expenditure*, 36 REV. ECON. & STAT. 387, 387 (1954) (defining "collective consumption goods" as those goods where each individual's consumption of the good does not diminish any other individual's consumption of the same good).

261. *See* United States v. Terminal R.R. Ass'n of St. Louis, 224 U.S. 383, 411–12 (1912) (requiring a railroad-terminal joint venture to admit other railroads on nondiscriminatory terms).

262. *See* Otter Tail Power Co. v. United States, 410 U.S. 366, 368, 382 (1973) (affirming the grant of an injunction against a power company that refused to transmit power generated by competing utilities through its transmission system).

263. *See* Verizon Commc'ns, Inc. v. Law Offices of Curtis V. Trinko, 540 U.S. 398, 407, 415–16 (2004) (rejecting the claim that an incumbent telephone service provider violated Section 2 of the Sherman Act by breaching its statutory interconnection obligations under the 1996 Telecommunications Act).

264. *See* Aspen Skiing Co. v. Aspen Highlands Skiing Corp., 472 U.S. 585, 586 (1985) (upholding monopolization liability for a Colorado ski resort that discontinued a multimountain pass arrangement with rival ski resort).

For example, in the *Kodak* decision, the Ninth Circuit held Kodak liable under Section 2 of the Sherman Act for refusing to make its patented photocopier replacement parts available to independent service organizations (ISOs) that wanted to compete with Kodak in the copier-servicing market.[265] What the ISOs claimed to need was not simply a right to access Kodak's patents but the right to purchase the physical parts.[266] Similarly, Microsoft operates under a consent decree that requires it to not only license certain of its IPRs but also to make available technical information to facilitate compatibility between Microsoft's operating system and competitive or adjacent products.[267] Approaching the problem from the perspective of intellectual property law rather than antitrust law would not address these scenarios in which the rival needs not only the right to use the dominant firm's intellectual property but also the dominant firm's cooperation to make the use of the intellectual property successful. Intellectual property would not impose a duty to deal but rather allow self-help appropriation of the dominant firm's intellectual property subject to a duty to pay for it.

Using a reward-to-cost-ratio test under an intellectual property rubric, but then flatly refusing to find an antitrust duty to deal, would thus favor dominant firms as to a category of scenarios that the intellectual property approach would leave unpoliced. Such a compromise might well be optimal. The strongest objections to a duty to deal lie in the inadvisability of compelling rival firms to cooperate. The objections to such an injunctive role for courts are familiar from the common law. Common law courts do not order specific performance of personal-service contracts because of the inherent difficulties and tensions in coercing unwilling business relationships.[268] Nor will they indirectly compel adherence to a personal-service contract by forbidding the ex-employee from taking other work.[269] Absent extraordinary

265. Image Technical Servs. Inc. v. Eastman Kodak Co., 125 F.3d 1195, 1224–28 (9th Cir. 1997).

266. *Id.* at 1207.

267. *See* William H. Page & Seldon J. Childers, *Measuring Compliance with Compulsory Licensing Remedies in the American* Microsoft *Case*, 76 ANTITRUST L.J. 239, 240 (2009) (describing developments with respect to provision III.E of a consent decree requiring Microsoft to "make available . . . communications protocols that Windows client operating systems use to interoperate ['natively'] with Microsoft's server operating systems"). Microsoft's compulsory licensing and collaboration obligations in the U.S. consent decree were remedies for separate antitrust violations and not the theories of liability themselves.

268. *See* RESTATEMENT (SECOND) OF CONTRACTS § 367(1) (1981) ("A promise to render personal service will not be specifically enforced."); *see also id.* cmt. a ("The refusal is based in part upon the undesirability of compelling the continuance of personal association after disputes have arisen and confidence and loyalty are gone and, in some instances, of imposing what might seem like involuntary servitude. . . . The refusal is also based upon the difficulty of enforcement inherent in passing judgment on the quality of performance.").

269. *Id.* § 367(2) ("A promise to render personal service exclusively for one employer will not be enforced by an injunction against serving another if its probable result will be to compel a performance involving personal relations the enforced continuance of which is undesirable . . . .").

circumstances,[270] the common law declines to apply coercion to compel unwilling partnerships or other cooperation.[271] This prudential intuition is instructive for IPRs as well. Allowing self-help appropriation of intangible assets, subject to an obligation to pay, is very different from compelling co-operation or the sharing of physical assets. Courts should sometimes do the former but almost never do the latter.

V. Conclusion

When it comes to intellectual rights, there is no *a priori* reason to prefer either property rules or liability rules. Among other things, the choice depends critically on the inclusion and scope of other sticks in the bundle of rights. The optimal solution is the inclusion of those rights that grant just enough reward to induce the inventive or creative activity at the lowest social cost possible. Sometimes, such a bundle will include the right to exclude and sometimes it will not.

The trend in the last few decades has been away from property rules and toward liability rules. This has not necessarily resulted from a conscious deliberation about the relevant rights trade-offs. Special interest legislation, undifferentiated frustration over patent trolls, and fear of antitrust liability have at least as much explanatory power. Further, the future of liability rules remains uncertain. Although apparently tipping in the direction of liability rules in *eBay v. MercExchange*, the Supreme Court remains closely divided on the propriety of liability treatment as an antidote to holdup and excessive market power.

Future scholarship, litigation advocacy, and statutory-reform initiatives would do well to identify the relevant trade-offs expressly. Every right included in the bundle has consequences for every other right. A strong propertization backlash could dim the prospects for other, more valuable rights. For example, insisting that patent trolls should continue to enjoy the

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270. The common law recognizes an exception to the prohibition on negative injunctions when the employee's services are "unique" such that her defection to a rival employer would cause extra injury to the former employer. *See* 27A AM. JUR. 2D *Entertainment and Sports Law* § 49 (2008) (citing 42 AM. JUR. 2D *Injunctions* §§ 129, 130 (2008)) ("An adult who has bound himself by contract to render special, unique, or extraordinary personal services or acts, or to render services which are intellectual, or peculiar and individual in their character, or who has special, unique, or extraordinary qualifications, may be restrained from breaching the negative covenant in his contract of employment not to render services to another.").

271. It is no answer to say that, just like the common law, antitrust law could award damages for breach of the duty to deal even if it would not injunctively enforce the obligation. Contractual remedies are only meant to compensate, not to coerce performance. *See* O.W. Holmes, Jr., *The Path of the Law*, 10 HARV. L. REV. 457, 462 (1897) (teaching that "[t]he duty to keep a contract at common law means a prediction that you must pay [a compensatory sum] if you do not keep it,—and nothing else"). By contrast, antitrust damages are meant to deter, and, hence, to coerce. Vt. Agency of Natural Res. v. United States *ex rel.* Stevens, 529 U.S. 765, 786 (2000) ("'The very idea of treble damages reveals an intent to punish past, and to deter future, unlawful conduct, not to ameliorate the liability of wrongdoers.'" (quoting Tex. Indus., Inc. v. Radcliff Materials, Inc., 451 U.S. 630, 639 (1981))).

right to exclude could result in pressures to remove the patent rights that make patent trolls possible—and, arguably, socially valuable. At the same time, there are circumstances where property protection remains optimal. Careful consideration of the valence of intellectual rights provides a sound basis for deciding whether intellectual property or intellectual liability should be preferred.

Former Presidents and Executive Privilege

Laurent Sacharoff*

The Constitution provides former Presidents with no powers or role, and yet numerous former presidents including Truman and Nixon have asserted executive privilege in order to withhold information from Congress, historians, and the public. The most recent former President, George W. Bush, is likely to make similar assertions based upon his sweeping view of the rights of former Presidents as reflected in his recently revoked Executive Order 13,233, potentially leading to a constitutional collision between the rights of former Presidents and those of Congress. This Article argues that, notwithstanding Nixon v. Administrator of General Services *(GSA), former Presidents should retain no right to assert executive privilege based upon the text, structure, and historical context of the Constitution and its antimonarchical premises, as well as the nature of executive privilege when compared to other privileges.*

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> We are informed, that many letters have been written to the members of the fœderal convention from different quarters, respecting the reports idly circulating, that it is intended to establish a monarchical government, to send for the bishop of Osnaburgh, &c., &c.—to which it has been uniformly answered, "tho' we cannot, affirmatively, tell you what we are doing, we can, negatively, tell you what we are not doing—we never once thought of a king.["][1]

I. Introduction

The Constitution makes no provision for former Presidents. It vests them with no powers, titles, or role whatsoever; it does not even provide them a pension.[2] The founding generation vigorously opposed entrenched power and sought through the Constitution to make clear the President was not a king. And yet after leaving office, several presidents have asserted executive privilege in order to keep information secret from congressional investigations, historians, and the public. President Truman, after he left office, refused to testify before Congress despite a subpoena.[3] Though the Constitution does not mention executive privilege, Truman argued that its structure for separation of powers immunized Presidents *as well as former Presidents* from any obligation to testify.[4] President Nixon sought through litigation to keep secret the White House tapes on the grounds that he retained executive privilege under the Constitution even years after he had resigned.[5] Though the motives of Truman and Nixon may have varied, their arguments were similar and striking—that former Presidents continue to enjoy some constitutional power after they leave office and can assert a privilege enjoyed by no other private citizen.

This brings us to the most recent former President, George W. Bush, and to an imminent constitutional collision likely to test the power of a former President to assert executive privilege against the power of Congress to investigate. On the one hand, early in his presidency President Bush staked out an aggressive position: that former Presidents enjoy sweeping

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1. Extract from THE PA. J. & THE WKLY. ADVERTISER, Aug. 22, 1787, at 3, *reprinted in* 3 THE RECORDS OF THE FEDERAL CONVENTION OF 1787, at 73, 73–74 (Max Farrand ed., 1911) [hereinafter FARRAND].

2. The only reference to former Presidents occurs indirectly in the Twenty-Second Amendment, which prohibits any person being elected President more than twice. U.S. CONST. amend. XXII, § 1.

3. President Harry Truman, Address Explaining to Nation His Actions in the White Case (Nov. 16, 1953), *in* N.Y. TIMES, Nov. 17, 1953, at 26.

4. *Id.*; Letter from Harry S. Truman to Harold H. Velde, Chairman of the House Comm. on Un-American Activities (Nov. 12, 1953), *in* N.Y. TIMES, Nov. 13, 1953, at 14.

5. Nixon v. Adm'r of Gen. Servs. (*GSA*), 433 U.S. 425, 440–41 (1977).

powers to assert executive privilege, even in the face of a contrary determination by the sitting President. In Executive Order 13,233, he asserted that former Presidents, former Vice Presidents, and their heirs retain absolute veto power over the incumbent President concerning the privilege; if a former President asserts privilege, the incumbent President may not release the information absent court order.[6] On the other hand, Congress has conducted numerous investigations into a wide range of allegations involving Bush, former Vice President Cheney, and their aides,[7] leading to regular assertions of executive privilege. Both the House and the Senate have made clear they intend to continue many of these investigations and to test these assertions of privilege.[8]

These two courses are set to collide. In one case, they already have: in 2007 and 2008 a House committee subpoenaed several White House aides, including Harriet Miers and Karl Rove, to testify concerning whether the firing of nine U.S. Attorneys was proper.[9] Miers and Rove both refused to testify and continued to assert executive privilege even after President Bush had left office.[10] But with pressure from the Obama White House, Miers and Rove reached an agreement with Congress under which they testified this summer, with the understanding that counsel could object to any questions concerning communications with then-President Bush.[11] Indeed, counsel for former President Bush attended the testimony to protect the former President's executive privilege.[12]

These issues will not disappear soon. One Senator predicted that the congressional investigations[13]—as well as any criminal prosecutions[14]—into

6. Exec. Order No. 13,233, 3 C.F.R. 815 (2002), *reprinted in* 44 U.S.C. § 2204 (2006). The order still presumably reflects former President Bush's view of his continuing powers, though President Obama revoked it. Exec. Order No. 13,489, 74 Fed. Reg. 4669 (Jan. 26, 2009).

7. Congress has investigated the leak of the identity of CIA agent Valerie Plame, the warrantless domestic-surveillance program, allegations of torture of terrorist suspects, destruction of CIA videotapes of enhanced interrogations, and extraordinary rendition, among other things. MAJORITY STAFF OF H. COMM. ON THE JUDICIARY, 110TH CONG., REINING IN THE IMPERIAL PRESIDENCY: LESSONS AND RECOMMENDATIONS RELATING TO THE PRESIDENCY OF GEORGE W. BUSH 72–269 (Comm. Print 2009).

8. *See id.* at 270 (recommending that Congress should pursue document and witness requests pending at the end of the 110th Congress).

9. Comm. on the Judiciary v. Miers, 542 F.3d 909, 910 (D.C. Cir. 2008); *Rove Subpoenaed on U.S. Attorneys*, N.Y. TIMES, Jan. 27, 2009, at A23.

10. David Johnston, *Top Bush Aides to Testify in Attorneys' Firings*, N.Y. TIMES, Mar. 5, 2009, at A19.

11. *Id.*; AGREEMENT CONCERNING ACCOMMODATION: *COMMITTEE ON THE JUDICIARY, US HOUSE OF REPRESENTATIVES V. HARRIET MIERS ET AL.* 1 (2009), *available at* http://judiciary.house.gov/hearings/pdf/Agreement090304.pdf.

12. *Interview of Karl Rove Before the H. Comm. on the Judiciary*, 111th Cong. 3 (2009).

13. In addition to congressional investigations begun during President Bush's term, the House has begun an investigation into whether Vice President Cheney improperly withheld information from Congress regarding CIA efforts to develop assassination squads to kill Al Qaeda leaders. Mark Mazzetti & Scott Shane, *House Looks into Secrets Withheld from Congress*, N.Y. TIMES, July 18, 2009, at A10. The Senate has begun an investigation into the CIA's detention and

Bush-era conduct could take "even a decade or longer."[15] Even beyond these congressional and criminal inquiries, the question of what rights former Presidents have to executive privilege will resound well into the future. As the amount of executive information, including e-mail and other electronic data, increases—Bush bequeathed 100 terabytes[16]—former Presidents will continue to face temptation. Some will assert the privilege for legitimate motives to protect the confidences and reputations of close and trusted aides, but others will do so simply to hide embarrassing information or, as in the case of Nixon, evidence of wrongdoing and crimes. Such secrecy will affect not only Congress but historians, journalists, and the public seeking access to information.[17]

Thus, the timely and long-term question arises: do former Presidents retain the right to assert executive privilege under our constitutional order, or may the sitting President unilaterally overturn the assertions of his predecessors? This Article addresses this largely neglected area of law[18] and concludes that former Presidents should not retain any right to assert executive privilege. It also reaches the related conclusion that the sitting President must enjoy plenary power under Article II to assert or waive the privilege, even concerning information created during the preceding administrations.

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interrogation program, including Bush White House involvement. Mark Mazzetti, *Senate Panel to Pursue Investigation of CIA*, N.Y. TIMES, Feb. 27, 2009, at A14.

14. Special Prosecutor Nora Dannehy continues a criminal investigation into the U.S. Attorney firings. Eric Lichtblau & Eric Lipton, *E-mail Reveals Rove's Key Role in '06 Dismissals*, N.Y. TIMES, Aug. 12, 2009, at A1. In addition, Attorney General Eric Holder has named John H. Durham, a federal prosecutor from Connecticut, to determine whether a full criminal investigation into possible torture and other interrogation abuses by the CIA in 2002 and 2003 was warranted. Mark Mazzetti & Scott Shane, *Investigation Is Ordered into C.I.A. Abuse Charges*, N.Y. TIMES, Aug. 25, 2009, at A1. Durham is already investigating the CIA's destruction of 92 videotapes of interrogations. *Id.*

15. Patrick Leahy, *The Case for a Truth Commission*, TIME, Mar. 3, 2009, at 25, 25. Senator Leahy made this prediction in arguing for a truth commission as an alternative to congressional investigations and prosecutions. *Id.*

16. Robert Pear & Scott Shane, *Bush Data Threatens to Overload Archives*, N.Y. TIMES, Dec. 27, 2008, at A10. These 100 terabytes were 50 times more than the Clinton Administration left. *Id.* Of that, archivists expect 20 to 24 terabytes to be e-mail, as compared to 1 terabyte for the Clinton Administration. *Id.* President Obama's use of a Blackberry will presumably increase the amount of presidential e-mail significantly.

17. For example, the Presidential Records Act requires that any documents an outgoing President designates as protected by executive privilege on the grounds of confidentiality be made available to the public in twelve years. 44 U.S.C. § 2204(a) (2006). Though President Obama revoked Bush's executive order, which permitted Bush, Cheney, and their heirs to extend the privilege period indefinitely, this order still reflects the possibility that Bush and Cheney will file court actions to prevent the disclosure of documents when the twelve-year statutory period elapses, arguing the documents are protected by executive privilege. Exec. Order No. 13,233, 3 C.F.R. 815 (2002), *reprinted in* 44 U.S.C. § 2204, *revoked by* Exec. Order No. 13,489, 74 Fed. Reg. 4669 (Jan. 21, 2009).

18. The only article to consider the question in-depth analyzed executive privilege in the context of property law rather than constitutional law. Jonathan Turley, *Presidential Papers and Popular Government: The Convergence of Constitutional and Property Theory in Claims of Ownership and Control of Presidential Records*, 88 CORNELL L. REV. 651, 687–96 (2003).

As noted above, the Constitution makes no provisions for former Presidents—they are constitutional nonentities.[19] Their outsider status becomes particularly clear in light of the traditional view of scholars and courts that executive privilege is best defined by constitutional checks and balances, i.e., by the political battle between the President and Congress. Naturally, a former President has no role to play in this constitutional dynamic of checks and balances. The view that executive privilege is purely a creature of checks and balances might mean that former Presidents should have no right to assert executive privilege. But it might just mean that former Presidents must rely on courts to protect whatever right they retain.

Consequently, this Article examines from first principles whether former Presidents retain any court-enforceable right to assert executive privilege and concludes they do not. Both the text and the historical context of the Constitution reflect the founding generation's decided break from monarchy and its attributes. The chief attribute of monarchy is hereditary and perpetual power, and the Constitution eliminates this attribute with a four-year term for the President,[20] ruling out any lingering powers for former Presidents. The Constitution does not mention executive privilege, but the Court in *United States v. Nixon*[21] found that executive privilege is an implied Article II power.[22] Since the Constitution ends a President's Article II powers at the conclusion of her term, it likewise ends her right to assert executive privilege after she has left office. The privilege itself of course survives the tenure of any particular President, but the holder of the privilege shifts entirely from the former to the new President. Article II, Section 1 vests the executive power in the President, not the former President.[23]

These bedrock principles of representative democracy also motivate a comparison between executive privilege and the attorney–client privilege for corporations, since corporate-governance law in the United States treats corporations as "representative democracies."[24] When new management takes over a corporation, it gains complete control over whether to assert or waive the attorney–client privilege; outgoing management retains no power over

19. I speak of the text of the Constitution. The Court in *GSA* afforded former Presidents the right to assert executive privilege, 433 U.S. 425, 439 (1977), and in *Nixon v. Fitzgerald* granted former Presidents immunity from civil lawsuits arising out of their official duties, 457 U.S. 731, 749 (1982).

20. U.S. CONST. art. II, § 1.

21. 418 U.S. 683 (1974).

22. *See id.* at 711 ("Nowhere in the Constitution, as we have noted earlier, is there any explicit reference to a privilege of confidentiality, yet to the extent this interest relates to the effective discharge of a President's powers, it is constitutionally based.").

23. U.S. CONST. art. II, § 1.

24. *See* Lucian Arye Bebchuk, *The Case for Increasing Shareholder Power*, 118 HARV. L. REV. 833, 837 (2005) ("The U.S. corporation can be regarded as a 'representative democracy' in which the members of the polity can act only through their representatives and never directly.").

the privilege.[25] This remains true even though new management, like a new President, can decide to waive the privilege and expose the confidential statements made by previous officers and directors to counsel.[26]

Not everyone agrees that former Presidents lose executive privilege—the Supreme Court, for example. In *Nixon v. Administrator of General Services*[27] (*GSA*), the Court ruled that a former President retains executive privilege at least with respect to confidential communications and that he can assert that privilege in court even over the objections of the incumbent President.[28] *GSA* was wrongly decided on this point, however, as some scholars have pointed out.[29] This Article will analyze *GSA* in depth to show why it fails on its own terms and how it ignored both the strong antimonarchical norm of the Constitution as well as the basic nature of executive privilege as a privilege. And in any event, *GSA* is distinguishable in relation to any case concerning the disclosure of specific information.[30]

This Article is divided into three parts. Part II reviews the existing scholarship and case law to illuminate a predominant theme: that executive privilege should largely be defined by checks and balances, battles between the President and Congress, rather than in the courts. Former Presidents have no constitutional or other role to play in this checks-and-balances regime; instead, former Presidents inhabit a constitutional borderland that requires us to examine whether they have a court-enforceable right. Thus, Part III examines from first principles whether former Presidents retain any right to executive privilege that courts can or should recognize. It explores the weaknesses of *GSA* and then examines the privilege both from a constitutional point of view and from a privilege point of view. Part IV addresses possible objections. A brief conclusion follows.

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25. *See* Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 349 (1985) ("[W]hen control of a corporation passes to new management, the authority to assert and waive the corporation's attorney–client privilege passes as well.").

26. *See id.* ("New managers . . . may waive the attorney–client privilege with respect to communications made by former officers and directors. Displaced managers may not assert the privilege over the wishes of current managers, even as to statements . . . made to counsel concerning matters within the scope of their corporate duties.").

27. 433 U.S. 425 (1977).

28. *See id.* at 447–49 (adopting the Solicitor General's view that executive privilege "is not for the benefit of the President as an individual, but for the benefit of the Republic[, and t]herefore the privilege survives the individual President's tenure").

29. *See* Turley, *supra* note 18, at 687–96 (criticizing the Court's analysis and arguing for a bright-line rule that executive privilege "attaches to the immediate officeholder").

30. The Court in *GSA* reviewed whether a statute on its face violated the constitutional principle of separation of powers; it did not address except in dicta whether a former President can, on the grounds of executive privilege, prevent an incumbent from releasing specific information. 433 U.S. at 455.

II. Existing Scholarship and Case Law

"Executive privilege" embraces several privileges that permit the President to withhold information from Congress, the courts, and the public.[31] The two main types are the presidential privilege, which protects confidential presidential communications, and the state-secrets privilege. This Article uses the term "executive privilege" to cover both types,[32] though most of the Article concerns the presidential privilege. There appears to be broad agreement that former Presidents do not retain the right to assert the state-secrets privilege.[33]

A. Existing Scholarship

The scholarship on whether former Presidents have a right to assert executive privilege is sparse.[34] Some scholars have simply raised the issue as a question without providing a definitive answer.[35] The main scholar to consider former Presidents' rights to executive privilege in any depth is Jonathan Turley, who recently addressed the rights of former Presidents to control their presidential documents through assertions of executive privilege.[36] In

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31. *See In re* Sealed Case, 121 F.3d 729, 736–40 (D.C. Cir. 1997) (recognizing privileges for presidential communications, state secrets, government informers, pending investigations, and deliberative processes).

32. Some scholars reserve the term "executive privilege" for the presidential privilege. *See* ROBERT M. PALLITTO & WILLIAM G. WEAVER, PRESIDENTIAL SECRECY AND THE LAW 205–06 (2007) (arguing that the Supreme Court in *United States v. Nixon* distinguished executive/presidential privilege from state-secrets privilege). Others use the term to include both the presidential privilege and the state-secrets privilege. *See* RAOUL BERGER, EXECUTIVE PRIVILEGE: A CONSTITUTIONAL MYTH 216–24 (1974) (discussing the evidentiary privilege of military and state secrets); MARK J. ROZELL, EXECUTIVE PRIVILEGE, PRESIDENTIAL POWER, SECRECY, AND ACCOUNTABILITY 43–46 (Univ. Press of Kan. 2d ed., rev. 2002) (1994) (stating that national security justifies executive privilege); Archibald Cox, *Executive Privilege*, 122 U. PA. L. REV. 1383, 1426 (1974) (considering whether courts have the competence to assess a president's assertion of the privilege over military or diplomatic secrets).

33. *See GSA*, 433 U.S. at 447–49 (noting Nixon's concession that former Presidents may not assert the state-secrets privilege). *But see* Exec. Order No. 13,233, 3 C.F.R. 815 (2002), *reprinted in* 44 U.S.C. § 2204 (2006) (declaring a right for former Presidents to assert the state-secrets privilege), *revoked by* Exec. Order No. 13,489, 74 Fed. Reg. 4669 (Jan. 21, 2009).

34. Much of the scholarship discusses whether Bush's Executive Order No. 13,233 runs afoul of the Presidential Records Act, 44 U.S.C. §§ 2201–2207 (2006), rather than analyzing whether former Presidents enjoy any constitutional right. *See, e.g.*, Mark Rozell & Mitchel A. Sollenberger, *Executive Privilege and the Bush Administration*, 24 J.L. & POL. 1, 8–10 (2008) (arguing that the Presidential Records Act did not contain the "high obstacle" for those seeking access to presidential records that the Bush standard required).

35. *E.g.*, Saikrishna Bangalore Prakash, *A Critical Comment on the Constitutionality of Executive Privilege*, 83 MINN. L. REV. 1143, 1188–89 (1999). Prakash suggests that the arguments for executive privilege, which he finds unconvincing, would lead to the conclusion that a former President should enjoy a right to assert the privilege: "After all, being President is a short-term affair and many of the arguments for a privilege would seem to extend to conversations years after they occurred." *Id.*

36. *See* Turley, *supra* note 18, at 716–19 ("The creation of presidential papers in the course of public employment offers a clear and compelling basis for public ownership, not unlike a private company's ownership rights over the creations of its employees."). In doing so, Professor Turley

his view, property law, not constitutional law, explains the controversies of executive privilege and presidential papers.[37] Surveying the history of presidential papers, he argues that past presidents and earlier court cases have historically treated presidential papers as property in the Lockean sense—that what a person created through his own labor was his property by natural law.[38] Because those presidents used their labors to create their papers, those papers belong to the presidents who created them in a manner akin to an author's rights to intellectual property. But Turley argues that such an outmoded view of property should no longer apply to presidential papers,[39] which are now public property under the Presidential Records Act of 1978 (PRA).[40]

Turley's view makes sense, but this Article takes a different approach. First, it focuses on disputes between the President and Congress, which the PRA does not govern. Second, it expands substantially upon Turley's remark that both Bush's executive order and *GSA* diverge from the antimonarchical norms of the founding generation and the Constitution.[41] Third, and most important, it approaches executive privilege not as an aspect of property law but as a *privilege* that covers both documents and testimony, and compares executive privilege to other privileges to establish its true nature.

The scholarship concerning executive privilege for the sitting President, by contrast, is ample and concerns two main topics: first, whether executive privilege exists and second, if it does exist how disputes between the President and Congress should be resolved. The arguments against the existence of executive privilege are illuminating[42] and persuasive[43] but

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noted that under the traditional view of executive privilege, the President and Congress make constitutional separation-of-powers arguments rooted in utilitarian goals: Congress argues that openness produces better government, while the President argues that the privilege and confidentiality afforded by secrecy produce better, more candid advice to the President. *Id.* at 654. But Turley did not see this battle as part of a healthy system of constitutional checks and balances; rather, he described this process as a "zero-sum game" that masks a deeper issue concerning "the true ownership of Presidential papers." *Id.* at 654–55.

37. *Id.* at 655.

38. *Id.*

39. *Id.* at 711.

40. 44 U.S.C. §§ 2201–2207 (2006).

41. *See* Turley, *supra* note 18, at 701 ("The attempt to extend executive privilege not only for the life of former presidents but also to his heirs is precisely the type of 'old leaven' that Maclay and others opposed in the First Congress.").

42. *See* William W. Van Alstyne, *The Role of Congress in Determining Incidental Powers of the President and of the Federal Courts: A Comment on the Horizontal Effect of the Sweeping Clause*, 40 LAW & CONTEMP. PROBS. 102, 107–08 (1976) (arguing that the Necessary and Proper Clause applies only to Congress, and that the President may not establish executive privilege pursuant to his own view that the privilege is necessary and proper to his functions); *see also* Prakash, *supra* note 33, at 1145 (arguing that "there are reasons to doubt that the Constitution itself conveys a unilateral right to conceal executive communications" and using tools such as the text, structure, and history of the Constitution to conclude that, barring statutory action by Congress, the President lacks an executive privilege).

ultimately hard to maintain in the face of case law recognizing some constitutional right to executive privilege against both judicial process[44] and Congress.[45] This Article assumes that executive privilege exists and that it is constitutionally based; it therefore surveys the scholarship that assesses how disputes between the President and Congress over that privilege should be resolved.

Nearly everyone agrees that the political battle of checks and balances is the starting point in assessing executive privilege.[46] The premise for that starting point is Madison's conclusion in *Federalist No. 51* on how to maintain separation of powers: "by so contriving the interior structure of the government, as that its several constituent parts may, by their mutual relations, be the means of keeping each other in their proper places."[47] In disputes between the President and Congress, scholars also largely agree that Congress has numerous methods, such as withholding appropriations, to pressure the President to disclose information and that the political fight and accommodation between the branches leads, if not to an optimal balance, at least to a better equilibrium than the courts could divine.[48] But different

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43. *See* BERGER, *supra* note 32, at 1395–97 (arguing that the history and structure of the Constitution show the framers reposed the absolute authority in Congress, the senior branch, to obtain information from the Executive Branch).

44. *See* United States v. Nixon, 418 U.S. 683, 703–07 (1974) (holding that there is a qualified constitutional right of executive privilege against the Judicial Branch).

45. *See* Senate Select Comm. on Presidential Campaign Activities v. Nixon, 498 F.2d 725, 733 (D.C. Cir. 1974) (holding that the need demonstrated by the Senate Select Committee was not sufficient to overcome the presumption of confidentiality in favor of President Nixon's assertion of executive privilege); *see also* Nixon v. Adm'r of Gen. Servs. (*GSA*), 433 U.S. 425, 448–49 (1977) (recognizing that executive privilege can be asserted against a congressional statute).

46. *See, e.g.*, LOUIS FISHER, THE POLITICS OF EXECUTIVE PRIVILEGE 3 (2004) (presenting the difficult issue of resolving the implied powers of Congress and the President when they collide); ROZELL, *supra* note 32, at 157 ("The resolution to the dilemma of executive privilege is found in the political ebb and flow of our separation of powers system."); Joel D. Bush, *Congressional-Executive Access Disputes: Legal Standards and Political Settlements*, 9 J.L. & POL. 718, 745 (1993) (discussing the risk of judicial resolution undermining the political accommodations that the branches have reached with one another in information-access conflicts); Cox, *supra* note 32, at 1432 (noting that "the ebb and flow of political power" sufficed historically to resolve executive privilege disputes, but concluding that modern history shows a need for judicial enforcement of some subpoenas); Michael Stokes Paulsen, *Nixon Now: The Courts and the Presidency After Twenty-five Years*, 83 MINN. L. REV. 1337, 1341, 1375–78 (1999) (arguing that the scope of executive privilege is left to the interaction of the branches of government and not to an "ad hoc judicially-created constitutional balancing test"); Gary J. Schmitt, *Executive Privilege: Presidential Power to Withhold Information from Congress*, *in* THE PRESIDENCY IN THE CONSTITUTIONAL ORDER 154, 177 (Joseph M. Bessette & Jeffrey Tulis eds., 1981) (noting that understanding the separation-of-powers principle is "key to tempering the abuses possible in executive privilege while simultaneously avoiding the pitfalls of an imperial Congress"). *But see* David A. O'Neil, *The Political Safeguards of Executive Privilege*, 60 VAND. L. REV. 1079, 1119 (2007) (doubting the logic of the escalation model and rejecting its conclusion that "self-executing checks, left to deploy unfettered in the political process, will resolve information disputes in a manner that best reflects the constitutional balance between the branches").

47. THE FEDERALIST NO. 51, at 320 (James Madison) (Clinton Rossiter ed., 1961).

48. *See* O'Neil, *supra* note 46, at 1083 ("[S]cholarship contends that in any given conflict over information, the Constitution's structural distribution of powers will guide the political process to an

scholars come to different conclusions about what role, if any, the Judiciary should play in a kind of back-up capacity.

By one view, the Judiciary should play no role.[49] Archibald Cox tended toward the view that a dispute between the President and congressional committees over executive privilege was nonjusticiable because the courts lack "judicially manageable standards by which the controversy can be adjudicated."[50] He echoed *Baker v. Carr*,[51] in which the Court enunciated the guides courts should follow in declining to hear cases on the grounds that they are "political questions."[52] One factor is if a court lacks "satisfactory criteria for a judicial determination."[53] In addition, Cox wrote, when courts make such decisions, they fix through precedent the relationship between the President and Congress.[54] Better, he said, to let the political branches battle it out.[55] On the other hand, Cox did propose that judges should enforce subpoenas that an entire chamber of Congress votes to enforce against the Executive Branch and that it should do so without balancing Congress's need for the information against the President's need for secrecy.[56] It should simply confirm that the material sought is relevant and within the jurisdiction of that chamber—thus avoiding the justiciability problem.[57] Paulsen echoed this view in stating that the Constitution contains no rule for courts to apply, but he came out in favor of the President rather than Congress.[58]

In addition to highlighting the limits of judges, many scholars also point positively to the virtues of checks and balances as a well-founded mechanism to reach a sensible or workable equilibrium;[59] that is, even putting aside

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optimal accommodation of the competing interests of each branch."). O'Neil rejects this view and argues that the political processes are not enough by themselves. *Id.*

49. *See, e.g.*, Bush, *supra* note 46, at 744–46 (arguing that the Judiciary should avoid resolving such disputes on the merits); Todd Peterson, *Prosecuting Executive Branch Officials for Contempt of Congress*, 66 N.Y.U. L. REV. 563, 626–31 (1991) ("[T]he courts are ill-equipped to resolve executive privilege disputes."); Schmitt, *supra* note 46, at 178–82 ("[Such a judicial role] is constitutionally suspect, potentially ineffective, and, in the end, most imprudent."); Viet D. Dihn, *Executive Privilege: The Dilemma of Secrecy and Democratic Accountability*, 13 CONST. COMMENT. 346, 347 (1996) (reviewing MARK J. ROZELL, EXECUTIVE PRIVILEGE: THE DILEMMA OF SECRECY AND DEMOCRATIC ACCOUNTABILITY (1994)) (criticizing Rozell for advocating for a role for judicial intervention in executive privilege disputes).

50. Cox, *supra* note 32, at 1424.

51. 369 U.S. 186 (1962).

52. *Id.* at 210.

53. *Id.*

54. Cox, *supra* note 32, at 1426.

55. *Id.* at 1432.

56. *Id.* at 1434.

57. *Id.*

58. Paulsen, *supra* note 46, at 1341. Professor Paulsen does not call it a classic "political question" because executive privilege is not textually consigned to another branch; rather, executive privilege arises from the structure of the Constitution and is only a political question in the sense that the Constitution provides no rule for resolving disputes over it. *Id.* at 1377.

59. *See* Peterson, *supra* note 49, at 1432 ("[T]he political process [is] a much better mechanism for balancing executive and congressional interests as the Constitution requires in these cases."); *see*

whether judges have competence in this area, checks and balances is itself a good that leads to positive results. This results in part from escalation *within* each branch and *between* the branches. For example, as Peterson has described, a dispute might begin when a staff member in Congress informally requests documents from an agency official.[60] Often the agency will provide the information, but if not, the staff member may escalate to a representative or senator for added pressure. If that is unsuccessful, the request may be forwarded to a committee chair (who can issue a subpoena), the full committee, the full chamber, and perhaps the entire Congress.[61] Similarly, the issue will likely escalate within the Executive Branch.[62] At each step each branch must decide whether the fight is worth the political costs.[63] Or, as Madison put it, "The provision for defense must in this, as in all other cases, be made commensurate to the danger of attack."[64]

Many recognize that courts have some role to play as a last resort but still emphasize that this process of political checks and balances remains the chief mechanism to resolve executive privilege disputes.[65] It has proved successful throughout history in resolving such disputes; the President and Congress have fought over information hundreds of times since President Washington and have almost never resorted to the courts.[66] An important component of this success is accommodation—each branch has incentives and a duty to try to reach accommodation rather than always take maximalist approaches.[67]

A chief goal of this process is to check presidential abuse of executive privilege, and proponents of checks and balances argue that Congress has

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also Eric A. Posner & Adrian Vermeule, *Constitutional Showdowns*, 156 U. PA. L. REV. 991, 1006, 1010–12 (2008) (asserting that interbranch conflicts are beneficial because they clarify the Constitution's allocation of power).

60. Peterson, *supra* note 49, at 626.

61. *Id.* at 626–27.

62. *Id.* at 627–28.

63. *Id.* at 626–29.

64. THE FEDERALIST NO. 51 (James Madison), *supra* note 47, at 322.

65. *See* FISHER, *supra* note 46, at 258 (concluding that, while messy, battles between the President and Congress have generally been effective at resolving privilege disputes, and that the courts should retain only a minor role); ROZELL, *supra* note 32, at 165–66 (acknowledging that though the courts may have a minor role when necessary, compromise between the two branches is the most desirable outcome).

66. *See* Peterson, *supra* note 49, at 625 ("The history of congressional-executive negotiation and compromise over executive privilege claims suggests that Congress does not need a judicial mechanism, criminal or civil, to protect its interests."); Patricia M. Wald & Jonathan R. Siegel, *The D.C. Circuit and the Struggle for Control of Presidential Information*, 90 GEO. L.J. 737, 745 (2002) (observing that the President and Congress usually debate privilege issues as if they were governed by law but usually reach a satisfactory conclusion through the political rather than judicial process).

67. *See* Dawn Johnsen, *Executive Privilege Since* United States v. Nixon*: Issues of Motivation and Accommodation*, 83 MINN. L. REV. 1127, 1139 (1999) ("The institutional conflicts and political motivations sometimes inherent in this aspect of the relationship between the President and Congress are best resolved through a process that allows for flexibility, a balancing of competing interests, and compromise.").

sufficient tools to check presidential abuse without resort to the Judiciary.[68] Behind this view lies Madison's justification for separation of powers: "Ambition must be made to counteract ambition."[69] These tools include withholding appropriations, refusing to vote on nominees, and refusing to ratify treaties.

Ultimately, Congress can control nearly everything the President and the Executive Branch do by cutting off appropriations.[70] For anyone who doubts the extent of Congress's appropriations power, Charles Black noted that Congress could abolish all the departments and agencies, reduce the President's staff to a social secretary, and auction the White House.[71] There is some doubt, however, whether Congress has used this tool effectively to compel the disclosure of information.[72]

Impeachment is also a powerful tool. A President's use of executive privilege can itself, if thought abusive, be the grounds for impeachment. For example, it formed the basis for one article of impeachment drafted against President Nixon.[73] Kenneth Starr also recommended impeachment of President Clinton in part because of Clinton's assertion of executive privilege, but the House did not impeach on those grounds.[74] Presidents also recognize that when the House seeks information in connection with an impeachment, it has stronger and perhaps an unfettered right to the information.[75] For example, President Washington refused to give the House information concerning the ratification of the Jay Treaty on the grounds that the House had no role to play in the ratification of a treaty, but he suggested that if the House had indicated it needed the information for impeachment, he would have provided the information.[76]

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68. *See, e.g.*, Paulsen, *supra* note 46, at 1400 (noting that the Constitution's check against the President's abuse of power or other misconduct is impeachment); Schmitt, *supra* note 46, at 178 (listing the checks that Congress has against executive privilege claims and asserting that resolution of such claims should be political).

69. THE FEDERALIST NO. 51 (James Madison), *supra* note 47, at 322.

70. Charles L. Black, Jr., *The Working Balance of the American Political Departments*, 1 HASTINGS CONST. L.Q. 13, 15–16 (1974).

71. *Id.*

72. *See* Van Alstyne, *supra* note 42, at 134 (agreeing with Black's assessment of the potential scope of Congress's power but noting that Congress has rarely had the will to exercise it against the Executive). Fisher gives numerous examples in a chapter entitled "Appropriations," but none shows Congress refusing appropriations to compel the President to disclose information he had withheld. FISHER, *supra* note 46, at 27–48. For example, he says that Jefferson *would have* given the House whatever information it needed to pay for the Louisiana Purchase. *Id.* at 39–40.

73. *See id.* at 61 (listing Nixon's articles of impeachment, one of which concerned the withholding of documents).

74. *Id.* at 65–66.

75. *See id.* at 49–50 (giving examples of presidents who have recognized Congress's right to documents when exercising the power of impeachment).

76. *Id.* at 35–36. Washington's premise that the House had no role to play concerning the Jay Treaty was untrue; it was debating whether to pass domestic laws implementing the treaty and sought documents in connection with that debate. *Id.*

Congress has regularly compelled disclosure of information in connection with presidential nominees. For example, in 1986 the Senate Judiciary Committee sought memoranda William Rehnquist had written while in the Justice Department's Office of Legal Counsel.[77] President Reagan refused in order to protect the confidentiality and candor of the legal advice Presidents receive.[78] But as Senator Ted Kennedy put it in the title of an op-ed piece: "Rehnquist: No Documents, No Senate Confirmation."[79] In the end, both sides compromised, and the Reagan Administration provided a group of six Senators and six staff members access to some of the memoranda.[80]

But others have persuasively argued that these political processes produce inferior results. O'Neil launched a sustained attack on what he called the escalation model and on practically all the above premises.[81] Likewise, Kitrosser has argued that when the President keeps secrets, and keeps secret even the existence of those secrets, the President deprives Congress of the very information necessary to fulfill its checking function.[82]

Nevertheless, as O'Neil concedes, the escalation model is in fact how executive privilege disputes are largely resolved, and it is therefore the model within which we must attempt to situate former Presidents.

B. *Key Case Law on Executive Privilege and the Congress*

The D.C. Circuit has largely endorsed checks and balances as the primary method by which executive privilege disputes should be resolved. It has adopted a hybrid between abstention on the grounds of the political question doctrine and a kind of supervision through gradual mini-rulings. Because of its location, the D.C. Circuit has heard the main cases concerning battles between the President and Congress. Since these cases did not reach the Supreme Court, the view of the D.C. Circuit has become the leading precedent.[83]

For example, in *United States v. AT&T*[84] (*AT&T I*) Congress sought information from AT&T concerning a secret government surveillance

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77. *Id.* at 76.

78. *Id.*

79. Edward M. Kennedy, Op-Ed., *Rehnquist: No Documents, No Senate Confirmation*, L.A. TIMES, Aug. 5, 1986, § 2, at 5.

80. FISHER, *supra* note 46, at 77.

81. O'Neil, *supra* note 46, at 1099–1136.

82. *See* Heidi Kitrosser, *Secrecy and Separated Powers: Executive Privilege Revisited*, 92 IOWA L. REV. 489, 543 (2007) (concluding that checks and balances cannot be used against a program that is kept secret). Professor Kitrosser argues that when the President keeps secrets, the Congress lacks the information needed to fulfill its checking function. *Id.* I elaborate on her views below. *See infra* text accompanying notes 188–91.

83. *See* O'Neil, *supra* note 46, at 1088 (stating that the D.C. Circuit stands on the front line of the battle over Executive Branch information and that district court decisions have built on the D.C. Circuit's assumptions).

84. 551 F.2d 384 (D.C. Cir. 1976).

program, and the Ford Administration asserted executive privilege to prevent any disclosure.[85] The D.C. Circuit took an avowedly gradualist approach. Rather than decide this delicate question of separation of powers and justiciability, the court sent the parties back to negotiations, stating that "a better balance would result in the constitutional sense, however imperfect it might be, if it were struck by political struggle and compromise than by a judicial ruling."[86]

The parties narrowed but did not resolve their differences and returned to the D.C. Circuit, each continuing to assert an absolute right.[87] The court could thus no longer rely on negotiations and found itself forced to decide the case.[88] It first held that it did have power to decide the case despite the political question doctrine.[89] In deciding the merits, the court examined the history of the negotiations and the concerns of each side and ordered a middle ground.[90] Congress would receive some of the information it sought, and if after reviewing that information Congress required more, it could come back to court.[91]

Thus, the court sought to avoid deciding for as long as it deemed feasible, and even when it decided, it avoided the ultimate question whether either political branch enjoyed an absolute right.[92] The decision does not purport to be a legal decision in the normal sense of determining the parties' rights. Rather, the court imposed a nakedly practical middle ground in an effort to avoid fixing the constitutional relationship between the political branches in a permanent or precedential way.[93] The court concluded that this "approach of gradualism" takes account of the framers' view that disputes between the branches are best resolved through "dynamic compromise."[94]

C. Conclusion: Former Presidents Occupy a Constitutional Borderland

The scholarship and case law above evince two main views. The first view maintains that courts have no role to play in battles between the President and Congress because there are no judicially manageable standards to decide such questions. But the second view maintains that while the

85. *Id.* at 387.

86. *Id.* at 391.

87. United States v. AT&T (*AT&T II*), 567 F.2d 121, 125 (D.C. Cir. 1977).

88. *Id.* at 127.

89. *Id.* at 123. In 1997, the Supreme Court in *Raines v. Byrd*, 521 U.S. 811 (1997), denied standing to six members of Congress who sued over the line-item veto law. *Id.* at 813–14. But the Court made clear that they lacked standing because they represented only themselves, not Congress, and that Congress had not only passed the law but also opposed this particular lawsuit. *Id.* at 829.

90. *AT&T II*, 567 F.2d at 130–31.

91. *Id.* at 131–32.

92. *See id.* at 130–31, 133 (explaining that the separation of powers required mutual accommodation between the branches).

93. *See id.* at 131 (giving the subcommittee a small amount of information but explaining that, if more is needed in the future, the holding could be adjusted).

94. *Id.* at 127, 131.

political branches should be permitted and encouraged to resolve differences over executive privilege through "dynamic compromise," eventually a court is competent to render a decision, at least when the parties are sufficiently close to settlement. Both views strongly agree that Congress has the tools in the first instance to counterbalance presidential assertions of the privilege.

But former Presidents of course have no role to play in this regime of checks and balances. On the one hand, Congress has none of its usual tools to check any abuse or overuse of executive privilege by a former President. Congress cannot withhold appropriations, and it could violate the Fifth Amendment to take away a former President's pension.[95] It cannot impeach a former President, and a former President has neither treaties in need of ratification nor nominees requiring confirmation. A former President enjoys wide latitude, therefore, to assert the privilege without suffering any of these potential setbacks.[96] Even the power of negative press will have less effect on a former President—at least one who may no longer seek reelection. For example, when former President Truman refused to testify before Congress despite a subpoena, Congress was largely powerless to compel him to testify through traditional tools of checks and balances.[97] Or when Karl Rove and Harriett Miers refused to testify even after former President Bush had left office,[98] Congress again possessed little leverage, and it was President Obama's White House counsel who pressured the Bush aides to testify—perhaps by threatening to withdraw any assertion of executive privilege.[99]

Conversely, a former President may no longer feel bound to assert executive privilege only in the public interest. That is, the sitting President may only assert executive privilege if to do so would be in the public interest,[100] and we rely upon the sitting President to execute this trust faithfully, in part because he has taken an oath to uphold the Constitution.

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95. *Cf.* McNeil v. United States, 78 Fed. Cl. 211, 235–36 (Fed. Cl. 2007) (holding that federal employees have a vested property interest in pension benefits after they retire that is protected by the Due Process Clause).

96. *See* David Johnson, *Top Bush Aides to Testify in Attorneys' Firing*, N.Y. TIMES, Mar. 5, 2009, at A19 (reporting that, although Bush aides would testify concerning alleged misconduct during the Bush Administration, the Committee agreed not to ask about conversations with the President because of executive privilege).

97. *See* Peterson, *supra* note 49, at 628–29 (noting that once the President decides to ignore a subpoena, Congress may not be able to negotiate through traditional means, but recognizing that the President may be persuaded to comply in order not to antagonize Congress or to avoid negative press); Truman, *supra* note 3 (justifying his refusal to comply with a congressional subpoena by asserting that a congressional committee may not compel a President, while in office or after his term, to reveal information regarding "the performance of his official duties").

98. *See* Johnson, *supra* note 96 (reporting the difficulties Congress had in obtaining testimony from Rove and Miers).

99. *See id.* (reporting that it was pressure from President Obama's legal team, not from Congress, that finally led Miers and Rove to testify).

100. *See infra* notes 215–16 and accompanying text.

Former Presidents are presumably no longer bound by this oath.[101] As private citizens, former Presidents may succumb entirely to self-interest.

Thus, the normal mechanism for resolving executive privilege disputes between the President and Congress cannot resolve whether any given assertion of a former President is proper. One could therefore conclude that former Presidents should have no right to assert executive privilege, especially if one believes executive privilege is entirely a creature of checks and balances. Plus, if, as some argue, courts have no role to play in resolving disputes between the sitting President and Congress, they likewise should have no role to play when a President leaves office—either way, issues of executive privilege, at least vis-à-vis Congress, are out of bounds for courts.[102]

But as seen in the scholarship and case law above, this conclusion probably overstates the extent to which executive privilege is entirely a creature of checks and balances. First, the D.C. Circuit has shown a willingness to decide questions of whether the executive can assert executive privilege against the Congress and therefore does treat the privilege as a court-enforceable right.[103] Second, the Supreme Court in *United States v. Nixon* treated executive privilege as an assertable right at least as against a special prosecutor and the grand jury.[104] Since executive privilege is not entirely a creature of checks and balances, it may survive with former Presidents, especially if it is sufficiently similar to other privileges enjoyed by Presidents that do survive, such as the right against self-incrimination and the personal attorney–client privilege.

We must therefore return to first principles to determine whether a former President retains the right to executive privilege after he has left office. Nevertheless, in undertaking this inquiry, it counts against former Presidents that they are not part of the political regime of checks and balances, and that this leading method for resolving such disputes has thus been rendered inapplicable. It also counts against former Presidents that

101. *See* U.S. CONST. art. II, § 1, cls. 1, 7 (setting the President's term at four years and requiring the President to take the oath of office upon entering office).

102. Congress could arrest a former President to compel his testimony. *See* McGrain v. Daugherty, 273 U.S. 135, 180 (1927) (holding that it is lawful for the Senate to arrest a witness who refuses to appear and testify when testimony is ordered for a legitimate object). If a former President brought a habeas action to challenge the confinement, the court would likely hear his petition. *Cf.* Cox, *supra* note 32, at 1424–25 (predicting that a court would likely hear a claim of executive privilege if, hypothetically, Congress arrested a subordinate of the President for contempt).

103. *See AT&T II*, 567 F.2d 121, 123 (D.C. Cir. 1977) ("Complete judicial abstention on political question grounds is not warranted."); Senate Select Comm. on Presidential Campaign Activities v. Nixon, 498 F.2d 725, 731 (D.C. Cir. 1974) (holding that executive privilege would only give way to a showing that the evidence would be "demonstrably critical to the responsible fulfillment of the Committee's functions," and that the Committee had failed to make such a showing).

104. 418 U.S. 683, 696–97 (1974).

Congress can use none of its tools to check former Presidents' abuse of the power and that former Presidents are no longer constrained by any official duties. Thus, even if not dispositive, a former President's position outside the political regime of checks and balances contributes, along with the arguments below, to the overall conclusion that former Presidents should have no right to assert the privilege.

III. Former Presidents: The Privilege and the Constitution

This Article will next address *GSA* and show that the Court's conclusion—that former Presidents may assert executive privilege—did not follow from the Court's premises. Its holding is a non sequitur. More important, *GSA* did not consider the antimonarchical norm reflected in the Constitution. The Court also did not attempt to discern the real nature of executive privilege by comparing it to other privileges. Thus, after addressing *GSA*, this Article will undertake those neglected inquiries.

A. Nixon v. Administrator of General Services *(*GSA*)*

After Nixon's resignation, Congress passed the Presidential Recordings and Materials Preservation Act (PRMPA) to ensure the White House tapes and other material would not be destroyed.[105] The Act directed the Administrator of General Services to take the material, assign archivists within the Executive Branch to review it, and release certain categories of information to the public, including Watergate material.[106] In *GSA*, former President Nixon sued to prevent release of the White House tapes and other material.[107]

Nixon mounted a facial challenge to the PRMPA, arguing that disclosure even to Executive Branch archivists violated executive privilege.[108] But as a threshold question, the Supreme Court had to determine whether former President Nixon could assert executive privilege even though he was no longer President,[109] even though President Ford had signed the Act, and even though President Carter defended the lawsuit, arguing the PRMPA's legality.[110]

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105. Pub. L. No. 93-526, 88 Stat. 1695, tit. 1 (1974) (codified as amended at 44 U.S.C. § 2111 (2006)).

106. *Id.*

107. Nixon v. Adm'r of Gen. Servs. (*GSA*), 433 U.S. 425, 429–30 (1977).

108. *See id.* at 451 ("We are thus left with the bare claim that the mere screening of the materials by the archivists will impermissibly interfere with candid communication of views by Presidential advisors.").

109. *Id.* at 448.

110. *Id.* at 441.

The Court ruled that former President Nixon could assert the privilege.[111] The Court stated that the presidential privilege, like any privilege, can only fulfill its function in eliciting candid advice if it assures that the confidences will remain secret in the future.[112] From this premise the Court correctly concluded that the privilege must therefore survive the end of any particular President's term to fulfill this function of protecting confidentiality.[113] The Court also correctly held that the privilege survives a particular President's tenure for a separate reason: the privilege is not personal to that President but is in the public interest and so must survive the tenure of any individual President to vindicate the public interest.[114]

All of these premises are true—of course the privilege survives any individual President's tenure. But the Court then concluded, in a non sequitur, that former Presidents hold this surviving privilege in addition to the incumbent.[115] That conclusion is unsupported because the sitting President may, and indisputably does, hold executive privilege and therefore can guarantee, at the very least, that the privilege *survives*. The fact that the privilege survives does not lead to the conclusion that a former President may exercise it. Indeed, the fact that the privilege is not personal to any individual President suggests that the privilege should be controlled exclusively by the sitting President.

Once it had established that a former President could assert the privilege, the Court in *GSA* rejected Nixon's argument on the merits, holding that disclosure to government archivists did not violate executive privilege or separation of powers.[116] The tapes were released to the Administrator (now called the Archivist), who continues to review and release them, but the pace has been slow and much remains undisclosed.[117]

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111. *Id.* at 439. It was unclear whether the Court treated the question as one of standing. It did not use the term standing; rather, it said a former President "may also be heard to assert" the privilege. *Id.* Moreover, in its discussion it did not advert to traditional principles of standing; rather, it simply addressed whether a former President retained the right to assert the privilege as necessary to his Article II powers. *Id.* In any event, it seems a former President would meet the constitutional minimum requirements of standing because he has a particularized and concrete injury (e.g., reputation, privacy, etc.) fairly traceable to disclosure of the information that would be redressed by a favorable court ruling. *See* Lujan v. Defenders of Wildlife, 504 U.S. 555, 560–61 (1992) (identifying these three elements as the irreducible constitutional minimum for standing). As for prudential guidelines, one could argue that a former President is raising the rights of a third party, namely, the incumbent President, but this merely collapses into the question of whether the former President has his own right to assert the privilege. *See* William A. Fletcher, *The Structure of Standing*, 98 YALE L.J. 221, 223 (1988) (arguing that standing questions are best addressed as questions of rights on the merits).

112. *GSA*, 433 U.S. at 448–49.

113. *Id.* at 439.

114. *Id.* at 448–49.

115. *Id.* at 439.

116. *Id.* at 441.

117. Patricia Cohen, *John Dean's Watergate Role at Issue in Nixon Tapes Feud*, N.Y. TIMES, Feb. 1, 2009, at A1. Some tapes from 1973—the year of key Watergate cover-up conversations—were released after a lawsuit in the 1990s. *Id.*; Maarja Krusten, *Why Aren't All the Nixon Tapes*

GSA failed in its internal logic because it made the jump from the need for the privilege to survive to the conclusion that it must be former Presidents who assert it. But *GSA* failed in a broader way because it failed to analyze the problem properly. It neither assessed the structure and text of the Constitution concerning the relationship between the sitting President and former Presidents,[118] nor did it evaluate executive privilege through point-by-point comparison to other privileges. Rather, though it never said so, the Court seemed to accept Nixon's argument that executive privilege is analogous to the attorney–client privilege for individuals. That is, Nixon argued that a client continues to possess the right to assert attorney–client privilege even after his relationship with his lawyer has ended and thus former Presidents should similarly enjoy the right to assert the executive privilege even after their terms have ended.[119] The Court mentioned Nixon's argument, and though the Court did not expressly rely upon it, Nixon's argument nevertheless seems to provide the missing link in the Court's logic between the survival of executive privilege and the notion that former Presidents should be the ones to assert it.

But even on its own terms, the holding in *GSA* has important limits. In *GSA*, Nixon challenged the PRMPA as unconstitutional on its face.[120] The Act provided that the Administrator and government archivists in the Executive Branch would review the Nixon materials to determine what should be released to the public.[121] Nixon argued that even permitting these Executive Branch officials to review the material would violate executive privilege, but the Court held that such a disclosure *within* the Executive Branch did not violate the privilege.[122] In ruling on the constitutionality of the PRMPA and how it allocated power, the Court performed a more traditional judicial function: ruling on whether a statute violated separation of powers.[123]

Now Available?, HIST. NEWS NETWORK, Feb. 16, 2009, http://hnn.us/articles/62329.html. The Archivist released another 154 hours of tapes from January–February 1973 in June 2009. Press Release, Nat'l Archives and Records Admin., White House Tape Recordings and Textual Materials (June 19, 2009), http://www.archives.gov/press/press-releases/2009/nr09-96.html.

118. *See GSA*, 433 U.S. at 448 (merely conceding that "[i]t is true that only the incumbent is charged with performance of the executive duty under the Constitution").

119. *Id.* at 440.

120. *Id.* at 429.

121. Pub. L. No. 93-526, § 104, 88 Stat. 1695, 1696–98 (1974) (codified as amended at 44 U.S.C. § 2111 (2006)).

122. *GSA*, 433 U.S. at 454–55.

123. *Id.* at 441; *see also* Morrison v. Olson, 487 U.S. 654, 693–97 (1988) (holding that the Ethics and Government Act does not violate the principle of separation of powers); INS v. Chadha, 462 U.S. 919, 958–59 (1983) (holding a provision of the Immigration and Nationality Act unconstitutional as violating the separation-of-powers doctrine); Humphrey's Ex'r v. United States, 295 U.S. 602, 629–30 (1935) (discussing the fundamental importance of the separation-of-powers doctrine in the context of the Federal Trade Commission Act); Myers v. United States, 272 U.S. 52, 293–95 (1926) (Brandeis, J., dissenting) (arguing that the separation-of-powers doctrine was

By contrast, the Court was not faced with an individual assertion of executive privilege over particular information and was not asked to decide whether disclosure of that information in particular would be in the public interest. That is, the Court in *GSA* was not asked to weigh Congress's need for subpoenaed information *plus* the sitting President's determination that he will release the information *against* the rights of a former President to keep the information secret.

Thus, in a later case the Court may well narrow the holding in *GSA*. If faced with a lawsuit by a former President over individual disclosures of information, the Court could find the case nonjusticiable as a political question, especially in circumstances in which the sitting President and Congress agree that the information should be disclosed. It could note that justiciability was not a problem in *GSA* since the Court in *GSA* reviewed the constitutionality of a statute, for which there are judicially manageable standards as well as a long experience in addressing separation-of-powers challenges to statutes. If so, this later Court would look not only at principles of justiciability but also at whether a former President retains the right to assert executive privilege over particular information. I therefore now turn to first principles and show that former Presidents should not enjoy a right to assert the privilege. By examining the text, structure, and historical context of the Constitution, and by comparing executive privilege to other privileges, I demonstrate that the right to assert the executive privilege belongs solely to the sitting President.

B. The Text, Structure, and Historical Context of the Constitution

The text, structure,[124] and historical context of the Constitution emphatically deny former Presidents lingering powers of any sort, including executive privilege. This emerges in two ways that mirror each other. First, both the structure (the provisions of the Constitution read together) and historical context of the Constitution mark a break with monarchy. The founding generation reflected this antimonarchy sentiment by establishing a Constitution with such provisions as limited terms of office and the means of ensuring presidential accountability. An end to a President's powers means an end to a President's right to assert executive privilege. Second, the incumbent President has plenary Article II powers mirroring a former

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adopted to preclude the exercise of arbitrary power and that restrictions on the President's removal power would be consistent with that doctrine).

124. In this Article, I use the term "structure" in two senses. In this subpart, I use it simply to mean provisions of the Constitution read together—a holistic approach. *See* Michael C. Dorf, *Interpretative Holism and the Structural Method, or How Charles Black Might Have Thought About Campaign Finance Reform and Congressional Timidity*, 92 GEO. L.J. 833, 834–38 (2004) (distinguishing the structural method of interpretation from interpretive holism). In section II(B)(3), I use the term "structure" as described by Charles Black. *See* CHARLES L. BLACK, JR., STRUCTURE AND RELATIONSHIP IN CONSTITUTIONAL LAW 7 (1969).

President's lack of power; if former Presidents were to enjoy any powers, these would subtract from those of the President.

1. The Text of the Constitution.—Individual provisions of the Constitution read both singly and together instantiate this antimonarchy view. Most important, Article II provides that the President "shall hold his office during the term of four years,"[125] in contrast to the perpetual, hereditary powers of the King.[126] Hamilton repeated this difference throughout *Federalist No. 69*, italicizing the word "four" in every instance.[127] As Alexander Bickel noted about the Constitution's term clauses generally, "there is embedded in their totality something of the essence of the democratic political system."[128]

The Constitution announces its departure from monarchy in many other provisions that give the President powers inferior to those held by King George III: the President can be impeached and later prosecuted,[129] whereas the King was legally inviolable;[130] the President's veto is qualified,[131] whereas the King's was absolute; the President may not declare war,[132] but the King could; and so on. The Tenth Amendment also shows that the President (and the federal government) reserves no powers not enumerated,[133] unlike the King, who reserved prerogatives not reserved against him.[134]

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125. U.S. CONST. art. II, § 1.

126. 1 WILLIAM BLACKSTONE, COMMENTARIES *196–97.

127. THE FEDERALIST NO. 69 (Alexander Hamilton), *supra* note 47, at 416, 422. Cato, in his *Letter No. V*, argued for annual elections. CATO, LETTER V (1787), *reprinted in* THE ANTI-FEDERALIST PAPERS AND THE CONSTITUTIONAL CONVENTION DEBATES 317, 320 (Ralph Ketcham ed., 1986). Either way, the point was to end perpetual power with limited terms. THE FEDERALIST NO. 37 (James Madison), *supra* note 47, at 227 (stressing the genius of republican liberty in its demand that elected officials "should be kept in dependence on the people by a short duration of their appointments").

128. ALEXANDER M. BICKEL, THE LEAST DANGEROUS BRANCH 36 (Yale Univ. Press 2d ed. 1986) (1962).

129. U.S. CONST. art. II, § 4.

130. Or at least usually—Charles I was tried and convicted of treason by a high court specially constituted by Parliament and then executed. *See generally* GEOFFREY ROBERTSON, THE TYRANNICIDE BRIEF: THE STORY OF THE MAN WHO SENT CHARLES I TO THE SCAFFOLD (2005).

131. *See* U.S. CONST. art I, § 7, cl. 2 (describing Congress's ability to override a presidential veto through a two-thirds majority vote by each House). On the other hand, providing the President with any veto power at all made him more powerful than the governors of many states, such as South Carolina, who had no veto power at all. GORDON S. WOOD, THE CREATION OF THE AMERICAN REPUBLIC, 1776–1787, at 141 (2d ed. 1998).

132. U.S. CONST. art. I, § 8, cl. 11 ("The Congress shall have Power . . . To declare War."). *But see generally* John C. Yoo, *The Continuation of Politics by Other Means: The Original Understanding of War Powers*, 84 CAL. L. REV. 167, 246–47 (1996) (arguing the President may start wars without Congress declaring war and that Congress's role comes through funding and impeachment).

133. U.S. CONST. amend. X.

134. WOOD, *supra* note 131, at 540–41.

Article II also requires that the President be a natural-born citizen, an antimonarchical provision designed to prevent a foreign prince from being installed as a monarchical President—a fear at the time that included George III's son, the Bishop of Osnaburgh.[135] As Akhil Reed Amar has pointed out, "in repudiating foreign-born heads of state, the framers meant to reject all vestiges of monarchy."[136] The framers also feared the hereditary aspect of monarchy, i.e., that Presidents would install their sons as successors, and Amar argues that Article II's requirement that the President be at least thirty-five is also antimonarchical by hindering a son from replacing his father.[137]

The framers used other, structural means to prevent a President from entrenching himself and thus to prevent the perpetual-power aspect of monarchy. For example, the President is elected not by Congress but by electors more directly responsive to the people.[138] Such relatively direct elections make the President more accountable certainly, but this regime—at least in the view of Hamilton—also prevents the President from conferring favors on Congress in order to be reelected.[139] Later, the Twenty-Second Amendment forbade entrenchment directly by prohibiting a person from being elected President more than twice.[140]

Taken together, these constitutional provisions reflect an antimonarchical norm and, more specifically, ensure a definite end to a President's Article II powers.[141] And as relevant here, those provisions also end any right to assert executive privilege—an incident of Article II power. The Constitution does not mention executive privilege, but the Court in

135. *Maximizing Voter Choice: Opening the Presidency to Naturalized Americans: Hearing Before the S. Comm. on the Judiciary*, 108th Cong. 17 (2004) [hereinafter *Hearings*] (statement of Akhil Reed Amar, Southmayd Professor of Law and Political Science, Yale Law School).

136. *Id.*; *see also* AKHIL REED AMAR, AMERICA'S CONSTITUTION: A BIOGRAPHY 164–66 (2005) (indicating that at the time of the founding, Americans were inclined to "associate the very idea of a foreign-born head of state with the larger issue of monarchical government").

137. *Hearings*, *supra* note 135, at 23–24 (testimony of Akhil Reed Amar).

138. *See* U.S. CONST. art. II, § 1 ("Each State shall appoint, in such Manner as the Legislature thereof may direct, a Number of Electors .... The Electors shall meet in their respective States, and vote by Ballot for two Persons .... The Person having the greatest Number of Votes shall be the President.").

139. *See* THE FEDERALIST NO. 68 (Alexander Hamilton), *supra* note 47, at 413 ("[T]he executive should be independent for his continuance in office on all but the people themselves. He might otherwise be tempted to sacrifice his duty to his complaisance for those whose favor was necessary to the duration of his official consequence. This advantage will also be secured, by making his re-election to depend on a special body of representatives ....").

140. U.S. CONST. amend. XXII, § 1.

141. *See* Jack M. Beermann & William P. Marshall, *The Constitutional Law of Presidential Transitions*, 84 N.C. L. REV. 1253, 1271–72 (2006) (asserting that the Term Clauses are "absolute" and require the outgoing President to "relinquish all official powers").

United States v. Nixon found that executive privilege is a power implied by the express grants of power in Article II.[142]

The foregoing primarily assumes that a former President becomes a former President because his term ends, but impeachment provides a starker hypothetical example. Namely, a President removed by impeachment ought not to enjoy the right to assert executive privilege, especially if he was impeached *because of* his abuse of executive privilege—as Nixon nearly was. Of course as a practical matter we could have a special rule for Presidents removed by impeachment, or a President removed by impeachment for abusing executive privilege, but the example shows in exaggerated form the same principle regarding the normal end of a President's term—that the end of the term must end his powers.

Thus, when a President's Article II powers end at the end of his term, his right to assert executive privilege must likewise end. The privilege itself survives, but the outgoing President no longer controls it after he leaves office. A former President who seeks to assert executive privilege attempts, in fact, to continue his presidency, weakening and subverting the bedrock premises of democracy and limited duration of power. Put more simply, to allow former Presidents to assert presidential powers violates the unambiguous mandate of the text of the Constitution.

2. *The Historical Context: A Rejection of Monarchy.*—The historical context[143] also shows that the public and the ratifiers understood that the Constitution replaced monarchy with a republic, and the framers crafted an instrument with this understanding in mind. The American Revolution represented a revolution against monarchy.[144] Thomas Paine's *Common*

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142. United States v. Nixon, 418 U.S. 683, 711 (1974) ("Nowhere in the Constitution, as we have noted earlier, is there any explicit reference to a privilege of confidentiality, yet to the extent this interest relates to the effective discharge of a President's powers, it is constitutionally based.").

143. In reviewing the historical context, I focus on how the public and the ratifiers would have understood the Constitution in light of the arguments in the press, especially the *Federalist Papers*, as well as the debates of the various state conventions, whereas I review the records of the Federal Constitutional Convention not to discern the framers' intent but to find evidence of what the public and the ratifiers understood—much as an originalist would. *See* Vasan Kesavan & Michael Stokes Paulsen, *The Interpretive Force of the Constitution's Secret Drafting History*, 91 GEO. L.J. 1113, 1131 (2003) (defining originalist textualism as a "faithful application of the words and phrases of the text in accordance with the meaning they would have had at the time they were adopted as law, within the political and linguistic community that adopted the text as law"); David Thomas Konig, *Why the Second Amendment Has a Preamble: Original Public Meaning and the Political Culture of Written Constitutions in Revolutionary America*, 56 UCLA L. REV. 1295, 1301–07 (2009) (characterizing his article's approach as one of original public meaning as opposed to one of original intent, i.e., the meaning understood by the public at the time of ratification rather than the intent of the framers or ratifiers). But because executive privilege itself was only recognized as a constitutional power in 1974, it naturally makes no sense to rely *exclusively* upon any original public meaning of the Constitution in determining if former Presidents should enjoy the privilege. *See supra* note 22 and accompanying text.

144. *See* WOOD, *supra* note 131, at 3 (remarking that, unlike other revolutions, the American Revolution was motivated by politics and ideology rather than oppression and tyranny).

Sense turned the tide toward revolution in part through an extended attack on monarchy,[145] and the Declaration of Independence excoriated the arbitrary tyranny of King George III.[146] The early state constitutions passed in 1776 created very weak executives,[147] and their purpose was unabashedly to reject monarchy. As the third draft of the Virginia Constitution said, it "destroyed 'the kingly office' outright and 'absolutely divested [it] of all [its] rights, powers and prerogatives . . . .'"[148] Jefferson wrote in the summer of 1777 that Americans "seem to have deposited the monarchical and taken up the republican government with as much ease as would have attended their throwing off an old and putting on a new suit of clothes."[149] Adams in 1776 likewise wrote that he was "'surprized at the Suddenness, as well as the Greatness of this Revolution. . . . Idolatry to Monarchs, and servility to Aristocratical Pride, was never so totally eradicated, from so many Minds in so short a Time.'"[150] By 1776, "[m]onarchical institutions had become extremely unpopular."[151]

This sentiment among the public continued throughout the Revolution.[152] At the close of the war, the soldiers of the army were discontent because they had not been paid for their long sacrifice and had families at home in poverty.[153] The solution of Colonel Lewis Nicola was to make Washington a king, as he proposed in a letter to the general.[154] Washington rejected the proposal outright, forever burnishing his reputation, but also revealing that the public continued to revile monarchy.[155] Washington's rejection of the offer "deserves praise, not only for its spirit of renunciation, but also for its recognition that the American people had become fundamentally antimonarchical in sentiment."[156]

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145. *See* THOMAS PAINE, COMMON SENSE 6 (Ronald Herder ed., Dover Publ'ns 1997) (1776) (attacking "monarchical tyranny in the person of the king" and opining that "[t]here is something exceedingly ridiculous in the composition of monarchy").

146. *See* THE DECLARATION OF INDEPENDENCE para. 5 (U.S. 1776) ("The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States.").

147. WOOD, *supra* note 131, at 137–38.

148. *Id.* at 136 (quoting Thomas Jefferson, Third Draft of a Virginia Constitution, *in* 1 THE PAPERS OF THOMAS JEFFERSON 356, 357 (Julian P. Boyd ed., 1950)).

149. *Id.* at 92 (quoting Letter from Thomas Jefferson to Benjamin Franklin (Aug. 3, 1777), *in* 2 THE PAPERS OF THOMAS JEFFERSON, *supra* note 148, at 26, 26).

150. *Id.* (quoting Letter from John Adams to Abigail Adams (July 3, 1776), *in* ADAMS FAMILY CORRESPONDENCE 27, 28 (L.H. Butterfield et al. eds., Belknap Press 1963); Letter from John Adams to Richard Cranch (Aug. 2, 1776), *in* ADAMS FAMILY CORRESPONDENCE, *supra*, at 73, 74).

151. LOUISE BURNHAM DUNBAR, A STUDY OF "MONARCHICAL" TENDENCIES IN THE UNITED STATES, FROM 1776 TO 1801, at 26 (1922).

152. *See id.* at 35 (noting the enduring resentment in 1778 toward monarchies, in particular toward the French King).

153. *Id.* at 40.

154. *Id.* at 40–46.

155. *See id.* at 46–49 (highlighting in particular Washington's faith in the American people's ability to create a functioning democracy and noting their love and desire for freedom).

156. *Id.* at 46.

This antimonarchical sentiment continued among the populace through 1787 and beyond.[157] In her book, *A Study of "Monarchical" Tendencies, from 1776 to 1801*, Louise Dunbar concludes that "[n]early all of the evidence observed reinforces the belief that the people of the United States were essentially antimonarchical in the period studied."[158]

The framers of the Constitution recognized this strong antimonarchical sentiment among the public and, despite whatever private and secret desires some may have held, and despite their manifest desire to strengthen the executive department, they also recognized that any President they created could not be a monarch. During their deliberations in the summer of 1787, the framers became aware that the public feared they were creating a monarchy and took out an advertisement in two Philadelphia newspapers stating that they were certainly not creating a king—as set forth in the epigraph.[159] During the secret deliberations, Hamilton admitted he preferred the British system—including a President to serve for life during good behavior—but also admitted that the public would only accept a republican government.[160] George Mason, an opponent of a strong executive and ultimately of the Constitution, similarly noted that "the people never will consent" to monarchy.[161] John Dickenson praised the British limited monarchy; he conceded that for America, "[a] limited monarchy however was out of the question. The spirit of the times—the state of our affairs, forbade the experiment, if it were desireable."[162]

Once the Constitution was unveiled, the public in voting for its delegates and the ratifiers in adopting the Constitution relied upon and were ultimately persuaded by the arguments of Madison, Hamilton, Jay, and others in the *Federalist Papers* and in the state convention debates that the presidency was not a monarchy.[163] Hamilton wrote at length in several

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157. *Id.* at 127–28; *see also* WOOD, *supra* note 131, at 429 ("Monarchy, of course, could control a corrupt society, but it was out of the question for most."); Ralph Ketchum, *Introduction* to THE ANTI-FEDERALIST PAPERS AND THE CONSTITUTIONAL CONVENTION DEBATES, *supra* note 127, at 1, 6 ("Hence, virtually all shades of opinion reviled monarchy and democracy, and, publicly at least, affirmed republicanism.").

158. DUNBAR, *supra* note 151, at 128.

159. Extract from THE PA. J. & THE WKLY. ADVERTISER, *supra* note 1; *Philadelphia, Aug. 20*, THE PA. PACKET, & DAILY ADVERTISER, Aug. 20, 1787, at 3.

160. 1 FARRAND, *supra* note 1, at 288. Hamilton nevertheless proposed a plan in which the President would serve for life during good behavior, saying that he hoped public opinion would change. *Id.* at 289. He also tried to argue that life tenure did not really amount to monarchy in the bad sense of the word since the President under his plan would still have been elected. *Id.* at 290–91.

161. *Id.* at 101.

162. *Id.* at 87.

163. *See* Michael D. Ramsey, *Textualism and War Powers*, 69 U. CHI. L. REV. 1543, 1603–05 (2002) (highlighting Hamilton's insistence in the *Federalist Papers* that the President was not meant to be a king—particularly because he could not declare war—and noting that several state conventions, including North Carolina, South Carolina, and Pennsylvania, relied on this line of logic during their constitutional ratification processes).

articles in the *Federalist Papers* that the Constitution sought through numerous provisions to prevent monarchy rather than install it.[164] He particularly emphasized that the President was not a monarch because he would be elected for only four years, and "[i]n these circumstances there is a total dissimilitude between *him* and a king of Great Britain, who is an *hereditary* monarch, possessing the crown as a patrimony descendible to his heirs forever . . . ."[165] He also stressed in *Federalist No. 69* that the King could not be removed by impeachment, could veto laws absolutely, and declare war, whereas the President lacked these powers and privileges.[166]

Perhaps more significant than arguing that the President had fewer powers than the King of England, the Federalists also made an important strategic argument that even if the President was stronger than the executives in the state constitutions, he was *elected by the people*, and therefore should no longer be seen as a monarch but rather as another representative of the people.[167] For example, Richard Law stated in the Connecticut convention, "Our President is not a King, nor our Senate a House of Lords. They do not claim an independent, hereditary authority. But the whole is elective; all dependent on the people."[168] This argument was new but not brand new. It reflected the strategy of those arguing for stronger state executives during the

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164. THE FEDERALIST NOS. 67, 69, 70–77 (Alexander Hamilton). Hamilton's pro-monarchy preferences may well have led him to minimize the dangers of a tyrannical President. *See, e.g.*, ROBERT A. DAHL, A PREFACE TO DEMOCRATIC THEORY 9 n.12, 11 (1956) (mentioning that, because of Hamilton's preference for monarchy, "he might be expected to deprecate the dangers of tyranny from [the Executive Branch]"); Steven G. Calabresi & Saikrishna B. Prakash, *The President's Power to Execute the Laws*, 104 YALE L.J. 541, 612 (1994) ("Hamilton wrote his Federalist essays on the presidency in order to quiet the concern of the Anti-Federalists, who were worried that the Chief Executive would become a king."). He of course favored a strong, unitary executive in other sections of the *Federalist Papers*. *See, e.g.*, THE FEDERALIST NO. 70 (Alexander Hamilton), *supra* note 47, at 424–31 (extolling the virtues of a unitary rather than plural executive).

165. THE FEDERALIST NO. 69 (Alexander Hamilton), *supra* note 47, at 416.

166. *Id.* at 416–19.

167. *See* WOOD, *supra* note 131, at 546–47 (explaining the Federalists' view that every office existed only through the election of the people, thus making every officer "in some way a representative of the people"); Alexander Hamilton, Address to New York Convention (June 21, 1788), *in* 2 DEBATES IN THE SEVERAL STATE CONVENTIONS ON THE ADOPTION OF THE FEDERAL CONSTITUTION 251, 253 (Jonathan Elliot ed., J.B. Lippincott 1907) (1836) [hereinafter DEBATES IN THE SEVERAL STATES] (arguing that the President himself would be a representative of the people, induced to protect the rights of the people against encroachment by Congress); John Jay, Address to the People of the State of New York (1788), *in* 1 DEBATES IN THE SEVERAL STATES, *supra*, at 496, 498 ("The proposed government is to be the government of the people: all its officers are to be their officers, and to exercise no rights but such as the people commit to them."); *see also* James Wilson, Lectures on Law, *in* 1 THE WORKS OF JAMES WILSON 69, 293 (Robert Green McCloskey ed., Harvard Univ. Press 1967) (1804) (reflecting on the argument that the Judicial and Executive Branches, as servants to the laws they execute and administer, draw their power from the people, just like the Legislative Branch).

168. Richard Law, Address to the Connecticut Convention (Jan. 9, 1788), *in* 2 DEBATES IN THE SEVERAL STATES, *supra* note 167, at 200, 200.

1780s—that such governors would not be kings because they were elected by the people.[169]

The Anti-Federalists, of course, argued that the Constitution was a "long step toward monarchy,"[170] but closer examination reveals that many of the Anti-Federalists argued that the Constitution created a President likely *to become* a monarch rather than an office that was *as constituted* a monarchy. For example, Patrick Henry famously argued that the Constitution "squints towards monarchy . . . . Your President may easily become King" because he controls the army and will exceed his assigned powers.[171] And more relevant here, the Anti-Federalists particularly feared that the President would become a monarch by refusing to leave office at the end of his term. A "Federal Farmer" attacked reeligibility as likely to lead to monarchy since the occupant would use power to perpetuate himself.[172] Luther Martin in his letter to the Maryland convention similarly wrote that the vast powers afforded the President would allow him to stay in office indefinitely even if voted out and to pass his office on to his heirs.[173] Thus, the Anti-Federalists did not so much argue that the Constitution created a monarch as that the President would violate the Constitution and become a monarch.

The foregoing demonstrates that based upon the public debate, the public and the ratifiers understood that the Constitution did not create a monarchy but, rather, created a republic. But it is important to point out that many of the framers secretly desired a far stronger Executive. At the Constitutional Convention, Hamilton proposed a plan to rival the Virginia and the New Jersey plans that would have established a President's term to last for life.[174] The Convention did not vote on the plan as a whole, but it did vote on a motion to establish tenure during good behavior, rejecting it six states to four.[175] In his notes, Madison said this vote was more about tactics than a real desire for life tenure, but in a letter to Jefferson he wrote, "[A] few would have preferred a tenure during good behaviour—a considerable number would have done so, in case an easy & effectual removal by

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169. *See* WOOD, *supra* note 131, at 388–89, 445–46 ("An independent governor would not be a king over the people but would instead by an 'umpire raised to the supreme power by their own suffrages.'").

170. CLINTON ROSSITER, 1787: THE GRAND CONVENTION 283 (1966).

171. Patrick Henry, Address to the Virginia Convention (June 5, 1788), *in* 3 THE DEBATES IN THE SEVERAL STATES, *supra* note 167, at 43, 58–59.

172. Letter from the Federal Farmer to the Republican (Jan. 17, 1788), *in* LETTERS FROM THE FEDERAL FARMER TO THE REPUBLICAN 90, 94 (Walter Hartwell Bennett ed., 1978).

173. *See* LUTHER MARTIN, LETTER ON THE FEDERAL CONVENTION OF 1787 (1788), *reprinted in* 1 DEBATES IN THE SEVERAL STATES, *supra* note 167, at 344, 377–78 (criticizing an attempt to have the President "appointed during good behavior" without any interval of disqualification or time limitation as an "elective monarchy").

174. ROSSITER, *supra* note 170, at 178; *see also* 1 FARRAND, *supra* note 1, at 292 (reporting that Hamilton's plan provided that "[t]he supreme Executive authority of the United States [would] be vested in a Governour to be elected to serve during good behaviour").

175. 2 FARRAND, *supra* note 1, at 23.

impeachment could be settled."[176] Thus, as Gordon Wood has written, there was a "hiatus" between the Federalists' democratic rhetoric and their genuine desire "for a high-toned government filled with better sorts of people."[177] Nevertheless, it was that public rhetoric that led to the ratification of the Constitution, not the secret desires of some of the framers.

Finally, in the years after the Constitution was ratified, politicians and the Court viewed it as a decided break from monarchy. For example, Madison wrote, "We are teaching the world the great truth that Govts. do better without Kings & Nobles than with them."[178] And the Court has noted that the Constitution represented a break from monarchy by eliminating arbitrary power,[179] religious hegemony,[180] and the Executive's power to declare war.[181]

3. *The Powers of the Incumbent President.*—Looking at the mirror image, the incumbent President, not former Presidents, enjoys all Article II powers.[182] The presidential privilege is one incident recognized in *Nixon* as necessary to accomplish Article II powers, and the incumbent President should therefore enjoy plenary power over that privilege vis-à-vis a former President. A former President should enjoy no right to assert executive privilege because such an assertion subtracts from the powers of the incumbent President. The Court in *GSA* reflected these arguments, even though it came to a contrary conclusion. The Court conceded that "[i]t is true that only the incumbent is charged with performance of the executive duty under the Constitution."[183]

The text of Article II makes clear that a former President can retain no residual power, and the structure of the Constitution supports this view. By

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176. Letter from James Madison to Thomas Jefferson (Oct. 24, 1787), *in* THE DEBATE ON THE CONSTITUTION 192, 194 (Bernard Bailyn ed., 1993).

177. WOOD, *supra* note 131, at 562.

178. Letter from James Madison to Edward Livingston (July 10, 1822), *in* 5 THE FOUNDERS' CONSTITUTION 105, 106 (Philip B. Kurland & Ralph Lerner eds., 1987).

179. *See, e.g.*, Furman v. Georgia, 408 U.S. 238, 266 (1972) ("And the Framers knew 'that government by the people instituted by the Constitution would not imitate the conduct of arbitrary monarchs. The abuse of power might, indeed, be apprehended, but not that it would be manifested in provisions or practices which would shock the sensibilities of men.'" (quoting Weems v. United States, 217 U.S. 349, 375 (1910))); Myers v. United States, 272 U.S. 52, 294–95 (1926) (Brandeis, J., dissenting) (discussing the founders' view that protection against uncontrollable power was essential to free government).

180. *See* Engel v. Vitale, 370 U.S. 421, 429 (1962) (explaining the threat to religious freedom that comes with allowing the government to endorse a particular religion).

181. Hamdi v. Rumsfeld, 542 U.S. 507, 569 (2004) (Scalia, J., dissenting) ("A view of the Constitution that gives the Executive authority to use military force rather than the force of law against citizens on American soil flies in the face of the mistrust that engendered these provisions.").

182. *See* U.S. CONST. art. II, § 1 ("The executive Power shall be vested in a President of the United States of America.").

183. Nixon v. Adm'r of Gen. Servs. (*GSA*), 433 U.S. 425, 448 (1977).

structure I refer to the structural constitutional arguments made famous by Charles Black, who showed that the structure and *relationship* between the federal and state governments lead to certain inferences about federal power.[184] For example, even if there were no First and Fourteenth Amendments, federal judges could still find unconstitutional any state action that interfered with some political free speech based upon the structure of the Constitution, namely, political speech that touches on federal issues and in particular on federal candidates.[185] A government premised on popular control cannot run without free speech, and the states should not be permitted to interfere with the operation of the federal government by hindering speech that discusses federal candidates and the like.[186]

Similarly, the incumbent President has a structural relationship with his predecessor, a relationship more dramatically demarcated than that between the federal and state government because the incumbent President enjoys all Article II power and the former President enjoys none. The Constitution has no provision that says Presidents or other elected (or unelected) officers lose their powers upon leaving office. But this notion lies inherent in elections and is buttressed by the provisions of Article II vesting the executive powers in the President.

And just as the structure of federalism would mandate that states not interfere with free speech discussing federal issues, the incumbent President must be able to exercise his Article II powers without hindrance from his predecessors. In particular, the incumbent must be able to disclose information unfettered by a former President's assertion of executive privilege. He must be able to do so in general and in order to fulfill several express provisions of the Constitution that oblige the President to disclose some information, albeit at his discretion. The President shall "from time to time give to the Congress Information of the State of the Union,"[187] recommend measures to Congress,[188] and state his objections to a bill he has vetoed.[189] But more important, the need to disclose information lies inherent in the President's Article II powers, such as communicating to the Senate why it should ratify treaties or confirm nominees,[190] or to the Congress concerning whether to declare war or suspend the writ of habeas corpus.[191] Were a former President permitted to assert the privilege to block any such

184. *See* BLACK, *supra* note 124, at 39 (arguing that "the nature of the federal government, and . . . the states' relations to it" are a more appropriate basis for protecting against state interference with federal constitutional rights than is the Due Process Clause).

185. *Id.* at 40–43.

186. *Id.*

187. U.S. CONST. art. II, § 3.

188. *Id.*

189. *Id.* art. I, § 7.

190. *Id.* art. II, § 2.

191. *Id.* art. I, §§ 8–9.

disclosure, he would interfere with the incumbent's execution of his constitutional powers and duties.

In other words, the end of one President's powers is the beginning of another's. New elections bring new government. One reason for elections is to allow new leaders to eliminate the corruption of their predecessors, to reverse unlawful policies and conduct, and generally to clean up.[192] Where the checks exercised by Congress on presidential abuse and corruption fail, or vice versa, new elections provide a more direct remedy—replacing the scoundrels. As applied to executive privilege, these principles mean that the new President, in cleaning up, must as part of his elected duties disclose any information improperly withheld by his predecessor.

A new President must be able to review controversial assertions of executive privilege by his predecessor to make sure they were valid because the checks of Congress can fail in curbing presidential abuse of the privilege. This follows because Congress often lacks the very information it would need to determine whether to fight the President on her assertion of executive privilege. Congress will obviously not know the content of the information withheld, so it cannot confirm that the privilege was properly asserted.

4. Deep Secrets and Abuse.—Congress often does not even know the nature of the secret information. For example, when Congress seeks documents by categories in a subpoena, a President's assertion of executive privilege can prevent Congress from understanding even generally what information exists. If Congress knows a certain memo exists and the President withholds it, that is one thing; but when Congress has asked for information on a particular topic, it will not even know certain memos exist. In this way, the President succeeds in creating and hiding deep secrets. Professor Kitrosser set forth a useful framework in this regard, arguing that Presidents or Congress may keep shallow secrets but not deep secrets.[193] "Shallow secrecy is secrecy, the very existence of which is known, even while the secrets' contents remain unknown. Deep secrecy is secrecy, the fact of which itself is a secret; . . . the Constitution demands that secrets generated by the political branches be shallow . . . ."[194] Shallow secrets give the other branches a chance to question that secrecy and try to get the information in a fair fight; deep secrecy precludes accountability entirely.

The only remedy to this problem—and it is only a partial remedy[195]—is review by a subsequent President. Only a subsequent President may peer

192. Yasmin Dawood, *The Antidomination Model and the Judicial Oversight of Democracy*, 96 GEO. L.J. 1411, 1445–46 (2008) (describing how elections retrospectively hold officials accountable to their constituents).

193. Kitrosser, *supra* note 82, at 493–94.

194. *Id.*

195. This remedy falls short of what Congress and the public really need: real-time access to information. It is only an additional check along with Congress's need to vigorously challenge assertions of executive privilege.

behind the curtain and quickly and easily (at least in cases of abuse) ascertain whether the privilege even arguably applies. In many cases of abuse in which Presidents have asserted the privilege to hide crimes, the subsequent President has little difficulty in determining the privilege was improperly asserted.

For example, before Nixon's former aide Alexander Butterfield testified to Congress in 1973, no one outside the White House knew that Nixon taped his conversations.[196] This is an example of a deep secret.[197] Had this fact not emerged during Nixon's presidency, a subsequent President should have disclosed at least the *existence* of the tapes to transform this deep secret into a shallow one. Going further, the new President in this hypothetical should review the tapes to determine whether any assertion of executive privilege would arguably protect them or whether they disclose evidence of crimes. Any successor would have had little difficulty in deciding that much of them must be disclosed—as Ford essentially did in signing the PRMPA.[198]

A new President can thus reestablish a proper checking role for Congress even if he only transforms deep secrets into shallow secrets. He may reveal the general nature of the information that his predecessor withheld without disclosing specific information about it. He may likewise brief certain members of Congress with more details, still general in nature, but then insist that the operational details remain secret. These limited disclosures would restore the proper role for checks and balances because Congress could then decide in a more informed way whether to fight for more specific information by withholding appropriations, refusing to vote on nominees, or applying other types of political pressure.

In disclosing his predecessor's deep secrets when in the public interest, the incumbent merely furthers his constitutional role as President, a role that should not be hindered by a former President's assertion of executive privilege. These disclosures of deep secrets will restore the appropriate balance between the branches, and, therefore, a new President *ought* to make those disclosures. The alternative to this subsequent check by the new President is unattractive: an entrenched presidency that acts as a secret club, each President passing to her successor an ever growing body of secrets, each new President faithful to executive secrecy rather than faithful to the public. This unattractive alternative exists today, a continuity within the Executive Branch from President to President of maintaining a vast structure of secrecy. Each President inherits command over this apparatus and the trust to keep it secret. But with that trust comes a complementary trust to reveal what she can to the public and Congress, since only Presidents get to see much of this information. It is the entrenchment of this increasing scope of bureaucratic

196. Kitrosser, *supra* note 82, at 494.

197. *Id.*

198. *See supra* notes 105–06 and accompanying text.

secrecy that new Presidents must check by undoing, when necessary, improvident assertions of the privilege by their predecessors.

In sum, this idea that a new administration brings with it a mandate to set a new course as well as to clean up the corruption and misdeeds of previous administrations has strong roots not only in our republican democracy but also in contemporary notions of corporate governance in the commercial sphere, a topic to which I turn in the next section.

C. The Presidential Privilege Compared to Attorney–Client Privilege and Other Privileges and Immunities

GSA failed to assess the nature of executive privilege as a privilege and did not expressly compare that privilege to other privileges for guidance. It did appear, however, to implicitly analogize executive privilege to the attorney–client privilege for individuals.[199] Executive privilege differs from the attorney–client privilege and other personal privileges in key ways that undermine *GSA*, and it is far more analogous to the attorney–client privilege in the corporate context.

1. Attorney–Client Privilege.—The basic principles underlying the attorney–client privilege make clear just how personal that privilege is to the client and the numerous ways in which it differs from executive privilege.

The attorney–client privilege protects what a client says to his lawyer in order to encourage clients to make full and frank disclosure to their attorneys.[200] Most courts hold that the privilege does not provide independent protection for what the lawyer says; rather, it protects what the lawyer says only to the extent the lawyer incorporates what the client has told him.[201] In practice, a court may provide ample protection for the lawyer's advice simply because the advice will so often reflect, to some extent, what the client has said. But the premise and spirit of the attorney–client privilege is to protect the *client's* communications—it is truly the client's privilege.

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199. *See* Nixon v. Adm'r of Gen. Servs. (*GSA*), 433 U.S. 425, 440 (1977) ("[A] more generalized Presidential privilege survives the termination of the President–adviser relationship much as the attorney–client privilege survives the relationship that creates it.").

200. *See* Trammel v. United States, 445 U.S. 40, 51 (1980) ("The lawyer–client privilege rests on the need for the advocate and counselor to know all that relates to the client's reasons for seeking representation if the professional mission is to be carried out.").

201. *See, e.g.*, Mead Data Cent., Inc. v. U.S. Dep't of the Air Force, 566 F.2d 242, 254 (D.C. Cir. 1977) ("In the federal courts the attorney–client privilege does extend to a confidential communication from an attorney to a client, but only if that communication is based on confidential information provided by the client."); 1 PAUL R. RICE, ATTORNEY–CLIENT PRIVILEGE IN THE UNITED STATES §§ 5.2–5.4 (2d ed. 1999) (noting that most courts provide direct protection to client communications and only derivative protection to the lawyer's communication to the client). *But see In re* LTV Sec. Litig., 89 F.R.D. 595, 602 (N.D. Tex. 1981) (arguing that a rule protecting only advice that discloses confidential client information "fails to deal with the reality that lifting the cover from the advice will seldom leave covered the client's communication to his lawyer").

The privilege protects what the client says to encourage her to be candid with her lawyer and give the lawyer all the relevant facts, since legal advice is only as good as the facts upon which it is premised.[202] The attorney–client privilege must be absolute to fulfill this function.[203] "Absolute" means two things: First, that within the area of application, the privilege cannot be balanced away by a court subsequently determining that the adversary's need for the information outweighs the importance of the confidentiality.[204] Thus, a murderer will tell her lawyer the truth only if she is sure a court will not later be able to compel the lawyer to disclose the information on the grounds that the murder was particularly grisly and the public interest outweighs the need for secrecy. Second, any exceptions must come with bright-line rules that ensure the client will know beforehand which communications she makes will fall under the privilege.[205] For example, anything she says in the presence of a third person not associated with the lawyer will not be privileged.[206]

Another attribute of the privilege gives clients the assurance they need to tell all: the client has absolute discretion whether to assert or waive the privilege.[207] A client will have far less confidence that his secrets will be kept if his lawyer gets to decide whether to waive the privilege. Similarly, the client may assert or waive the privilege based entirely on what is in his best interest. Lawyers rarely encourage their individual clients to waive the attorney–client privilege in the "public interest" and expose themselves to

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202. *See Mead Data Cent.*, 566 F.2d at 252 ("The opinion of even the finest attorney, however, is no better than the information which his client provides.").

203. *See* Swidler & Berlin v. United States, 524 U.S. 399, 408–09 (1998) (holding that preservation of the policy goals of the attorney–client privilege requires that it apply even posthumously); Golden Trade, SRL v. Lee Apparel Co., 143 F.R.D. 514, 522 (S.D.N.Y. 1992) (explaining that the attorney–client privilege, unlike most other privileges, is absolute).

204. *See Golden Trade*, 143 F.R.D. at 522 ("[The attorney–client privilege] is absolute in the sense that it cannot be overcome merely by a showing that the information would be extremely helpful to the party seeking disclosure.").

205. *See Swidler*, 524 U.S. at 408–09 (refusing to create posthumous exceptions to the attorney–client privilege for criminal but not civil cases because this inconsistency would "introduce[] substantial uncertainty into the privilege's application"); Upjohn Co. v. United States, 449 U.S. 383, 393 (1981) (emphasizing unpredictable outcomes as a primary reason to reject the control-group exception to the attorney–client privilege rule); 1 EDWARD J. IMWINKELRIED, THE NEW WIGMORE: EVIDENTIARY PRIVILEGES § 3.2.4 at 140–41 (Richard D. Friedman ed., 2d ed. 2002) (disagreeing with Wigmore that privileges should always be absolute but noting that Wigmore's general view of the privilege has prevailed in the courts).

206. *See, e.g.*, Jenkins v. Bartlett, 487 F.3d 482, 490 (7th Cir. 2007) ("[O]rdinarily, statements made by a client to his attorney in the presence of a third person do not fall within the privilege . . . ."); Cafritz v. Koslow, 167 F.2d 749, 751 (D.C. Cir. 1948) ("[T]he presence of a third person (other than the agent of either client or attorney) generally rebuts the presumption of confidentiality.").

207. 8 JOHN HENRY WIGMORE, WIGMORE ON EVIDENCE § 2321, at 629 (John T. McNaughton ed., 3d ed. 1961) (citing as undisputed the proposition that the client, not the attorney, controls attorney–client privilege).

prison terms.[208] Rather, clients invoke the privilege particularly in order to shield crimes and for other entirely self-interested reasons, and it is proper to do so.

In sum, in considering the attorney–client privilege, we find that the same person whose communications we want to encourage also holds the privilege—that is, has the unilateral right to assert or waive it. And the standard he will use is entirely whether assertion or waiver is good for him—the public interest plays no role. In these ways, the attorney–client privilege for individuals is personal.[209]

The presidential privilege stands upon a completely different footing. True, the presidential privilege parallels the attorney–client privilege in that it provides secrecy for what advisers tell the President to ensure they will give the President candid advice.[210] But the presidential privilege differs because these very advisers do not control the privilege; the President does.[211] The President retains unilateral control in the first instance to decide whether to assert the privilege (though if he asserts it, a court may review that assertion).[212] The adviser whose advice we seek to protect may not prevent the President from disclosing that advice and would have no standing in court to do so.[213] It is important to distinguish a separate situation: an adviser may assert the privilege in court or before Congress *on behalf* of the

208. Instead, when lawyers do advise their clients to waive the privilege it is generally because it is in the client's own best interest. *See, e.g.*, Robert Zachary Beasley, Note, *A Legislative Solution: Solving the Contemporary Challenge of Forced Waiver of Privilege*, 86 TEXAS L. REV. 385, 395–99 (2007) (describing how many corporate defendants waive privilege because of the DOJ's policy of granting leniency in exchange for waiver).

209. Wigmore called this and all communication privileges "personal" in a similar sense: they can be asserted only by the person who made the communication and not by the party in the litigation who would benefit from excluding the evidence. 8 WIGMORE, *supra* note 207, § 2196, at 111.

210. *See* United States v. Nixon, 418 U.S. 683, 708 (1974) (stating that the nature of the topics discussed between Presidents and advisers necessitates privacy in order to promote candid discourse).

211. *See, e.g.*, Exec. Order 13,489, 74 Fed. Reg. 4669 (Jan. 26, 2009) (describing the procedure by which an incumbent President may exercise executive privilege over presidential records); 2 IMWINKELRIED, *supra* note 205, § 7.6.2, at 1087–88 ("The President is the person entitled to assert this privilege."); Memorandum from Lloyd Cutler to All Executive Dep't and Agency Gen. Counsels (Sept. 28, 1994) ("Executive privilege belongs to the President.") (quoted in ROZELL, *supra* note 32, at 124); Memorandum from President Richard Nixon to the Heads of Executive Dep'ts and Agencies: Establishing a Procedure to Govern Compliance with Congressional Demands for Info. (March 24, 1969) ("Executive privilege will not be used without specific Presidential approval.") (quoted in Mark J. Rozell, *The Law: Executive Privilege: Definition and Standards of Application*, 29 PRESIDENTIAL STUDIES Q. 918, 924 (1999)); *see also In re* Sealed Case, 121 F.3d 729, 745 n.16 (D.C. Cir. 1997) (citing cases suggesting that the President must personally invoke the privilege, but declining to decide the issue itself); United States v. Burr, 25 F. Cas. 187, 192 (C.C.D.Va. 1807) (No. 14,694) (holding that the President must personally invoke the privilege).

212. *See Nixon*, 418 U.S. at 705 ("We therefore reaffirm that it is the province and duty of this Court 'to say what the law is' with respect to the claim of privilege presented in this case." (quoting Marbury v. Madison, 5 U.S. (1 Cranch) 137, 177 (1803))).

213. This follows from the fact that the President holds the privilege in the public interest, though no case of which I am aware has addressed the issue.

President in the same way a lawyer called to testify may assert the privilege on behalf of his client.[214] But just as the lawyer's assertion is simply as an agent, so too an adviser asserting the presidential privilege simply asserts a privilege held by the President.

The second key distinction between the presidential privilege and the attorney–client privilege concerns the standard for asserting the privilege. The President may assert the privilege only if to do so would be in the public interest.[215] The Court in *Nixon* confirmed this standard,[216] and nearly every president since Washington who has claimed a right to withhold information has said he did so in the public interest.[217] For example, in 1792 Washington convened his cabinet to discuss whether to produce papers requested by Congress as part of its investigation into a failed military expedition.[218] Based upon Jefferson's legal research, the group concluded "that the Executive ought to communicate such papers as the public good would permit & ought to refuse those the disclosure of which would injure the public. Consequently were to exercise a discretion."[219]

These different standards—a purely personal-interest standard for the attorney–client privilege versus a public-interest standard for executive privilege—lead to two sub-differences between the two privileges. First, a client may assert or waive the attorney–client privilege based entirely on what is good for him, even to prevent disclosure of a crime; a President may not withhold documents based upon what is good for her or her advisers, *especially* if it involves hiding a crime. Second, this standard, combined with the fact that the client holds the privilege, gives him complete assurance that what he says to his lawyer will stay secret; by contrast, a President's adviser cannot rely on any assurance the President gives him that his advice will be kept confidential because a President cannot predict what the public interest will require in the future.[220] For example, when the Nixon White House was

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214. 2 IMWINKELRIED, *supra* note 205, § 7.6.2, at 1088.

215. ROZELL, *supra* note 32, at 29–42.

216. *See Nixon*, 418 U.S. at 713 (holding that a President may invoke a claim of privilege against a subpoena if he determines that compliance with the subpoena would be injurious to the public interest); *see also* Nixon v. Sirica, 487 F.2d 700, 716 (D.C. Cir. 1973) (concluding that the application of executive privilege depends on "a weighing of the public interest protected by the privilege against the public interests that would be served by disclosure in a particular case").

217. ROZELL, *supra* note 32, at 29–42.

218. *Id.* at 29.

219. *Id.*; BERGER, *supra* note 32, at 169–70. Washington did not tell Congress he was applying this standard; rather, he produced the documents. *Id.* at 167–69.

220. Even those who argue that the presidential privilege should be as absolute as the attorney–client privilege from a judicial perspective do not argue that a President should never disclose confidences unless the adviser making the communication approves. *See, e.g.*, Paulsen, *supra* note 46, at 1382 (arguing that a President or his designee should assert or waive the presidential privilege).

under investigation, Nixon permitted his advisers to testify about what they had told him in confidence.[221]

These differences between the presidential privilege and the attorney–client privilege highlight that the presidential privilege is not personal. Even though we seek to protect the candid advice of advisers, we give the right to assert the privilege to the President, who must assert the privilege purely based upon public interest. The privilege survives his term in office, but he no longer enjoys the right to assert it; his successor does. As retired Justice Reed noted for the district court in *Kaiser Aluminum & Chemical Corp. v. United States*[222] in discussing the common law predecessor to the presidential privilege, "executive privilege . . . is granted by custom or statute for the benefit of the public, not of executives who may happen to then hold office. . . . It is not a privilege to protect the official but one to protect free discussion of prospective operations and policy."[223]

In the foregoing discussion, I assumed the purpose of the presidential privilege was to protect the confidences of advisers. But one might object that the presidential privilege also protects what the President says. This raises an interesting question: Is the privilege designed to protect the candid advice of advisers only, or is it also designed to protect what the President says?

The majority in *GSA* focused almost exclusively on protecting what advisers say, even though the Nixon tapes naturally recorded what the President said as well: "Unless he can give his advisers some assurance of confidentiality, a President could not expect to receive the full and frank submissions of facts and opinions upon which effective discharge of his duties depends."[224] In reciting Nixon's argument, the Court again noted that breaching the privilege would chill the candid advice of his advisers, without mention of its effect on what the President says.[225] Perhaps most significant, in making the final balancing, the Court in *GSA* focused exclusively on how disclosure to the Administrator would chill advisers, framing the ultimate question before it as whether "the mere screening of materials by the archivists will impermissibly interfere with candid communication of views by Presidential advisers."[226]

The Court in *United States v. Nixon* likewise focused, when balancing the need for disclosure against the need for privilege, upon the confidentiality of the advisers only: "[W]e cannot conclude that advisers will be moved to temper the candor of their remarks by the infrequent occasions of disclosure

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221. *Sirica*, 487 F.2d at 705.

222. 157 F. Supp. 939 (Ct. Cl. 1958).

223. *Id.* at 944, 947.

224. Nixon v. Adm'r of Gen. Servs. (*GSA*), 433 U.S. 425, 449 (1977) (quoting Brief for Federal Appellees at 33, *GSA*, 433 U.S. 425 (No. 75-1695)).

225. *Id.* at 451.

226. *Id.*

because of the possibility such conversations will be called for in the context of a criminal prosecution."[227] On the other hand, in justifying the need for the privilege in the first place, the Court in *Nixon* wrote that both advisers and the President needed freedom to explore ideas: "A President and those who assist him must be free to explore alternatives . . . ."[228] And Chief Justice Burger and Justice Rehnquist in their dissents in *GSA* relied quite heavily on the negative effect that breaching the privilege would have upon what the President may say in seeking advice.[229]

Despite the lack of clarity, in the end it makes sense to consider the presidential privilege as protecting what the President says as well. Thus, in analogizing to the attorney–client privilege, we may think of the President as the client and the advisers as the lawyer. This scenario gives the analogy more force, since the same person whose communication we wish to protect also controls the assertion of the privilege. But the "public interest" standard remains an inescapable distinction between the presidential privilege and the attorney–client privilege. The President still may only assert the privilege for the public good and not for his own benefit, and the privilege is therefore still, as the Court in *GSA* pointed out, not personal.

Indeed, since the President holds the privilege while in office to protect both his statements and those of his advisers, it seems better to see him as holding the privilege as a trust. The advisers in a way cede to him the right to assert or disclose in the public interest, trusting he will properly take into account their interest in confidentiality. Likewise, he may take into account his own interest in confidentiality, but only in the general sense that it is important to protect the confidences of what Presidents say. The President must act neutrally in deciding what importance he gives to protecting his own confidential statements, a tough balancing that suggests his successor should at least review the assertion.

But one might argue that the attorney–client privilege and the presidential privilege share an important feature—both are justified by the public interest. This is true, but the difference lies in discerning at what point the public-interest consideration is applied. In the case of attorney–client privilege, and other personal privileges, the public interest applies at the outset to require a general rule that certain communications are always and absolutely privileged because such absolute privilege *overall* furthers the public interest, even though it might not further the public interest in every individual case.[230] Thus, the public interest justifies these privileges, but we

227. United States v. Nixon, 418 U.S. 683, 712 (1974).

228. *Id.* at 708.

229. *GSA*, 433 U.S. at 520–25 (Burger, C.J., dissenting); *id.* at 547–48 (Rehnquist, J., dissenting).

230. *See* Swidler & Berlin v. United States, 524 U.S. 399, 408–09 (1998) (rejecting the "use of a balancing test in defining the contours of the [attorney–client] privilege"); Golden Trade, SRL v. Lee Apparel Co., 143 F.R.D. 514, 522 (S.D.N.Y. 1992) ("[T]he attorney–client privilege is absolute in the sense that it cannot be overcome merely by a showing that the information would be

place in each individual a privilege, a benefit personal to her, in order to promote that public interest. The presidential privilege is different because the public interest comes into play for each individual assertion of the privilege. A President asserting the privilege must determine whether the assertion *in this instance* is in the public interest. That distinction means the presidential privilege never confers a right or benefit upon the President individually as other privileges do.

The foregoing discussion also sheds light on two other possible analogies that one might make to argue that former Presidents should retain the right to assert executive privilege: first, to the absolute immunity from civil lawsuits former Presidents enjoy under *Nixon v. Fitzgerald*[231] and second, to the Speech or Debate Clause. I will next take up each of these in turn.

2. *Presidential Immunity.*—The Court in *Fitzgerald* held that former Presidents retain absolute immunity from civil suit for official acts done during their presidencies.[232] This might lead to the more general proposition that Presidents retain *some* constitutional privileges after they leave office and that former Presidents should likewise continue to enjoy the presidential privilege.

The Court in *Fitzgerald* reasoned that Presidents should enjoy immunity much as judges and prosecutors do because they all undertake delicate tasks likely to make many enemies, and those enemies could sue and paralyze those officials from boldly executing their tasks while in office.[233] The Court did not expressly specify why this principle should apply to former Presidents who no longer carry on presidential functions from which to be distracted or deterred.[234] But it seemed inferable that the prospect of litigation even after he leaves office over unpopular policies would lead a President to hesitate in doing what he thought right while President. Again, the Court never spelled out this deterrence theory nor how strong the prospect would have to be to actually have an effect. The Court instead merely relied upon numerous authorities that provided immunity to judges and legislators, and applied those cases to Presidents.[235]

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extremely helpful to the party seeking disclosure."); *cf.* MODEL RULES OF PROF'L CONDUCT R. 1.6 cmt. 6 (2008) (stating that in most cases the public interest is best served by strictly preserving the confidentiality of information shared between attorneys and their clients).

231. 457 U.S. 731 (1982).

232. *Id.* at 732.

233. *Id.* at 751.

234. *See id.* (recognizing that "personal vulnerability" may distract the sitting President from the exercise of his public duties, but not addressing the impact on former Presidents).

235. *See id.* at 751–53 (relying, for example, on Pierson v. Ray, 386 U.S. 547 (1967), which recognized the continued validity of the absolute immunity of judges for acts within the judicial role).

This analogy to executive privilege founders on the same shoals as does the analogy to the attorney–client privilege for individuals: the immunity under *Fitzgerald* is personal to the President,[236] whereas the presidential privilege is not. Even while in office, a President may assert the immunity against civil lawsuit based on official acts, and in deciding whether to do so he may look only to his own interests and not take into account the public interest. The immunity benefits him personally and therefore follows him out of office. Again, by contrast, the presidential privilege may not be asserted for self-interest and is not a personal benefit that should follow a President out of office.

This remains true even though the immunity recognized in *Fitzgerald* is also bottomed on the public interest. Just as discussed in connection with the attorney–client privilege, presidential immunity is justified *overall* by the public interest, and we therefore create a personal right for individual Presidents that each may assert absolutely, even in instances in which immunity from suit might not be in the public interest. The presidential privilege, by contrast, can be asserted only in the public interest in each particular situation.

Besides, the Court in *Fitzgerald* was probably wrong to extend presidential immunity to former Presidents. It violates the principles established in Part III of this Article concerning the founders' desire to eliminate all attributes of monarchy from our republic. Moreover, its holding relied almost entirely on reasons that apply to incumbent Presidents. Akil Amar and Neil Katyal have argued that the Court in *Fitzgerald* was wrong to extend immunity to former Presidents and that the historical sources support the opposite proposition: that former Presidents should not enjoy immunity.[237] As they note, the important difference between an incumbent President and a former President was recognized by the framers.[238] If they are right, their argument naturally supports the notion that former Presidents certainly should not enjoy executive privilege.

3. *The Speech or Debate Clause.*—The Court has assumed that the Speech or Debate Clause protects a member of Congress after she has left office.[239] Thus, one might argue that executive privilege, like the Speech or Debate Clause privilege, must extend after the President has left office.

236. *See id.* at 757–58 (providing the President an absolute right to assert immunity against allegations of wrongdoing without any showing that the individual assertion is in the public interest).

237. Akil Reed Amar & Neal Kumar Katyal, *Executive Privileges and Immunities: The Nixon and Clinton Cases*, 108 HARV. L. REV. 701, 715–17 (1994).

238. *See id.* at 718–19 (crediting President John Adams and Senator Oliver Ellsworth for suggesting that only former Presidents are subject to process, not sitting Presidents).

239. Nixon v. Adm'r of Gen. Servs. (*GSA*), 433 U.S. 425, 523 (1977) (Burger, C.J., dissenting) (citing United States v. Brewster, 408 U.S. 501 (1972)); *see also* Amar & Katyal, *supra* note 237, at 708 (describing the permanent immunity derived from the Speech or Debate Clause).

Indeed, Chief Justice Burger made precisely this argument in his dissent in *GSA* in arguing that former Presidents retain a greater right to executive privilege than the majority would recognize.[240]

But the analogy fails because unlike executive privilege, the Speech or Debate Clause *does* create a personal right[241] for the same reasons as the individual attorney–client privilege. Like the attorney–client privilege, the Speech or Debate privilege is absolute within its sphere and cannot be balanced away.[242] A member of Congress may assert the privilege at her own discretion without taking into account the public interest and may assert the privilege to shield herself from criminal liability.[243] For example, in *United States v. Swindall*,[244] a former congressman successfully invoked the Speech or Debate Clause to have several counts of a criminal conviction reversed and, on remand, vacated.[245]

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But once we have concluded that the presidential privilege is not personal, what guidance do we have for discerning its application? As shown below, a comparison with the attorney–client privilege for corporations provides this guidance.

4. The Executive Privilege and the Corporate Attorney–Client Privilege.—The presidential privilege bears striking similarities to the attorney–client privilege for corporations, and the comparison furthers my argument both that a President does not retain the privilege after she leaves office and that the sitting President can and should review previous assertions of the privilege by her predecessors. The analogy between executive privilege and the corporate attorney–client privilege makes sense because corporation law in the United States treats corporations as "representative democrac[ies]" in which shareholders do not directly control decisions but may vote in new management when they desire a change.[246] The leading

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240. *GSA*, 433 U.S. at 523 (Burger, C.J., dissenting).

241. The Court in *Brewster* stated that the Speech or Debate Clause is not "simply for the personal or private benefit of Members of Congress, but to protect the integrity of the legislative process by insuring the independence of individual legislators." 408 U.S. at 507. Nevertheless, the Clause furthers this ultimate purpose of protecting the legislative process through the *means* of a personal right enforceable in court.

242. *See* Forrester v. White, 484 U.S. 219, 224 (1988) (declaring that the absolute nature of the immunity derived from the Clause is "beyond challenge"); Gravel v. United States, 408 U.S. 606, 624 n.14 (1972) (noting that the Speech or Debate Clause immunity is absolute); *Brewster*, 408 U.S. at 515–16 (stating that the Clause is "limited to an act which was clearly a part of the legislative process").

243. *See Gravel*, 408 U.S. at 615 (affirming that the Speech or Debate Clause shields members of Congress from criminal liability).

244. 971 F.2d 1531 (11th Cir. 1992).

245. *Id.* at 1557.

246. Bebchuk, *supra* note 24, 837 ("The U.S. corporation can be regarded as a 'representative democracy' in which the members of the polity can act only through their representatives and never directly."). In an article addressing governmental attorney–client privilege, Michael Stokes Paulsen

case to consider attorney–client privilege when a corporation gets new management is *Commodity Futures Trading Commission v. Weintraub*.[247] I consider this case in depth because the analogies are so striking.

In *Weintraub*, the bankruptcy court appointed a trustee to manage a bankrupt company, displacing its sole director and officer (he remained "director" in name only).[248] The Commission sought to depose company counsel, who asserted attorney–client privilege on behalf of the company.[249] The trustee wished to waive the company's privilege, but the director (former management) wished to assert the privilege.[250] The question was therefore whether the trustee or the director controlled the assertion or waiver of the company's attorney–client privilege.[251]

In determining the rights of the trustee, the Court first reviewed what happens to the attorney–client privilege when new management takes over outside the context of bankruptcy.[252] The Court noted that corporations, of course, enjoy an attorney–client privilege,[253] and that since a corporation must act through its agents, the decision whether to assert or waive the privilege must be taken by those empowered to act on its behalf.

> [T]he power to waive the corporate attorney-client privilege rests with the corporation's management and is normally exercised by its officers and directors. The managers, of course, must exercise the privilege in a manner consistent with their fiduciary duty to act in the best interests of the corporation and not of themselves as individuals.[254]

When management changes, the new management inherits the right to assert or waive the privilege, and old management loses any say in the matter.

> [W]hen control of a corporation passes to new management, the authority to assert and waive the corporation's attorney-client privilege passes as well. New managers installed as a result of a takeover, merger, loss of confidence by shareholders, or simply

drew an analogy between that privilege and the corporate attorney–client privilege. Michael Stokes Paulsen, *Who "Owns" the Government's Attorney-Client Privilege?*, 83 MINN. L. REV. 473, 474–75, 479 (1998) (explaining why a special prosecutor may waive the governmental attorney–client privilege and require a President to produce information).

247. 471 U.S. 343 (1985).

248. *Id.* at 345–46.

249. *Id.* at 346.

250. *Id.* at 345–46.

251. *Id.* at 347–48.

252. *Id.* After the Court reviewed the law concerning the rights of new management generally, it ruled that a trustee in bankruptcy enjoys the same rights as new management would and therefore concluded that the trustee controlled the privilege. *Id.* at 358.

253. *Id.* at 348; *see also* Upjohn Co. v. United States, 449 U.S. 383, 390 (1981) (establishing that the Supreme Court has "assumed that the privilege applies when the client is a corporation").

254. *Weintraub*, 471 U.S. at 348–49.

> normal succession, may waive the attorney-client privilege with respect to communications made by former officers and directors.[255]

The Court drew a conclusion particularly applicable to former Presidents: "Displaced managers may not assert the privilege over the wishes of current managers, even as to statements that the former might have made to counsel concerning matters within the scope of their corporate duties."[256]

The director in *Weintraub* argued that such a ruling would chill the candor of officers providing information to corporate counsel since they would fear that new management could arrive and waive the privilege.[257] This argument parallels arguments that former Presidents should retain the privilege because otherwise advisers will not be candid, fearing a new President will waive the privilege. The court in *Weintraub* rejected the director's argument in a manner equally applicable to the presidential privilege:

> Second, respondents argue that giving the trustee control over the attorney-client privilege will have an undesirable chilling effect on attorney-client communications. According to respondents, corporate managers will be wary of speaking freely with corporate counsel if their communications might subsequently be disclosed due to bankruptcy. . . . But the chilling effect is no greater here than in the case of a solvent corporation, where individual officers and directors always run the risk that successor management might waive the corporation's attorney-client privilege with respect to prior management's communications with counsel.[258]

As noted above, a new President needs the unfettered power to disclose secrets of his predecessor, particularly when those secrets are deep secrets, secrets the existence of which are completely unknown to Congress. In such situations, Congress cannot exercise its checking function because it lacks the very information it would need to do so. The Court in *Weintraub* made a strikingly similar point. The director of the company argued that the trustee does not need to control the corporation's attorney–client privilege to ferret out wrongdoing because any wrongdoing would not be shielded by that privilege under the crime–fraud exception.[259] In rejecting this argument, the Court wrote: "The problem, however, is making the threshold showing of fraud necessary to defeat the privilege. . . . Without control over the privilege, the trustee might not be able to discover hidden assets or looting schemes, and therefore might not be able to make the necessary showing."[260]

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255. *Id.* at 349.
256. *Id.*
257. *Id.* at 357.
258. *Id.*
259. *Id.* at 354.
260. *Id.*

The analogy between the corporate attorney–client privilege and executive privilege is clear. When the electorate votes in a new President, or when a Vice President takes office by "normal succession"—as was the case with President Ford—the new President takes control over the right to assert or waive executive privilege, just as new management does with the corporate privilege. And just as new management must exercise the privilege in the interests of the corporation rather than in its own interests to fulfill its fiduciary duty, a new President must likewise exercise executive privilege in the public interest rather than in her administration's interests. Thus, just as former management enjoyed *no* right to assert the corporation's attorney–client privilege in *Weintraub*, a former President should not enjoy a right to assert executive privilege.

The analogy between a President and corporate management makes sense because both owe a fiduciary duty to their respective constituents.[261] But more particularly, corporate-governance law in the United States treats a corporation as a "representative democracy."[262] That is, in most states, including Delaware and New York, the board of directors manages the business and affairs of the corporation,[263] and the shareholders may not give the board binding instructions.[264] These powers of the board rest on the premise that the shareholders elect them and can elect new board members to change policy.[265] As one Delaware court wrote, "[t]he shareholder franchise

261. As the Court has said about members of Congress, they hold their power "as a trustee for [their] constituents, not as a prerogative of personal power." Raines v. Byrd, 521 U.S. 811, 821 (1997). In a separate sphere, criminal cases against public officials premised upon "theft of honest services" under the mail and wire fraud statutes make clear that public officials owe a fiduciary duty to their constituents. *See, e.g.*, United States v. Sorich, 523 F.3d 702, 712 (7th Cir. 2008) ("It may well be that merely by virtue of being public officials the defendants inherently owed the public a fiduciary duty to discharge their offices in the public's best interest."). Corporate management likewise owes a fiduciary duty to its constituents. *See, e.g.*, Unocal Corp. v. Mesa Petroleum Co., 493 A.2d 946, 955 (Del. 1985) (declaring that it is a basic principle that "corporate directors have a fiduciary duty to act in the best interests of the corporation's stockholders").

262. *See* Bebchuk, *supra* note 24, at 837 (accepting this premise but arguing that shareholders face too many obstacles to enjoy a real franchise); Martin Lipton & Paul K. Rowe, *Pills, Polls and Professors: A Reply to Professor Gilson*, 27 DEL. J. CORP. L. 1, 28 (2002) (elaborating on the Delaware legislature's decision that Delaware corporations should be representative democracies).

263. DEL. CODE ANN. tit. 8, § 141 (Supp. 2008); N.Y. BUS. CORP. § 701 (McKinney 2003); MODEL BUS. CORP. ACT § 35 (1979); *see also* 5 WILLIAM MEADE FLETCHER ET AL., FLETCHER CYCLOPEDIA OF THE LAW OF PRIVATE CORPORATIONS § 2096 (perm. ed., rev. vol. 2003) (stating that the board of directors has the power to exercise corporate powers in large corporations); Melvin Aron Eisenberg, *Legal Models of Management Structure in the Modern Corporation: Officers, Directors, and Accountants*, 63 CAL. L. REV. 375, 375 (1975) (discussing the fact that most corporate statutes include a provision indicating that the business and affairs of the corporation are managed by the board of directors).

264. Melvin Aron Eisenberg, *The Legal Roles of Shareholders and Management in Modern Corporate Decisionmaking*, 57 CAL. L. REV. 1, 5 (1969).

265. *See Unocal Corp.*, 493 A.2d at 959 (observing that stockholders may elect new directors if the stockholders are displeased by the current board members' actions); Bebchuk, *supra* note 24, at 837 (noting that under the "representative democracy" of corporations, shareholders' right to elect and replace directors is meant to ensure that corporate decisions reflect shareholders' interests).

is the ideological underpinning upon which the legitimacy of directorial power rests."[266] Moreover, courts have made clear in the takeover context that directors have a fiduciary duty to act in the interests of the shareholders and cannot act solely or primarily to entrench themselves.[267]

The attorney–client privilege is one of these powers exercised by management rather than the shareholders.[268] Though *Weintraub* did not make this express, the opinion implicitly contains the following logic based on the above principles of corporate law: The legitimacy of management control over the attorney–client privilege rests upon the premises that it is elected and that shareholders may change management through new elections. Therefore, when shareholders *do* elect new management, this new management must take control of the attorney–client privilege to ensure those elections are meaningful. This premise that the corporation is a representative democracy makes the *Weintraub* holding that only new management controls the privilege equally applicable to a new President vis-à-vis a former President.

But one might argue that the President requires candid advice more than a corporation, or that the types of advice advisers give to the President are far more sensitive than those within a corporation, and that, therefore, the analogy is not sound. This argument has superficial appeal, but there are two problems with it. First, we demand more openness, not less, in government affairs as compared with corporations. Second and more important, the argument does not address the question the analogy answers: *who* between the incumbent and the former President should decide whether the privilege should be asserted or waived; rather, the argument merely shows that the incumbent President, in deciding, should be more careful about disclosures than subsequent management would be in the corporate context.

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As noted above, *GSA* held that former Presidents have a right to assert executive privilege. The opinion failed in its own logic in conflating survival of the privilege with who may assert it. But more significantly, it found that a former President enjoyed a constitutional power without considering the Constitution; without considering the strong bias of the founding generation against monarchy and its chief attribute, perpetual power; and without considering the instantiation of these values in the text and structure of the Constitution. The Court also failed to appraise executive privilege by considering its nature, particularly by comparing it to other privileges. Rather, it appeared to rely implicitly on a comparison between executive

266. Blasius Indus. v. Atlas Corp., 564 A.2d 651, 659 (Del. Ch. 1988); *see also* Lucian A. Bebchuk, *The Myth of the Shareholder Franchise*, 93 VA. L. REV. 675, 676 (2007) (labeling this decision a "well-known and often-quoted Delaware opinion").

267. *Unocal Corp.*, 493 A.2d at 955.

268. Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 348–49 (1985).

privilege and personal privileges such as the attorney–client privilege, a comparison that, as shown above, fails for several reasons.

Nevertheless, we may discern in the majority's discussion an implicit argument: that for the assurance of confidentiality to have any teeth, it must be the same person who made the promise as who vindicates it later. This argument does not depend upon the nature of privileges, for an incumbent can at least in theory assert the privilege as vigorously as his predecessor;[269] rather, the argument depends upon the nature of human beings and the fear of an adviser that a new President cannot be trusted to assert the privilege—an argument to which I now turn.

IV. Can We Trust the New President?

The main argument against my view is that advisers to a President will be less candid if they believe their boss's successor cannot be trusted to keep the advice secret—particularly when they consider that the new President might be from the opposite party. Those advisers will further fear that the new President will be especially keen to disclose precisely that advice that most requires secrecy—advice that explores potentially unpopular alternatives. One can easily imagine that the advisers who discussed sending elite military units around the globe to assassinate terrorists might prefer to keep that advice confidential.[270] It would be improper to allow a later President to disclose those conversations to embarrass his opponents and to promote his own party's chances in future congressional elections. In his dissent in *GSA*, then-Justice Rehnquist supported the right of a former President to assert the privilege based upon this reasoning:

> [A]dvisers, at the time of the communication, cannot know who the successor will be or what his stance will be regarding seizure by Congress of his predecessor's papers. Since the advisers cannot be sure that the president to whom they are communicating can protect their confidences, communication will be inhibited.[271]

Rehnquist added that history shows that an incoming President might be hostile to his predecessor and cited the transitions between John Adams to

269. *But see Executive Order 13233 and the Presidential Records Act: Hearings Before the Subcomm. on Gov't Efficiency, Fin. Mgmt. and Intergovernmental Relations and the H. Comm. on Gov't Reform*, 107th Cong. 471–85 (2002) (statement of Todd F. Gaziano, former lawyer in the Office of Legal Counsel under Presidents Reagan, Clinton, and Bush) (arguing that the former President is in the best position to evaluate how sensitive the information is). But under my view, a former President may still advise the incumbent and argue why the information should be withheld based on her expertise; nevertheless, the decision whether to disclose should rest with the incumbent.

270. *See* Thom Shanker & James Risen, *Rumsfeld Weighs New Covert Acts by Military Units*, N.Y. TIMES, Aug. 12, 2002, at A1 (discussing the decision to expand covert operations and offering examples of past presidential authorizations to assassinate terrorist leaders).

271. Nixon v. Adm'r of Gen. Servs. (*GSA*), 433 U.S. 425, 557 (1977) (Rehnquist, J., dissenting).

Jefferson, Buchanan to Lincoln, Hoover to Roosevelt, and Truman to Eisenhower.[272]

Another way of making this same argument, with a constitutional cast, is this: for a sitting President to exercise his Article II powers *now*, he must prospectively be given the power to vindicate the privilege *later*. If his advisers know that he will have the right to assert the privilege in the future, they will provide more candid advice now, while he is the sitting President. This argument also follows from the analogy to attorney–client privilege, that a current client must know he will be able to assert the privilege in the future to give him the assurance to confide now. Chief Justice Burger argued along these lines in his dissent in *GSA*, saying, "[E]very future President is at risk of denial of a large measure of the autonomy and independence contemplated by the Constitution and of the confidentiality attending it."[273]

This argument also bears interesting similarities to arguments about the cross-temporal powers of legislatures.[274] Legislatures in general should not pass statutes binding on their successors: "For example, if today's majority enacts a statute, which by its terms is unrepealable, then it has illegitimately extended its present sovereignty into the future."[275] But this general principle has an exception. That is, if a legislature wishes to enter into a contract with a builder to build a bridge in exchange for a ninety-nine-year monopoly over the bridge tolls, the current legislature, in order to be able to exercise its current power, must be able to bind future legislatures to that monopoly.[276] The Contracts Clause and basic due process concerns protect those people who rely on those legislative actions and vindicate the right of a current legislature to bind the future in this way.[277] Legislatures may thus bind future legislatures if necessary to exercise their current powers, and this happens when others would rely upon the legislation in ordering their affairs—such as building bridges. Similarly, the argument might go, a current President needs the right to assert his presidential privilege in the future to vindicate his current Article II need to receive candid advice.

This trust argument no doubt has force, but it goes too far because it suggests that unless a former President can assert the privilege, the privilege is eviscerated. But the privilege does survive, and in the ordinary course the

272. *Id.*

273. *Id.* at 519 (Burger, C.J., dissenting).

274. *See* Julian N. Eule, *Temporal Limits on the Legislative Mandate: Entrenchment and Retroactivity*, 1987 AM. B. FOUND. RES. J. 379, 381–82 (1987) (explaining the prohibition on one legislature's binding of a subsequent one via the theory that a legislature in the United States is merely an agent of the people); Michael J. Klarman, *Majoritarian Judicial Review: The Entrenchment Problem*, 85 GEO. L.J. 491, 498 (1997) (arguing that "cross-temporal majorities" act in an antimajoritarian manner when they seek to extend their power on future generations).

275. Klarman, *supra* note 274, at 506.

276. *Id.* at 506 n.67 (citing Charles River Bridge v. Warren Bridge, 36 U.S. (11 Pet.) 420 (1837)).

277. *Id.*

incumbent President can generally be expected to vindicate it for several related reasons: (1) the constitutional presumption that the incumbent will execute the laws faithfully, (2) the incumbent's practical desire to protect the confidentiality of his own advisers by example, (3) institutional loyalty, and (4) a desire to avoid creating more political trouble than it is worth. Finally, advisers should not be expected to rely upon the absolute secrecy of their communications because there are too many potential holes in that secrecy. I elaborate each of these points below.

First, the Constitution requires that we presume a new President will properly assess whether to continue invoking the privilege his predecessor asserted. This follows because the Constitution likewise requires us to presume that the President will invoke the privilege only in the public interest and not in his own interest. Often the facts of abuse by individual Presidents contradict this presumption, but the entire doctrine of executive privilege nevertheless relies upon that presumption. So if the Constitution requires us to presume we can trust the President to invoke the privilege properly as part of the President's Article II powers, it follows that the Constitution similarly requires us to trust his successor in deciding whether to continue his predecessor's assertion of the privilege. The argument that only the President who receives the original advice can be trusted to keep that advice confidential when appropriate lacks this essential symmetry: whoever is in office has the Article II powers and the trust that comes with them. *GSA* made a similar point: "[I]t must be presumed that the incumbent President is vitally concerned with and in the best position to assess the present and future needs of the Executive Branch, and to support invocation of the privilege accordingly."[278] In carrying out this decision, the incumbent may naturally take advice from his predecessor. Indeed, President Obama's executive order on the privilege for documents maintains a role for former Presidents.[279]

A rule that a former President retains the right to assert the privilege in court over the objections of the incumbent will naturally provide *more* protection for confidences than if only the incumbent may assert the privilege, but the goal is not to provide maximum protection for confidences. The goal is to provide just that protection for confidences that is *appropriate* to ensure that the President will get good advice when weighed against the other needs of the public interest for disclosure. Thus, a new President, in weighing the need for keeping confidences against the public need for disclosure, will provide the protection for candid advice that is appropriate

278. Nixon v. Adm'r of Gen. Servs. (*GSA*), 433 U.S. 425, 449 (1977).

279. Exec. Order No. 13,489, 74 Fed. Reg. 4,669 (Jan. 26, 2009). If the Archivist plans to release material that might involve the privilege, he must notify both the incumbent and former President. *Id.* Even if the incumbent decides not to assert the privilege, the Archivist may still in his judgment defer to the wishes of the former President to assert the privilege unless the incumbent specifically instructs the Archivist to disclose the material. *Id.*

for future Presidents to further their Article II powers and obligations. If the new President provides appropriate protection, then it will not be necessary for his predecessor to retain the privilege. After all, the presidential privilege is an implied power that exists only because it is deemed necessary to the President executing his enumerated powers.[280]

Even putting aside the public interest in disclosure, it is not clear that maximum confidentiality leads to the best decisions.[281] Rather, too much secrecy itself can lead to poor decisions, and a President should create a balance between keeping confidential what his advisers tell him and making public what his advisers tell him so he can hear other points of view. Numerous scholars, in attacking the very premises of executive privilege, have persuasively argued that secrecy leads to decisions that are inferior to those reached in open deliberation.[282] I need not go that far; all I say is that maximum confidentiality is not the goal even if you accept executive privilege, and therefore allowing the incumbent complete control over the confidential communications of his predecessor will provide sufficient protection to ensure what is truly the objective: good decisions.

Second, the new President also has a powerful incentive to keep his predecessor's conversations confidential to show his current advisers that they can trust him to keep *their* advice confidential.[283] Put another way, the new President's disclosure of his predecessor's advisers' comments cannot chill what *they* said because they have already said it. The incumbent's disclosure of previous advice will only have an effect on the candidness of *his* advisers and the advisers of future administrations. He thus has before him *both* sides of the balance: the importance of disclosure *and* the effect disclosure will have on receiving confidential advice. By contrast, a former President has neither before him: he does not have an adviser before him

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280. The Court in *Nixon* did not explain how essential the presidential privilege must be before it was willing to conclude that it was required under the Constitution for the President to fulfill his Article II functions. It noted that to the extent the privilege "related to" the President's Article II powers, it was constitutionally based. United States v. Nixon, 418 U.S. 683, 715 (1974). But surely "related to" is not the standard. The Court did quote from *Marshal v. Gordon*, 243 U.S. 521 (1917), this standard: an implied power flows from the Constitution if it is "reasonably appropriate and relevant" to the enumerated power. *Nixon*, 418 U.S. at 705 (quoting *Marshal*, 243 U.S. at 537). But *Marshal* itself contained a variety of standards: that the incident must be "necessary" to the proper exercise of the branch's function, that it must be "essential," and finally in italics: "*the least possible power adequate to the end proposed*." *Marshal*, 243 U.S. at 450–52.

281. *See* Gia B. Lee, *The President's Secrets*, 76 GEO. WASH. L. REV. 197, 203 (2008) ("[C]onfidentiality interferes with basic commitments to political accountability and the people's checking function.").

282. *See id.* at 234–35 ("[C]onfidentiality, and the expectation thereof, can . . . encourage deliberations that are substantially less thorough or complete."); *cf.* IRVING L. JANIS, GROUPTHINK 172 (2d ed. 1982) (arguing that groupthink tendencies can be counteracted by encouraging group members to give a high priority to the open discussion of objections).

283. The Court in *GSA* echoed this view: "And an incumbent may be inhibited in disclosing confidences of a predecessor when he believes that the effect may be to discourage candid presentation of views by his contemporary advisers." 433 U.S. at 448.

whose candidness he seeks to encourage, and he is not in a position to know the importance of disclosure in the current circumstances.

Third is institutional loyalty. History shows that Presidents, once they become Presidents, generally protect the power of the presidency. For example, Jefferson excoriated the secrecy of the Constitutional Convention[284] but then practically invented executive privilege both as Secretary of State for Washington and in his own aggressive assertions as President, when he claimed that the President "must be the sole judge of which of [these documents] the public interest will permit publication."[285] Nixon, too, deeply criticized executive privilege when in Congress,[286] and yet when President he sought the broadest application possible—though Nixon's assertion related more to his cover-up than institutional loyalty. President Bush's Administration asserted executive privilege in court to resist disclosure of Clinton-era documents concerning controversial pardons.[287] And President Obama's Administration continued to assert in court an executive privilege first asserted by his predecessor in order to keep secret Vice President Cheney's FBI interview on the Valerie Plame disclosure.[288]

Fourth is political trouble. Undertaking a review of predecessors' assertions of privilege will encumber the President in old battles, distracting him from his own agenda. This might be an argument against rigorous review by the new President, but it is also an argument that he should have the power since he will be deterred from using it except in important cases such as abuse. In addition, if the public learns the new President has undertaken to review previous assertions, he will put himself in a difficult position. If he discloses documents, those loyal to the old President will castigate him; if he decides to affirm the privilege and withhold documents, many will accuse him of undue secrecy and business as usual. A President

284. CHARLES WARREN, THE MAKING OF THE CONSTITUTION 137 (1928) (quoting Letter from Thomas Jefferson to John Adams (Aug. 30, 1787)).

285. 2 IMWINKELRIED, *supra* note 205, § 7.6.1, at 1083.

286. *See* ROZELL, *supra* note 32, at 55 ("Although President Nixon is remembered for his unremitting defense of an absolute executive privilege power during Watergate, he did not always hold such a view.").

287. Judicial Watch, Inc. v. Dep't of Justice, 365 F.3d 1108, 1110 (D.C. Cir. 2004). On the other hand, the Bush Administration did release separate transcripts not involved in the lawsuit to Congress of embarrassing and presumably confidential conversations President Clinton had with Israeli Prime Minister Barak concerning a pardon for Marc Rich. Michael Isikoff, *Exclusive: A Pardon Overheard*, NEWSWEEK, Aug. 27, 2001, at 26, 26 ("[C]ongressional investigators probing the Rich pardon received access to National Security Council-prepared transcripts of three Clinton–Barak conversations that dealt with the Rich pardon.").

288. Brief of Defendant at 8–9, Citizens for Responsibility and Ethics in Wash. v. U.S. Dep't of Justice, No. 08-01468 (D.D.C. July 17, 2009) (discussing the law-enforcement and deliberate-process privileges). The court upheld the Obama Administration's continued assertion of the presidential-communications privilege and the deliberative-process privilege—two key strands of executive privilege—but rejected its assertion of the law-enforcement privilege and ordered that redacted documents be produced accordingly. Citizens for Responsibility and Ethics in Wash. v. U.S. Dep't of Justice, No. 08-01468, 2009 WL 3150770, at *14–15 (D.D.C. Oct. 1, 2009).

will therefore seek to avoid these entanglements by reviewing and overruling his predecessor only in the clearest cases. Both the prospect of distraction and of political trouble will reinforce the inertia that previous decisions enjoy, and this too will make reckless displacement of previous assertions of the privilege unlikely.

Finally, the argument that a later President cannot be trusted relies in part upon the notion that the original President's assurance of confidentiality was absolute or at least could be safely relied upon in most circumstances. But there are too many holes in the privilege without considering a subsequent President's disclosure; these holes mean that review by a new President will have only a marginal effect upon the calculation advisers make in deciding how candid to be. These holes are (1) the original President discloses in the public interest, (2) the original President discloses for his own interest, such as to shift blame to the adviser, (3) another adviser discloses in a tell-all book, (4) the President discloses in a tell-all book, or (5) a court requires disclosure over the President's objection in a criminal case or for Congress.

Most of these holes are sufficiently prevalent that we need not survey them, but a recent example should suffice to make clear how little confidence an adviser should have in confidences even during a given President's term. Before the United States invaded Iraq, George Tenet reportedly told President Bush that finding weapons of mass destruction in Iraq would be a "slam dunk."[289] After the United States invaded and found no such weapons, Bob Woodward reported in his book *Plan of Attack* that George Tenet had made this remark to Bush.[290] Vice President Dick Cheney repeated the story that Tenet had assured the White House that finding weapons of mass destruction would be a "slam dunk."[291] Tenet was furious and charged that the Administration was seeking to shift the blame for the war to him; he also said he meant something else by the remark.[292] In any event, the remark appears to be precisely the "blunt" advice envisioned in *United States v. Nixon* that must be kept confidential to ensure good decision making, and yet the President himself or another adviser disclosed this confidence—possibly, as Tenet charged, to shift blame.

In the end, there are more reasons to believe successor Presidents will err on the side of secrecy rather than exposure. This institutional tendency to

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289. BOB WOODWARD, PLAN OF ATTACK 249 (2004).

290. *Id.*

291. *See* GEORGE TENET WITH BILL HARLOW, AT THE CENTER OF THE STORM: MY YEARS AT THE CIA 365 (2007) (describing Vice President Cheney's September 10, 2006, *Meet the Press* interview in which he referenced the "slam dunk" episode twice).

292. *See id.* at 364–67 (describing how the Bush Administration used Tenet's "slam dunk" comment to shift responsibility for the Iraq invasion to Tenet and the CIA); *id.* at 362 (defending his advice to President Bush at the December 21, 2002, briefing, and explaining that he intended to convey only that "strengthening the public presentation [on the evidence for Iraqi weapons of mass destruction] was a 'slam dunk'").

secrecy provides ample support for my argument that a succeeding President can be trusted to appropriately maintain the secrets of his predecessor. But new Presidents ought to take a more aggressive approach to past secrets than they have, at least in order to turn deep secrets into shallow secrets. As discussed above, by revealing to Congress not the secrets themselves but their existence, a new President can restore a proper checking function for Congress without disclosing individual confidences.[293] The more aggressive approach I have in mind will not be reckless or heedless to the confidentiality concerns of previous or current advisers and therefore should not undermine the argument that the succeeding Presidents can be trusted to disclose appropriately.

V. Conclusion

During the eight years of the Bush Administration, executive officials widely invoked executive privilege to shield information from Congress, the courts, and the public concerning secret surveillance programs, the firing of nine U.S. Attorneys, the leaking of the identity of CIA agent Valerie Plame, the rendition of persons from U.S. soil to foreign countries, and its policy regarding the environment, among other things. Over the next several years as Congress, possibly prosecutors, and the public seek access to this information, former President Bush and former Vice President Cheney are likely to continue to assert the privilege in accordance with the views reflected in Bush's revoked Executive Order 13,233—that the President, the Vice President, and their heirs retain the right to assert the privilege after they have left office, indefinitely.

Congress has made clear its intention to continue investigations into many of these matters, either through traditional congressional committees and subpoenas or through a congressionally created truth commission. In addition, the new Administration may at least investigate certain past practices to determine whether anyone committed crimes. On March 2, 2009, Senator Patrick Leahy wrote in *Time* magazine that the continuing congressional investigations "will stretch out for some time, as would prosecutions—taking even a decade or longer"—an argument, in his view, for a truth commission.[294] Creation of such a commission, he says, would involve working through issues of executive privilege; that process would presumably include determining the rights, if any, of the former President.

This Article has shown that if former President Bush does assert executive privilege, he will not be the first former President to do so. Most notably, Nixon asserted the privilege in court, after he had resigned, and the Court in *GSA* recognized a right of former Presidents to assert executive privilege as it relates to confidential communications. This Article has

293. *See supra* section III(B)(4).

294. Leahy, *supra* note 15, at 25.

shown why *GSA* came to an erroneous conclusion, not only because its internal logic failed but also because it failed to appreciate the strong antimonarchical bias of the founding generation, manifested in both the text and the structure of the Constitution.

GSA also failed to consider the nature of executive privilege by failing to compare it to other privileges. This Article undertook such a comparison and showed that executive privilege differs in fundamental ways from other personal privileges such as the attorney–client privilege. In particular, an individual client may assert the attorney–client privilege purely in self-interest, even to cover up past crimes, whereas a President may only assert executive privilege in the public interest and never in self-interest—especially not to cover up crimes. This means executive privilege is not personal to a President, confers no benefit upon him, and therefore cannot travel with a President when he leaves office. Rather, like the corporate attorney–client privilege, it shifts entirely to the new Administration.

These issues are likely to recur not only in the near future but beyond. In twelve years, Bush and Cheney may well seek to extend the statutory period preventing the release of documents protected by their assertions of executive privilege. Beyond that, future Presidents will always face temptation to assert the privilege, and a legal landscape that allows former Presidents to assert the privilege will only increase that temptation. For a President to enjoy any constitutional powers after he leaves office violates the bedrock premises of the Constitution and its turn away from monarchy. For a former President to continue to enjoy executive privilege in particular inflicts special injury on a representative democracy because secrecy, especially deep, perpetual secrecy, subverts its open processes.

Book Review

The Constitution, the Supreme Court, and History

THE SUPREME COURT AND THE AMERICAN ELITE, 1789–2008. By Lucas A. Powe, Jr. Cambridge, Massachusetts: Harvard University Press, 2009. 421 Pages. $29.95.

THE SUPREME COURT: AN ESSENTIAL HISTORY. By Peter Charles Hoffer, Williamjames Hull Hoffer & N.E.H. Hull. Lawrence, Kansas: University Press of Kansas, 2007. 494 Pages. $34.95.

Reviewed by Paul Finkelman*

During the recent confirmation of Justice Sonia Sotomayor, we watched, once again, the ritual discussion of what ought to be the standards for a Supreme Court Justice. Republicans, fearful of a third moderate on what is the most conservative Court in three-quarters of a century,[1] trotted out the assertions of John Roberts during his confirmation hearing that judges are like umpires.[2] They feared Justice Sotomayor would not be an "umpire."

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1. Probably the last time the Court was this conservative was under Chief Justice William Howard Taft. For scholarship on that Court, see PETER CHARLES HOFFER, WILLIAMJAMES HULL HOFFER & N.E.H. HULL, THE SUPREME COURT: AN ESSENTIAL HISTORY 217–38 (2007); LUCAS A. POWE, JR., THE SUPREME COURT AND THE AMERICAN ELITE, 1789–2008, at 192–201 (2009); 2 MELVIN I. UROFSKY & PAUL FINKELMAN, A MARCH OF LIBERTY: A CONSTITUTIONAL HISTORY OF THE UNITED STATES 624–62 (2d ed. 2002) and WILLIAM M. WIECEK, THE LOST WORLD OF CLASSICAL LEGAL THOUGHT: LAW AND IDEOLOGY IN AMERICA, 1886–1937, at 162–64 (1998).

2. *E.g.*, *The Nomination of Sonia Sotomayor to Be an Associate Justice of the Supreme Court of the United States: Hearing Before the S. Comm. on the Judiciary*, 111th Cong. (2009) (statement of Sen. Jeff Sessions, Member, S. Comm. on the Judiciary), *available at* http://judiciary.senate.gov/hearings/testimony.cfm?id=3959&wit_id=515. During his confirmation hearing, then-Judge Roberts advocated the virtues of nonactivist jurisprudence, claiming:

> Judges are like umpires. Umpires don't make the rules; they apply them. The role of an umpire and a judge is critical. They make sure everybody plays by the rules. But it is a limited role. Nobody ever went to a ball game to see the umpire. Judges have to have the humility to recognize that they operate within a system of precedent, shaped by other judges equally striving to live up to the judicial oath. And judges have to have the modesty to be open in the decisional process to the considered views of their colleagues on the bench.

Confirmation Hearing on the Nomination of John G. Roberts, Jr. to Be Chief Justice of the United States: Hearing Before the S. Comm. on the Judiciary, 109th Cong. 182 (2005) [hereinafter *Roberts Confirmation Hearing*] (statement of John G. Roberts, Jr., Supreme Court C.J. Nominee).

Of course, anyone who understands baseball knows that the comments by Judge Roberts, now Chief Justice Roberts, are at best silly. These comments may indicate that, unlike Justice Sotomayor,[3] Chief Justice Roberts knows little about baseball. Or they may have been made so that the nominee could be seen as macho or just a "regular guy" before the cameras at a confirmation hearing. For those of us who understand baseball, it is clear that there is no such thing as just an umpire or merely applying the rules. Plate umpires never call balls and strikes according to the rule book because the game would not work.[4] Baseball shows that umpires must often make "judgment" calls. The strike zone, like a constitutional text, is never clear, precise, or inflexible. Chief Justice Roberts may actually have been correct that a judge is like an umpire, but he and his conservative supporters clearly do not understand why that is so.

When not urging the idea of the jurist as umpire, opponents of Judge Sotomayor's confirmation argued that Justices should stick to the "original intent" of the framers of the Constitution.[5] Judge Sotomayor's injunction in the baseball strike[6] is of course precisely the kind of equity decision that is not based on original intent or original meaning; it is rooted in the idea that judges "judge." When Chief Justice Roberts was being confirmed, he also argued for at least a limited use of originalism, where "the framers' intent is

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3. Sotomayor saved the game of baseball in *Silverman v. Major League Baseball Player Relations Committee, Inc.*, 880 F. Supp. 246 (S.D.N.Y. 1995), *aff'd*, 67 F.3d 1054 (2d Cir. 1995), when she refused to allow the major-league owners to unilaterally abrogate their contract with the Major League Baseball Players Association, *id.* at 257. As President Obama noted when he nominated her,

> During her tenure on the District Court, she presided over roughly 450 cases. One case in particular involved a matter of enormous concern to many Americans, including me, the baseball strike of 1994–95. . . . In a decision that reportedly took her just 15 minutes to announce, a swiftness much appreciated by baseball fans everywhere[,] she issued an injunction that helped end the strike. Some say that Judge Sotomayor saved baseball.

Remarks on the Nomination of Sonia Sotomayor to Be a Supreme Court Associate Justice, DAILY COMP. PRES. DOC. 200900402, at 2 (May 26, 2009), *available at* http://www.gpo.gov:80/fdsys/pkg/DCPD-200900402/pdf/DCPD-200900402.pdf.

4. *See* Douglas O. Linder, *Strict Constructionism and the Strike Zone*, 56 UMKC L. REV. 117, 117 (1987) (hypothesizing that no umpire in the past twenty years has called the strike zone to be what the rules mandate). In my own work, I draw a comparison between the interpretive approaches of umpires and judges:

> Next, consider three umpires discussing their profession and how they call balls and strikes. "I call 'em as I see 'em," the first says. "I call 'em as they are," says the second. "They ain't nothin' till I call 'em," says the third. Their approaches illustrate the nature of judicial interpretation and the way different judicial philosophies can coexist within American law. Watching umpires teaches us, from an early age, that rules—however carefully written down—are flexible and never wholly certain. Each judge, like each umpire, may have a slightly different approach to his or her craft.

Paul Finkelman, *Baseball and the Rule of Law Revisited*, 25 T. JEFFERSON L. REV. 17, 20 (2002).

5. *See, e.g.*, Ramesh Ponnuru, Op-Ed, *When Judicial Activism Suits the Right*, N.Y. TIMES, June 24, 2009, at A29 ("Many conservatives oppose Judge Sotomayor's nomination because she does not appear to support originalism . . . .").

6. *Silverman*, 880 F. Supp. at 261.

the guiding principle that should apply."[7] He told the Senate Judiciary Committee that "[t]he job of a judge is to look at whatever [the] action is and try to analogize it: What would that most be like in 1787? And if you got a jury trial for that, you get one today. And if you didn't, you don't. It's a purely historical approach."[8]

As a historian, this "purely historical approach" is at first glance quite attractive. To do this job correctly, one would imagine, you might actually need some training in history. Instead of only hiring recent law school graduates for their clerks, we could imagine the Court also hiring Ph.D. historians as their clerks. But, because history is a discipline that tends to take years to perfect, it would be reasonable to see the Court hiring senior scholars, or at least those in midcareer, as clerks. These historian clerks might even be on the staff of the Court for a few years or more, thus giving some continuity in the work of the Court. Here would be the ideal job for senior scholars who no longer want to teach. I can also imagine that if the Court took originalism seriously, every constitutional case would require historical briefs explaining the history to the Justices. The possibility of large fees as an expert is surely attractive.[9] A jurisprudence of originalism would lead every law school to teach a number of courses in legal history and constitutional history. Historical-methods courses would send law students to the archives and the libraries, and not just to Lexis or Westlaw. These courses would raise the market value of legal and constitutional historians, enabling us to demand higher salaries. Such a change in Supreme Court jurisprudence would also provide a new market for our casebooks[10] and our narrative histories of constitutional developments.[11]

It is of course highly unlikely that the Court will ever seriously adopt originalism as an interpretive tool.[12] Rather, we can expect that the Court will use history as it has for the last two centuries. Sometimes the Court has used history in a serious way to explain the text of the Constitution. The Court on occasion uses examples from history to explain why a certain

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7. *Roberts Confirmation Hearing*, *supra* note 2, at 2.

8. *Id.*

9. In the nature of full disclosure, I was an expert in *Glassroth v. Moore*, 229 F. Supp. 2d 1290 (M.D. Ala. 2002), *aff'd*, 335 F.3d 1282 (11th Cir. 2003), the Alabama Ten Commandments-monument case. I was also an expert in the lawsuit over the ownership of Barry Bonds's seventy-third home-run ball, *Popov v. Hayashi*, No. 400545, 2002 WL 31833731, at *3 (Cal. Super. Ct. Dec. 18, 2002).

10. *E.g.*, KERMIT L. HALL, PAUL FINKELMAN & JAMES W. ELY, JR., AMERICAN LEGAL HISTORY: CASES AND MATERIALS (3d ed. 2004); MELVIN I. UROFSKY & PAUL FINKELMAN, DOCUMENTS OF AMERICAN CONSTITUTIONAL HISTORY (3d ed. 2008).

11. *E.g.*, UROFSKY & FINKELMAN, *supra* note 1.

12. For a discussion of conservative activism on the Court that is not based on originalism, see William P. Marshall, *Conservatives and the Seven Sins of Judicial Activism*, 73 U. COLO. L. REV. 1217, 1229–36 (2002).

constitutional outcome is appropriate.[13] More likely, however, Justices will rummage around in history, looking for a factoid or some historical anecdote to support the outcome they want to reach. It is unlikely that on questions that matter to members of the Court they will look to history for an answer. Thus, a jurisprudence of original intent will remain a convenient trope for jurists to justify outcomes they want; it is unlikely the Justices will actually change their mind or alter their ideology because they have discovered that history does support the result that they want.

Two recent books, which I will turn to in a moment, illustrate the complexity of history and the Constitution, and underscore why a serious jurisprudence of original intent is not only unlikely, but deeply problematic. History is often murky, messy, and imprecise. The historical record does not always give judges the answers they want to specific questions. The "intentions of the framers" were not always clear, and even figuring out how to determine these intentions is not a simple matter—it is often not even possible. History can sometimes give us a very precise understanding of what some framers intended, but usually it only can give us general ideas of what the framers may have intended. Sometimes even that is not always possible.

For the Constitution of 1787 and the Bill of Rights of 1789, getting at specific intentions seems particularly problematic. The Constitutional Convention did not keep any formal minutes of the debates, and the records that we do have are sparse and incomplete.[14] In many cases we simply do not know what the intentions were. The Bill of Rights was debated in both houses of Congress, but there is no official record of the debate in the Senate, so we cannot know what the members of that body intended.[15] In the House of Representatives, the record of the debates is sparse. The debate begins with James Madison asserting on the floor of the House that the Bill of Rights was unnecessary, but "that in a certain form, and to a certain extent," a bill of rights "was neither improper nor altogether useless."[16] While proposing amendments that were neither "improper" nor "useless," Madison

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13. *See, e.g.*, Saenz v. Roe, 526 U.S. 489, 498, 500–04 (1999) ("The word 'travel' is not found in the text of the Constitution. Yet the 'constitutional right to travel from one State to another' is firmly embedded in our jurisprudence." (quoting United States v. Guest, 383 U.S. 745, 757 (1966))); Hustler Magazine v. Falwell, 485 U.S. 46, 54–55 (1988) (illustrating the importance of protecting intentionally injurious speech through the example of political cartoons).

14. *See* Paul Finkelman, *The Constitution and the Intention of the Framers: The Limits of Historical Analysis*, 50 U. PITT. L. REV. 349, 353–54 (1989) (describing how few documents were preserved from the proceedings of the Constitutional Convention and how some participants actually favored destroying all records).

15. *See* Paul Finkelman, *James Madison and the Bill of Rights: A Reluctant Paternity*, 1990 SUP. CT. REV. 301, 303–04 (reporting revisions made by the Senate to James Madison's draft of the Bill of Rights and offering revisions specifically produced through House debate). The minutes of the Senate for this period give a bare-bones record of titles of bills and how members voted but do not give the substance of the debates.

16. 1 ANNALS OF CONG. 453 (Joseph Gales & William Seaton eds., 1789).

was careful, as he noted in a private letter to Edmund Randolph, to make sure that "[t]he structure & stamina of the Govt. [were] as little touched as possible."[17] How does an originalist deal with such evidence as to the meaning of the Bill of Rights?

History is a useful tool for lawyers and judges. History helps judges see the bigger picture of the Constitution and the larger meaning of law and society. History can give jurists a sense of perspective and provide examples of why a particular result might be worthwhile or not worthwhile. Judges can learn much from history, even if it is probably not the ultimate tool for guiding their decisions. Attorneys and expert witnesses can help judges learn the background to cases and to inform them about legal and constitutional developments. This surely makes for better judging and lawyering. Sometimes, history may even provide the answer to a specific legal issue. History can also help us better understand how the Court has affected the political, social, legal, and economic development of the nation. Historical reflection and understanding can often help jurists understand the modern legal issues they confront. With this in mind, we can turn to two recent books about the history of the Court and its relationship to politics and the Constitution.

In Part I of this Review, I will briefly survey these books, discussing their general strengths and weaknesses. In Part II of this Review, I will examine how the authors deal with the way slavery affected the Constitution and the Supreme Court. Slavery was the greatest constitutional problem the nation has ever faced. The Court, like other branches of the government, struggled with slavery and what to do with it. The resolution of the problem ultimately took place outside the courtroom, but the aftermath of ending slavery led to a constitutional revolution that arguably altered almost every aspect of American constitutionalism. Slavery led to a civil war, massive carnage, and three new constitutional amendments, which in turn have led to an enormous amount of constitutional jurisprudence. Thus, in Part II, I examine how these authors have dealt with slavery, the Constitution, and the Supreme Court.

I.

The two books under discussion[18] are both designed for general readers, and no doubt the authors hope they will be used in classrooms. The first, Professors Hoffer, Hoffer, and Hull's book, could be used in a constitutional law class or an advanced law-school course. The other, Professor Powe's book, might be enormously stimulating for a seminar on the Court, but it would be as much a foil for argument as it would be a book that would

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17. Letter from James Madison to Edmund Randolph (June 15, 1789), *in* 12 THE PAPERS OF JAMES MADISON 219, 219 (Charles F. Hobson & Robert A. Rutland eds., 1979).

18. HOFFER, HOFFER & HULL, *supra* note 1; POWE, *supra* note 1.

instruct students on the history and development of either the Court or its jurisprudence. But any use of these books would require a law professor to think outside the box of cases and casebooks and require students to see cases in their context. This of course may be too great a leap for most law professors. Teaching cases and doctrine is so much easier and so much more certain than teaching the historical context of jurisprudence. Professor Powe declares that his book "situates the Court and its work within the broad narrative of American history,"[19] and correctly asserts that "doctrine may be driven by events and the intellectual currents of the times."[20] But he also argues that Justices take doctrine "seriously,"[21] so presumably he does as well. But many historians might demur to this statement and argue that in fact the Court only takes doctrine seriously when the issue is not terribly important. But when the doctrine does not fit the times—or the political predilections of the Justices—the Court almost always finds a way around the existing doctrine to end up where the Justices want to go.[22] Powe notes that the Court is influenced "by events and the intellectual currents of the times"[23] but fails to also note that the Court is influenced heavily by the ideological views of the Justices.[24] A full history of the Court shows that Justices often resist the intellectual and political currents of the times. Indeed, Justices often assert that they should ignore current events or changes in society in favor of the meaning of the Constitution.[25] After the Court decided

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19. POWE, *supra* note 1, at viii.

20. *Id.*

21. *Id.*

22. For example, Powe's own admirable discussion of the *Slaughterhouse Cases*, 83 U.S. 36 (1873), demonstrates that Justice Miller easily ignored doctrine on the meaning of the Fourteenth Amendment's Due Process Clause, Equal Protection Clause, and Privileges and Immunities Clause because he found it inconvenient to the conclusion he wanted to reach. POWE, *supra* note 1, at 134–37.

23. *Id.* at viii.

24. *See, e.g.*, CHRISTOPHER L. EISGRUBER, THE NEXT JUSTICE: REPAIRING THE SUPREME COURT APPOINTMENT PROCESS 19 (2007) (claiming empirical research has found that American judges' ideological values influence their decisions in many cases); Richard A. Posner, *The Supreme Court, 2004 Term—Foreword: A Political Court*, 119 HARV. L. REV. 31, 34 (2005) (arguing that the Supreme Court is a "political organ"); Brian Z. Tamanaha, *The Distorting Slant in Quantitative Studies of Judging*, 50 B.C. L. REV. 685, 723–24 (2009) (asserting that few in legal circles deny that the ideological views of Supreme Court Justices influence Court decisions).

25. For example, see Chief Justice Roger B. Taney's overwhelmingly originalist position in *Dred Scott v. Sandford*:

> No one, we presume, supposes that any change in public opinion or feeling, in relation to this unfortunate race, in the civilized nations of Europe or in this country, should induce the court to give to the words of the Constitution a more liberal construction in their favor than they were intended to bear when the instrument was framed and adopted. Such an argument would be altogether inadmissible in any tribunal called on to interpret it. If any of its provisions are deemed unjust, there is a mode prescribed in the instrument itself by which it may be amended; but while it remains unaltered, it must be construed now as it was understood at the time of its adoption. It is not only the same in words, but the same in meaning, and delegates the same powers to the Government, and reserves and secures the same rights and

the *Insular Cases*,[26] the social commentator Peter Finley Dunne, through his fictional Mr. Dooley, observed that "[n]o matter whether th[e] Constitution follows th[e] flag or not, th[e] Supreme Court follows th[e] [e]l[e]ction returns."[27] But, this is surely too simplistic an answer. How else, one might ask, could the Supreme Court have handed the presidency to George W. Bush after Al Gore received a rather powerful mandate in the form of an impressive popular majority?[28]

A. The Supreme Court: An Essential History

The Supreme Court: An Essential History is a fascinating collaborative effort by Peter Hoffer (who wrote most of the first third of the book), Natalie E. Hoffer Hull (who wrote most the second third of the book), and their son, Williamjames Hull Hoffer (who wrote most of the final third of the book). This may be the first serious work of history ever co-authored by two parents and their child. All three have Ph.D.'s in history, two have law degrees, and the third, Peter Hoffer, did a postdoctoral program in a law school. The book is an overview history of the Supreme Court. It is informative and generally on target. The authors cover a lot of ground in their well-written and generally very solid book. Written by three authors, there are naturally changes in voice. But, the transitions are easy and smooth. The

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> privileges to the citizen; and as long as it continues to exist in its present form, it speaks not only in the same words, but with the same meaning and intent with which it spoke when it came from the hands of its framers, and was voted on and adopted by the people of the United States. Any other rule of construction would abrogate the judicial character of this court, and make it the mere reflex of the popular opinion or passion of the day. This court was not created by the Constitution for such purposes. Higher and graver trusts have been confided to it, and it must not falter in the path of duty.

60 U.S. (19 How.) 393, 426 (1856). There are more examples of Supreme Court Justices favoring the language of the Constitution over social or political currents. *See, e.g.*, Chisom v. Roemer, 501 U.S. 380, 411 (1991) (Scalia, J., dissenting) ("[T]he judge represents the Law—which often requires him to rule against the People."); Am. Fed'n of Labor v. Am. Sash & Door Co., 335 U.S. 538, 557 (1948) (Frankfurter, J., concurring) (warning courts against yielding to the popular will); Home Bldg. & Loan Ass'n v. Blaisdell, 290 U.S. 398, 448–53 (1933) (Sutherland, J., dissenting) (citing extensive authority for the view that the Constitution's interpretation should not fluctuate with popular opinion).

26. Fourteen Diamond Rings v. United States, 183 U.S. 176 (1901); Dooley v. United States, 183 U.S. 151 (1901); Huus v. N.Y. & P.R. S.S. Co., 182 U.S. 392 (1901); Downes v. Bidwell, 182 U.S. 244 (1901); Armstrong v. United States, 182 U.S. 243 (1901); Goetze v. United States, 182 U.S. 221 (1901); De Lima v. Bidwell, 182 U.S. 1 (1901). *See generally* Juan R. Torruella, *The* Insular Cases*: The Establishment of a Regime of Political Apartheid*, 29 U. PA. J. INT'L L. 283, 300–12 (2007) (chronicling the events that brought rise to the *Insular Cases* and explaining the resulting Supreme Court decisions). For a short discussion of these cases, see PAUL FINKELMAN & MELVIN I. UROFSKY, LANDMARK DECISIONS OF THE SUPREME COURT 162–64 (2d ed. 2008).

27. FINLEY PETER DUNNE, MR. DOOLEY AT HIS BEST 77 (1938).

28. *See* Bush v. Gore, 531 U.S. 98, 110 (2000) (reversing the decision of the Supreme Court of Florida ordering the state's recount to proceed and effectively deciding the 2000 presidential election in George W. Bush's favor). Gore beat Bush in the popular vote by nearly 550,000 votes. Fed. Election Comm'n, 2000 Presidential Popular Vote Summary, http://www.fec.gov/pubrec/fe2000/prespop.htm. For Powe's superb discussion of this case, see POWE, *supra* note 1, at 336–39.

authors want the Court to speak for itself through them, and thus there is no strong theme running through the book. It is a good survey of the Supreme Court. There are nifty vignettes about the Justices—and clear discussions of some of their opinions. The authors also sometimes do a remarkable job of tying nonconstitutional history to what the Court is doing. They are often able to weave, at least with a mention here and there, a great deal of U.S. history into their volume, which places the Court in a political and social context. Thus, they begin their discussion of the Taft Court with a mention of the Harlem Renaissance and the great influenza epidemic.[29] Similar bits of history, scattered throughout the book, illustrate the way good historians—as all three authors are—see the larger scope of their subject.

In the end, however, this is not a constitutional history of the United States or a study of the Court's role in society. Rather, it is narrowly Court focused. This is not so much a criticism as an observation. However, the strategy of achieving this history is, unfortunately, not always successful.

The book is organized by Chief Justiceships, with about thirty pages devoted to each Court. This strategy seems odd unless the authors—or more likely the publisher—imagine their fifteen chapters will be assigned in a standard fifteen-week college course. The problem is that all Chief Justices are not historically equal and all Chief Justiceships are not fungible. Most scholars agree that the Marshall, Taney, and Warren Courts stand out for their historical importance. Two of them also stand out for their length. But the Hoffers do not take this into account. Thus, the thirty-four years of the Marshall Court (1801–1835) are covered in thirty-two pages,[30] while the Taft Court, which lasted only nine years (1921–1930), gets greater coverage at thirty-five pages.[31] Even more dramatically, the five years of the Stone Court (1941–1946) get twenty-five pages,[32] which is the same amount devoted to the twenty-eight years of the Taney Court (1836–1864).[33] The six years of the Vinson Court (1946–1952) actually get two more pages than the Taney Court.[34] This is not merely about counting pages. Taney's Court dramatically shaped the growth of the American economy and developed important doctrines—such as the police powers of the states,[35] the dormant powers of

29. HOFFER, HOFFER & HULL, *supra* note 1, at 217.

30. *Id.* at 51–82.

31. *Id.* at 217–51.

32. *Id.* at 281–305.

33. *Id.* at 83–107.

34. *Id.* at 306–32.

35. *See, e.g.*, Mayor of New York v. Miln, 36 U.S. (11 Pet.) 102, 141–43 (1837) (holding that New York's state legislature, because it was exercising its police power, did not unconstitutionally infringe on Congress's power to regulate interstate commerce); *see also, e.g.*, Cooley v. Bd. of Wardens, 53 U.S. (12 How.) 299, 320–21 (1851) (upholding Pennsylvania's state-pilotage law that regulated interstate commerce on the grounds it pertained to local commerce, which does not require nationally uniform regulation).

Congress,[36] and the concept of unfunded mandates[37]—that are still with us. While doing this, the Court grappled with slavery and its jurisprudence, for better or worse, helped push the nation toward the Civil War. It is hard to imagine that anyone would think the accomplishments or failures of the Stone or Vinson Court deserve twice the coverage of the Taney Court, as well as almost twice the coverage of the Marshall Court and the Warren Court.[38] Does anyone believe that the thirteen years of the Stone and Vinson Courts are almost twice as important as the thirty-four years of the Marshall Court?

This strategy ultimately weakens the book. Consider the chapter on the Marshall Court, which was certainly the most important Court in our history. Marshall served longer than any other Chief Justice, and he made the Court into an important branch of the government,[39] although not perhaps a fully equal branch. Hoffer (who wrote this chapter) asserts that the "key cases" under Marshall "totaled no more than a dozen, spread over . . . thirty-four years."[40] It is hard to imagine how Hoffer came up with this number, or what he means by a "key" case. One suspects that because Hoffer was hemmed in by a marketing decision at the press into a single short chapter on the Marshall Court, he felt compelled to justify his lack of in-depth coverage by merely asserting that, despite what every constitutional scholar thinks,[41] the

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36. *See* Prigg v. Pennsylvania, 41 U.S. (16 Pet.) 539, 652 (1842) (finding that Pennsylvania's personal-liberty law of 1826 had unconstitutionally infringed on an area—the power to regulate the return of fugitive slaves—reserved exclusively to congressional legislation). For a fuller discussion of the Pennsylvania law, see THOMAS D. MORRIS, FREE MEN ALL: THE PERSONAL LIBERTY LAWS OF THE NORTH, 1780–1860, at 42–58 (1974) and Paul Finkelman, *Sorting Out* Prigg v. Pennsylvania, 24 RUTGERS L.J. 605, 605–65 (1993).

37. *See id.* at 615–16 ("The states cannot, therefore, be compelled . . . to carry into effect the duties of the national government, nowhere delegated or intrusted to them by the Constitution.").

38. The *Oliver Wendell Holmes Devise History of the Supreme Court* series devoted two books totaling over 1,675 pages to the Marshall Court, more than any other Court. 2 GEORGE LEE HASKINS & HERBERT A. JOHNSON, THE OLIVER WENDELL HOLMES DEVISE HISTORY OF THE SUPREME COURT OF THE UNITED STATES: FOUNDATIONS OF POWER: JOHN MARSHALL, 1801–1815, at 1–687 (1981); 3–4 G. EDWARD WHITE, THE OLIVER WENDELL HOLMES DEVISE HISTORY OF THE SUPREME COURT OF THE UNITED STATES: THE MARHSALL COURT AND CULTURAL CHANGE, 1815–1835, at 1–1009 (1988). On the other hand, the series devoted only one volume and some 730 pages to a combined history of the Stone and Vinson Courts. 12 WILLIAM M. WIECEK, THE OLIVER WENDELL HOLMES DEVISE HISTORY OF THE SUPREME COURT OF THE UNITED STATES: THE BIRTH OF THE MODERN CONSTITUTION: THE UNITED STATES SUPREME COURT, 1941–1953, at 1–715 (2006). This seems to be about right in terms of balance—the Marshall Court was two to three times more important than the Stone and Vinson Courts combined. The Hoffers, however, devote two chapters and fifty-three pages to these two Courts but only one chapter and thirty-two pages to Marshall. *See supra* text accompanying notes 30–34.

39. *See* POWE, *supra* note 1, at 48–49 (describing Chief Justice John Marshall's expansion of the role of the Supreme Court through his opinion in *Marbury v. Madison*, which he argues amounted to a "declaration of judicial power").

40. HOFFER, HOFFER & HULL, *supra* note 1, at 60.

41. *See, e.g.*, William N. Eskridge, Jr. & John Ferejohn, *Constitutional Horticulture: Deliberation-Respecting Judicial Review*, 87 TEXAS L. REV. 1273, 1283 (2009) (describing the Marshall Court as "legendary"); William H. Rehnquist, *The Supreme Court: "The First Hundred*

Marshall Court was not all that important. In this chapter Hoffer mentions fourteen cases,[42] so presumably two of these were not "key," but nevertheless he mentions them. By contrast, Hull Hoffer mentions forty-two cases in his chapter on the Vinson Court,[43] although most scholars would be hard pressed to find more than a half dozen that were "key."

By limiting himself to the dozen (or fourteen) "key" cases Hoffer fails to even mention or discuss a series of major jurisprudential milestones. Hoffer notes Chief Justice Marshall's actions in the *Burr* treason trial[44] while riding circuit, but fails to mention or discuss his jurisprudentially more important decision in *Ex parte Bollman; Ex parte Swartwout*[45] that narrowly defined the legal standard for treason and affected how the nation would deal with subversive activities in the Civil War, World War I, World War II, the Cold War, the Vietnam War, and the current War on Terrorism.[46] There is no mention of the Marshall Court's decision in *United States v. Hudson*[47] emphatically rejecting the idea that there could be a federal common law of crimes,[48] or the hypocrisy of the Jefferson Administration, which prosecuted Federalist newspaper editors that offended the thin-skinned Master of Monticello.[49] Hoffer makes no mention of *Sturges v. Crowninshield*,[50] a major case in which the Marshall Court severely limited the power of the states to pass bankruptcy laws at a time when there was no federal bankruptcy law.[51] This decision had an enormous impact on the subsequent economic development of the United States and led to enormous misery for Americans who were unable to have their debts discharged because of the lack of bankruptcy laws.[52] Similarly, Hoffer does not mention *The Antelope*,[53] a slave-trade case that the Court heard three times.[54] In this case,

Years Were the Hardest," 42 U. MIAMI L. REV. 475, 480 (1988) ("Doctrinally, the contributions of the Marshall Court were of enormous importance to the subsequent development of the nation.").

42. HOFFER, HOFFER & HULL, *supra* note 1, at 51–82.

43. *Id.* at 306–32.

44. United States v. Burr, 25 F. Cas. 201 (C.C.D. Va. 1807) (No. 14,694a); HOFFER, HOFFER & HULL, *supra* note 1, at 57–58.

45. 8 U.S. (4 Cranch) 75 (1807).

46. HOFFER, HOFFER & HULL, *supra* note 1, at 112–21.

47. 11 U.S. (7 Cranch) 32 (1813).

48. *Id.* at 34.

49. *See* LEONARD W. LEVY, JEFFERSON AND CIVIL LIBERTIES: THE DARKER SIDE 61–62 (1963) (describing the indictments by the Jefferson Administration, and its allies in some of the states, of various writers, publishers, and editors of Federalist newspapers for seditious libel of Jefferson).

50. 17 U.S. (4 Wheat.) 122 (1819).

51. *Id.* at 124.

52. *See* 1 CHARLES WARREN, THE SUPREME COURT IN UNITED STATES HISTORY 492–93 (photo. reprint 1987) (1926) (describing *Sturges* as a case that had a major influence on the "course of commercial conditions"); *see also id.* at 497 (noting that after *Sturges* many called for a national bankruptcy law since many debtors had relied on the state laws during the financial disaster).

53. 23 U.S. (10 Wheat.) 66 (1825).

54. 25 U.S. (12 Wheat.) 546 (1827); 24 U.S. (11 Wheat.) 413 (1826); 23 U.S. (10 Wheat.) 66 (1825).

Marshall refused to free Africans who were victims of the illegal African slave trade.[55] Significantly, while condemning slavery in theory, he asserted that the African slave trade was "consistent with the law of nations" and "cannot in itself be piracy."[56] Marshall reached this conclusion even though both the United States and Great Britain had banned the African slave trade[57] and the United States had passed laws that in fact declared slave trading to be piracy punishable by death.[58] One might defend or attack Marshall for this result, but at least it should be on the table. In *American Insurance Co. v. Canter*,[59] Marshall significantly defined the power of Congress over the territories,[60] until it was effectively reversed by *Dred Scott v. Sandford*.[61] Some discussion of this case would have been very useful for setting the stage for understanding what the Court did in *Dred Scott* in 1857 and then what the Court later did in the *Insular Cases* after the Spanish–American War.[62] Finally, Hoffer ignores *Barron v. Baltimore*,[63] where Marshall held that the Bill of Rights did not apply to the states.[64] Perhaps this was a correct reading of the Bill of Rights, although many nineteenth-century lawyers and politicians thought it was not.[65] Most notably, John Bingham, the author of the Fourteenth Amendment, believed that *Barron* was wrong.[66] Whether Bingham is correct or not, it is hard to understand how a history of the Court could utterly ignore this issue. Subsequent discussion of the Fourteenth Amendment and the *Slaughterhouse Cases*, and indeed much of the Reconstruction Era federal law, only makes sense in light of *Barron*. Many scholars also argue that *Barron* was Marshall's retreat, at the end of his

55. *The Antelope*, 23 U.S. at 121–22.

56. *Id.* at 122.

57. Act of Mar. 2, 1807, ch. 22, 2 Stat. 426; An Act for the Abolition of the Slave Trade, 1807, 47 Geo 3, c. 36 (Eng.).

58. "An Act to continue in force 'An act to protect the commerce of the United States, and to punish the crime of piracy,' and also to make further provisions for punishing the crime of piracy." Act of May 15, 1820, ch. 113, 3 Stat. 600. For a larger discussion of these laws, see Paul Finkelman, *The American Suppression of the African Slave Trade: Lessons on Legal Change, Social Policy, and Legislation*, 42 AKRON L. REV. 431, 465–67 (2009).

59. 26 U.S. (1 Pet.) 511 (1828).

60. *Id.* at 541–46.

61. 60 U.S. (19 How.) 393, 432–49 (1856).

62. For a discussion of these cases, see HOFFER, HOFFER & HULL, *supra* note 1, at 181–82.

63. 32 U.S. (7 Pet.) 243 (1833).

64. *Id.* at 250.

65. MICHAEL KENT CURTIS, NO STATE SHALL ABRIDGE: THE FOURTEENTH AMENDMENT AND THE BILL OF RIGHTS 24–25 (1990).

66. *See id.* at 61 (explaining that Bingham thought the Bill of Rights applied to the states despite his awareness of the contrary decision in *Barron*); *see also* Richard L. Aynes, *On Misreading John Bingham and the Fourteenth Amendment*, 103 YALE L.J. 57, 95 (1993) ("Bingham . . . believed that the Bill of Rights already applied to the states and that local officials who enforced local laws in conflict with the Bill of Rights were violating their oaths of office."). Thus, Bingham intended the Fourteenth Amendment to make most of the Bill of Rights applicable to the states. Aynes, *supra*, at 95.

career, from judicial nationalism.[67] A discussion of this would help explain how the Court works and illustrate the limits of politics on jurisprudence.

Beyond the "key" cases, the truncated discussion of the Marshall Court prevents any analysis of the embargo cases,[68] the African slave-trade cases,[69] the admiralty cases during the War of 1812[70] (which is utterly absent from this book), or cases dealing with the complexity of western land ownership.[71] Cases like these occupied a great deal of the Marshall Court's docket.[72] Marshall and his colleagues helped shape the law of war, the law of international commerce, and American land law.[73] None of this important business of the Court is found here. In addition to discussing key cases, a history of the Court must discuss the business of the Court and explain what else is going on. Indeed, it is arguable that some key cases, such as *Marbury v. Madison*,[74] *Dartmouth College v. Woodward*,[75] and *Cohens v. Virginia*,[76] had relatively little impact on most Americans, but large numbers of Americans felt the impact of cases like *Green v. Biddle*,[77] *Van Ness v.*

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67. *See, e.g.*, Charles F. Hobson, *Defining the Office: John Marshall as Chief Justice*, 154 U. PA. L. REV. 1421, 1437 (2006) (referring to *Barron* and other cases from the same time period as "unanimous concessions to state sovereignty"); Paul D. Moreno, *"So Long as Our System Shall Exist": Myth, History, and the New Federalism*, 14 WM. & MARY BILL RTS. J. 711, 723 (2005) (citing *Barron* for the proposition that the Marshall Court expanded states' rights in its later decisions).

68. *E.g.*, Otis v. Watkins, 13 U.S. (9 Cranch) 339 (1815); Durousseau v. United States, 10 U.S. (6 Cranch) 307 (1810).

69. *E.g.*, The Plattsburgh, 23 U.S. (10 Wheat.) 133 (1825); The Antelope, 23 U.S. (10 Wheat.) 66 (1825).

70. *E.g.*, The Amiable Nancy, 16 U.S. (3 Wheat.) 546 (1818); L'Invincible, 14 U.S. (1 Wheat.) 238 (1816).

71. *See, e.g.*, Mitchel v. United States, 34 U.S. (9 Pet.) 711, 758–61 (1835) (finding valid an Indian sale of land when pursuant to a treaty to which the United States was a party); Van Ness v. Pacard, 27 U.S. (2 Pet.) 137, 147–48 (1829) (holding that a tenant could remove a dwelling, but not a building used for business purposes, which he erected during his term); Green v. Biddle, 21 U.S. (8 Wheat.) 1, 8 (1823) (finding a Kentucky law that granted squatters compensation rights upon ejection unconstitutional).

72. *See* James W. Ely, Jr., *The Marshall Court and Property Rights: A Reappraisal*, 33 J. MARSHALL L. REV. 1023, 1023 (2000) (asserting that property-rights cases "figured prominently" in the Marshall Court's docket); Ariel N. Lavinbuk, *Rethinking Early Judicial Involvement in Foreign Affairs: An Empirical Study of the Supreme Court's Docket*, 114 YALE L.J. 855, 873 (2005) (noting that more than 40% of the Marshall Court's docket consisted of foreign-affairs cases, with 34% of those concerning the application of U.S. law extraterritorially).

73. *See, e.g.*, Johnson v. M'Intosh, 21 U.S. (8 Wheat.) 543, 604–05 (1823) (holding that Native Americans could only sell their land directly to the United States and not to private citizens); Brown v. United States, 12 U.S. (8 Cranch) 110, 125–26 (1814) (holding that a congressional declaration of war does not automatically authorize confiscation of property owned by enemy aliens); Little v. Barreme, 6 U.S. (2 Cranch) 170, 177–79 (1804) (affirming a finding of liability against a federally authorized American privateer who seized property from a Danish ship and asserting that the authorization exceeded the executive's scope of statutory authority).

74. 5 U.S. (1 Cranch) 137 (1803).

75. 17 U.S. (4 Wheat.) 518 (1819).

76. 19 U.S. (6 Wheat.) 264 (1821).

77. 21 U.S. (8 Wheat.) 1 (1823).

Pacard,[78] and *Mitchel v. United States*,[79] all of which dealt with the issue of land ownership,[80] or *Craig v. Missouri*,[81] *Providence Bank v. Billings*,[82] and *Sturges v. Crowninshield*,[83] dealing with currency, banking, and personal bankruptcy.[84]

Hoffer's discussion of the Indian cases underscores how the self-imposed limitations of short chapters on every Chief Justiceship limits the importance of this book. Hoffer devotes nearly five pages to the Cherokee cases,[85] tying them to the politics of the era, including the nullification crisis in South Carolina.[86] Importantly, Hoffer correctly points out that after *Worcester v. Georgia*,[87] President Andrew Jackson *did not* say, "John Marshall has made his decision, now let him enforce it."[88] But except for a bare mention, Hoffer's self-imposed space limitations forces him to ignore the third, and, in some ways, most important case of the Indian trilogy, *Johnson v. M'Intosh*.[89] In *M'Intosh*, the Court adopted the "discovery doctrine" to assert that European governments—and later the American government—were the owners of *all* Indian lands.[90] Marshall's point was not merely, as Hoffer asserts, that Indians "did not hold absolute title" to their lands,[91] but rather that Indians held *no* title to the land on which they lived, and had "only an 'occupancy' right."[92] This meant that for the next seventy or so years the United States could take Indian land with impunity.[93]

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78. 27 U.S. (2 Pet.) 137 (1829).

79. 34 U.S. (9 Pet.) 711 (1835).

80. *Mitchel*, 34 U.S. at 760–63 (holding that the purchasers of Seminole land had gained a superior title to that of the United States); *Van Ness*, 27 U.S. at 147–48 (holding that the tenant defendant was not liable for tearing down a building he had erected on the landlord plaintiff's lot); *Green*, 21 U.S. at 85–87 (analyzing whether Kentucky's land-claim statutes violated the Contracts Clause).

81. 29 U.S. (4 Pet.) 410 (1830).

82. 29 U.S. (4 Pet.) 514 (1830).

83. 17 U.S. (4 Wheat.) 122 (1819).

84. *See Providence Bank*, 29 U.S. at 559–65 (denying a state-chartered bank's claim that it was exempt from state taxation); *Craig*, 29 U.S. at 437–38 (holding that the loan-office certificates issued by Missouri violated Article I, Section 10 of the Constitution); *Sturges*, 17 U.S. at 196–208 (addressing the constitutionality of New York's bankruptcy laws).

85. Cherokee Nation v. Georgia, 30 U.S. (5 Pet.) 1 (1831); Worcester v. Georgia, 31 U.S. (6 Pet.) 515 (1832).

86. HOFFER, HOFFER & HULL, *supra* note 1, at 76–81.

87. 31 U.S. (6 Pet.) 515 (1832).

88. HOFFER, HOFFER & HULL, *supra* note 1, at 80.

89. 21 U.S. (8 Wheat.) 543 (1823).

90. LINDSAY G. ROBERTSON, CONQUEST BY LAW: HOW THE DISCOVERY OF AMERICA DISPOSSESSED INDIGENOUS PEOPLES OF THEIR LANDS 4 (2005).

91. HOFFER, HOFFER & HULL, *supra* note 1, at 77.

92. ROBERTSON, *supra* note 90, at 4.

93. STUART BANNER, HOW THE INDIANS LOST THEIR LAND: LAW AND POWER ON THE FRONTIER 191–290 (2005) (mentioning the government's various arguments based on the *M'Intosh* holding to justify the programs of removal, reservations, and allotment, in which Indian land was gradually taken by the government without significant resistance until the early 1900s).

The doctrine was deeply pernicious and probably more harmful to Indians than any other Indian law case. Moreover, employing unnecessarily racist language, Marshall's use of the doctrine of discovery led him to assert that Indians were "savages," who did not own their land:

> [T]he tribes of Indians inhabiting this country were fierce savages, whose occupation was war, and whose subsistence was drawn chiefly from the forest. To leave them in possession of their country, was to leave the country a wilderness; to govern them as a distinct people, was impossible, because they were as brave and as high spirited as they were fierce, and were ready to repel by arms every attempt on their independence.[94]

The failure to offer a deeper analysis of the Indian cases, like the failure to provide a deeper understanding of other cases (or even a mention of them) undermines the importance of this book and limits our understanding of the role of the Supreme Court under Marshall. This same problem arises for the other significant Courts, under Taney and Warren.

My point is not that Hoffer should have discussed every one of these cases in detail, but that the structure of the book prevents adequate coverage of very important cases and topics. This surely limits the usefulness of the book. Hoffer offers five pages about the various individuals who served on the Taney Court. This discussion is interesting, and even fun to read, but it comes at the expense of not discussing how the Taney Court created the police powers, developed the concept of the dormant powers of Congress, or applied the concept of unfunded mandates to limit the obligations of the states to enforce federal law. Space limitations similarly prevent any discussion of how slavery led to the dramatic assertion of federal supremacy in *Ableman v. Booth*,[95] and the equally dramatic denial of the power of the federal courts and Executive Branch two years later in *Kentucky v. Dennison*.[96]

In addition to spending the same amount of time on each Court, there is sometimes a disconnect between one part of the book and another. This may be the function of a book by "committee"—even when everyone on the committee is from the same family. The book's illustrations reveal this problem. Under a photograph of the Vinson Court the caption declares that the Chief Justice was "not a distinguished justice or effective manager" but then asks, "[W]ho could keep the feuds that had so long divided the justices from spilling over into their opinions?"[97] The implication here is not that

94. *M'Intosh*, 21 U.S. at 590.

95. 62 U.S. (21 How.) 506, 515–17 (1859) (holding that the Wisconsin Supreme Court had no power to declare the Fugitive Slave Act of 1850 unconstitutional). The Court would ironically apply this precedent to support the integration of the Little Rock, Arkansas schools in *Cooper v. Aaron*, 358 U.S. 1 (1958).

96. 65 U.S. (24 How.) 66, 107–10 (1861) (restricting the federal government's scope of power to compel state action based on a narrow reading of the enumerated powers and jurisdictional grant in the Constitution).

97. HOFFER, HOFFER & HULL, *supra* note 1, at 247.

Vinson was unable to control the Court (which in fact he was unable to do) but rather that no one could have done so. But directly below this picture is a photograph of Chief Justice Warren, where the caption notes that "his moral authority kept the Court together even when individual justices disagreed with his views."[98] In effect, the second caption answers the question of "who" could control the giant egos of Frankfurter, Black, Douglas, and Jackson. The answer was Earl Warren or some other strong leader in the center chair of the Court. Chief Justice Warren could do what Chief Justice Vinson could not do. Vinson failed not because no one could succeed but because Vinson was an utter failure as Chief Justice. Indeed, later in the book the authors impressively explain how Warren "found a way to manage" the two feuding Justices, Black and Frankfurter.[99]

By criticizing here, I reflect a disappointment. This book is solid and well written. It is a good book and a useful book. It might have been a great book.

B. *The Supreme Court and the American Elite*

Lucas Powe's *The Supreme Court and the American Elite, 1789–2008*, is the more challenging volume here. It is intellectually a big book, written by a distinguished and prize-winning constitutional scholar who has previously written impressively on the regulation of free speech. In some ways Powe's book is like the Hoffers' book. He wants to provide us with a history of the Court, but in the end, he does not. Oddly, for a book about the "American Elite," Powe never states clearly what he means by this phrase. Nor does he try to explain who the elite is. Is it the Justices? Is he arguing the Court always or usually sides with some unnamed, undefined "elite"—the rich and powerful perhaps? The book title promises far more than the book delivers. In his last—and best—chapter, Powe explains how the modern Court is imperial and partisan. His discussion of *Bush v. Gore*[100] is one of the best I have seen. In this chapter, Powe demonstrates not only how much the Court in recent years has ignored the mandate of the electorate but also how it has followed the election returns and reflected Republican presidential electoral victories. Thus, there remains the confusion: Is the Court elitist because it follows politics or because it does not follow politics? Is the Court elitist because it ignores the will of the electorate or because it reflects it, even if the electorate (or, at least, those elected to office) seems to be the creature of special interests? In other words, Powe's theme of "the Supreme Court and the American Elite" is never clearly articulated.

A brief look at one aspect of free speech and the Court illustrates the problem of the elite in this book. The Supreme Court barely considered the

98. *Id.*
99. *Id.* at 337.
100. 531 U.S. 98 (2000).

First Amendment before World War I,[101] but since 1919 freedom of expression has been a major aspect of the Court's history and the Court's role in shaping American politics. Has the Court been elitist in allowing unpopular radicals to speak, as it has in the modern era?[102] Or was it elitist for the Court to jump on the popular political bandwagon and suppress radicals during, and more importantly, after World War I?[103] Was it elitist in *Herndon v. Lowry*[104] to overturn the conviction of the black Communist sent to the Georgia chain gang?[105] Or was it elitist to allow California to persecute and prosecute the wealthy heiress Anita Whitney for distributing Communist party leaflets,[106] or to allow the federal government to jail the pathetically powerless leaders of the Communist Party in the 1950s,[107] or to execute the Rosenbergs, who, if not innocent, were at least not guilty of causing any real harms?[108] Powe clearly shows his disgust at the Court's haste in denying the Rosenbergs a stay of execution and the Court's refusal

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101. *See* DAVID RABBAN, FREE SPEECH IN THE FORGOTTEN YEARS 19 (1997) ("[P]rewar courts did not use constitutional analysis in deciding cases that would present clear First Amendment issues to modern judges."); Paul Finkelman, *Cultural Speech and Political Speech in Historical Perspective*, 79 B.U. L. REV. 717, 737–40 (1999) (book review) (highlighting the lack of impact that discussions of free speech had on the courts before World War I).

102. *See* Brandenburg v. Ohio, 395 U.S. 444, 448–49 (1969) (overturning the conviction of a Klu Klux Klan member, who was prosecuted under a statute that made advocacy of political violence illegal, on the grounds that the member's speech did not call for "imminent lawless action").

103. *See* Schenck v. United States, 249 U.S. 47, 51 (1919) ("When a nation is at war many things that might be said in time of peace are such a hindrance to its effort that their utterance will not be endured so long as men fight and that no Court could regard them as protected by any constitutional right."); Debs v. United States, 249 U.S. 211, 215 (1919) (upholding Debs's conviction based on the precedent established in *Schenck*).

104. 301 U.S. 242 (1937).

105. *Id.* at 261 (invalidating the application of Georgia's anti-insurrection statute to Herndon, who was charged with recruiting members to the Communist Party, on the grounds that the statute did not require actual incitement to violence, and thus was unconstitutionally vague and an invasion of the right to free speech); *see also* ANGELO HERNDON, LET ME LIVE 221–41 (1937) (chronicling his own deeply biased trial for being an African-American member of the Communist Party in the South in the 1930s); CHARLES H. MARTIN, THE ANGELO HERNDON CASE AND SOUTHERN JUSTICE 181–90 (1976) (suggesting that the Court's decision in *Herndon* came amidst profound national debate about the role of the Court in advancing civil liberties and reflected the Court's move towards a more progressive political stance).

106. *See* Whitney v. California, 274 U.S. 357, 371–72 (1927) (holding that the California statute Anita Whitney was convicted under did not unconstitutionally limit freedom of speech or assembly and that a state can outlaw knowingly joining an organization that advocates political violence).

107. *See* Dennis v. United States, 341 U.S. 494, 497–502 (1951) (upholding the lower court's finding that the Communist petitioners were advocating the violent overthrow of the nation's government, and concluding that a group loses its right to unrestricted free speech when the aim of the targeted group is advocacy, rather than discussion).

108. Sam Roberts, *Figure in Rosenberg Case Admits to Soviet Spying*, N.Y. TIMES, Sept. 12, 2008, at A1 (casting doubt on the Court's harsh decision in Rosenberg v. United States, 346 U.S. 273 (1953), in light of evidence that Julius Rosenberg's leaked state secrets were largely without value and that Ethel Rosenberg, while aware of her husband's wrongdoing, was not actively involved).

"to review their espionage convictions . . . until two days after the Court adjourned."[109] But was this elitism or in fact the Court kowtowing to public opinion? Powe notes that one unnamed congressman wanted to impeach Justice William O. Douglas because he issued a stay of execution that the Court vacated two days later,[110] but I am not sure if Douglas's stay reflects his well-known elitism or his well-known support for the oppressed and his keen sense of the danger of the misuse of governmental power to harm minorities (in this case a political minority). Powe then notes that in December 1954, after the Army–McCarthy hearings, "the virtual carte blanche to hunt communists ended"[111] and that in the 1956 term the government lost every case involving communists—twelve in all—as the Court took to "lecturing Congress and HUAC that 'there is no congressional power to expose for the sake of exposure' (which was all HUAC did in the 1950s)."[112] Powe's discussion of these cases is terrific, pithy, and to the point. It is not detailed scholarship but wonderful, sharp, and at times brilliantly targeted prose that eviscerates the gutless Vinson Court and the horrible miscarriages of justice perpetrated by the Truman Administration, the early Eisenhower Administration, and Congress. But however fascinating and informative his discussions, I cannot figure out who are the elitists and who are the democrats. It reminds me of Judge Skelly Wright's discussion of broadcast regulation:

> [In] some areas of the law it is easy to tell the good guys from the bad guys . . . . In the current debate over the broadcast media and the First Amendment . . . each debator claims to be the real protector of the First Amendment, and the analytical problems are much more difficult than in ordinary constitutional adjudication . . . the answers are not easy.[113]

For Powe there are clearly bad guys—Joe McCarthy, HUAC, segregationists, the Vinson Court—but it is not at all clear if they are also the elitists.

This oddly idiosyncratic book offers neither a history of the Court nor a history of its jurisprudence. Nor does Powe successfully tie much of the Court's work to politics and the political times, as the Hoffers do so well. Powe's discussion (or lack of it) of early free speech doctrine illustrates this.

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109. POWE, *supra* note 1, at 235; *see also* HOFFER, HOFFER & HULL, *supra* note 1, at 311 (suggesting the Court's decision to vacate an initial stay in the execution was unnecessarily delayed and appeared to discount subsequently revealed evidence of perjury and collusion at trial).

110. POWE, *supra* note 1, at 236.

111. *Id.*

112. POWE, *supra* note 1, at 237 (quoting Watkins v. United States, 354 U.S. 178, 200 (1957)). HUAC is the acronym for the House Committee on Un-American Activities, popularly called the House Un-American Activities Committee, hence HUAC. DON S. KIRSCHNER, COLD WAR EXILE: THE UNDISCLOSED CASE OF MAURICE HALPERIN 7 n.4 (1995).

113. Judge J. Skelly Wright, U.S. Court of Appeals (D.C. Circuit), Speech Before the National Law Center, George Washington University (June 3, 1973), *in* FRED W. FRIENDLY, THE GOOD GUYS, THE BAD GUYS AND THE FIRST AMENDMENT: FREE SPEECH VS. FAIRNESS IN BROADCASTING, at ix (1975).

Although Powe claims this is a book that ties politics to the Court, he barely discusses the war on free speech during and immediately after World War I, which is one of the most important eras for seeing how politics affected the Court.[114] Powe mentions the prosecution of Eugene V. Debs for obstructing the draft,[115] but he does not tie it to the Court's previous articulation of the clear-and-present-danger doctrine. Indeed, Powe does not even mention *Schenck v. United States*[116] or the clear-and-present-danger doctrine that Justice Oliver Wendell Holmes Jr. created in that case, even though *Schenck* was the very first case in which the Court inquired into the nature of the Free Speech Clause in the First Amendment.[117]

The outcome and timing of the *Schenck* case, decided shortly before the more politically sensitive *Debs* case, surely must say something about elitism, politics, and the Court. During World War I, the federal government successfully prosecuted Charles Schenck, a virtually unknown official in the Philadelphia Socialist Party, under the Espionage Act for his attacks on the draft and for urging men to resist the draft.[118] The Court upheld the conviction on March 3, 1919 (well after World War I was over).[119] On March 10, the Court upheld the prosecution of Jacob Frohwerk, the publisher of a small German-language newspaper in Missouri.[120] Jacob Frohwerk was even more insignificant and obscure than Charles Schenck. In Schenck's case, Justice Oliver Wendell Holmes Jr. articulated the clear-and-present-danger doctrine by analogizing to someone falsely shouting fire in a theater.[121] This is arguably the most famous analogy in American constitutional history and a phrase known by many Americans, who otherwise know little about constitutional law. But oddly, Powe does not even mention the clear-and-present-danger doctrine. After *Schenck* Holmes applied his new doctrine in *Frohwerk*.[122] After deciding *Frohwerk*, the Court, again speaking through Holmes,

114. *See generally* PAUL MURPHY, WORLD WAR I AND THE ORIGIN OF CIVIL LIBERTIES IN THE UNITED STATES 179–247 (1979) (arguing that the first wave of substantive civil-liberty jurisprudence arose out of the World War I Era); RICHARD POLENBERG, FIGHTING FAITHS: THE ABRAMS CASE, THE SUPREME COURT, AND FREE SPEECH 207–42 (1987) (tying the origins of the clear-and-present-danger doctrine to the social and political landscape of World War I America); SAMUEL WALKER, IN DEFENSE OF AMERICAN LIBERTIES: A HISTORY OF THE ACLU 11–39 (1990) (discussing how the increasing focus on civil liberties during World War I served as a precursor to the formation of the ACLU). For a general piece on the War, see ROBERT H. FERRELL, WOODROW WILSON AND WORLD WAR I, 1917–1921, at 13–29 (1985).

115. Debs v. United States, 249 U.S. 211, 212 (1919).

116. Schenck v. United States, 249 U.S. 47 (1919).

117. *Id.* at 49; WALKER, *supra* note 114, at 26.

118. *Schenck*, 249 U.S. at 47.

119. *Id.* at 53. Actual combat ended with the November 11, 1918 Armistice. FERRELL, *supra* note 114, at 132–33. World War I ended officially for the United States with the signing of various treaties between 1919 and 1920, most notably the Treaty of Versailles on June 28, 1919. *Id.* at 142.

120. Frohwerk v. United States, 249 U.S. 204, 210 (1919).

121. *Schenck*, 249 U.S. at 52.

122. *Frohwerk*, 249 U.S. at 206–07.

announced the decision in *Debs*.[123] As Powe correctly notes, Debs was a very important political figure "who had won a million votes as the Socialist Party candidate for president in 1912."[124] In upholding Debs's conviction, Holmes dismissed his constitutional arguments by noting, "The chief defences upon which the defendant seemed willing to rely were the denial that we have dealt with and that based upon the First Amendment to the Constitution, disposed of in Schenck v. United States . . . . His counsel questioned the sufficiency of the indictment. It is sufficient in form."[125] Thus, the Court used the convictions of two non-entities (Schenck and Frohwerk) to set the stage for the jailing—for ten years—of a major political figure who opposed the War. Here is a deeply important example of how politics, elitism, and the Court interact, but unfortunately, Powe does not even mention *Schenck*, even though it set the stage for *Debs*, which he does discuss. Nor does he discuss the clear-and-present-danger doctrine, even though it would be at the center of speech issues for at least half a century.

Shortly after World War I the Court began the process of applying the Bill of Rights to the states. This process began with *Meyer v. Nebraska*[126] and *Pierce v. Society of Sisters*,[127] as the Court applied what was essentially a substantive due process analysis to laws banning the teaching of foreign languages and prohibiting private-school education.[128] These decisions

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123. Debs v. United States, 249 U.S. 211, 216 (1919).

124. POWE, *supra* note 1, at 190. Actually, Debs only won 900,370 votes, which was impressively 6% of the popular vote. John Woolley & Gerhard Peters, The American Presidency Project: Election of 1912, http://www.presidency.ucsb.edu/showelection.php?year=1912. It might seem churlish to fault Harvard University Press (or Powe) for being off by a mere 100,000 votes, but an 11% error in a popular vote is hardly insignificant. Significantly, while in jail in 1920 Debs would actually carry slightly more votes (913,664), which leads Powe to conclude "he won almost a million votes while in jail." J. DAVID GILLESPIE, POLITICS AT THE PERIPHERY 181 (1993); POWE, *supra* note 1, at 190.

125. *Debs*, 249 U.S. at 215 (citing *Frohwerk*, 249 U.S. at 209).

126. 262 U.S. 390 (1923).

127. 268 U.S. 510 (1925).

128. *See Meyer*, 262 U.S. at 399, 403 (holding that the Fourteenth Amendment protects a broad range of individual rights, including the right "to acquire useful knowledge," and noting that "[n]o emergency has arisen which renders knowledge by a child of some language other than English so clearly harmful as to justify its inhibition with the consequent infringement of rights long freely enjoyed"); *Pierce*, 268 U.S. at 534–35 (striking down an Oregon statute mandating public school attendance because it "unreasonably interferes with the liberty of parents and guardians to direct the upbringing and education of children under their control. . . . [R]ights guaranteed by the Constitution may not be abridged by legislation which has no reasonable relation to some purpose within the competency of the state"); WILLIAM G. ROSS, FORGING NEW FREEDOMS: NATIVISM, EDUCATION, AND THE CONSTITUTION, 1917–1927, at 186 (1994) ("In addition to inaugurating a new era of civil liberties, *Meyer* and *Pierce* started a profound revolution in federalism by anticipating the long process by which the Court gradually incorporated most of the guarantees in the Bill of Rights into state law."); Paul Finkelman, *The War on German Language and Culture, 1917–1925*, *in* CONFRONTATION AND COOPERATION: GERMANY AND THE UNITED STATES IN THE ERA OF WORLD WAR I, 1900–1914, at 177, 191–94 (Hans-Jürgen Schröder ed., 1993) (explaining that in the *Meyer* and *Pierce* decisions, the Court's holdings illustrated the fear "that in fighting against German 'tyranny,' Americans were creating their own, home-grown system of tyranny and oppression, which violated the guarantees of the Constitution").

struck down state laws that discriminated against immigrants and their children—especially those of German, Japanese, and Catholic descent.[129] These cases, which Powe does discuss, set the stage for the incorporation of the Bill of Rights to the states through the Fourteenth Amendment in *Gitlow v. New York*.[130] This was a major revolution in constitutional law and a significant change in the way the Supreme Court examined the Constitution.[131] Incorporation remains one of the great issues in constitutional law. Understanding the Court's twisted road to incorporation—and its failure to fully come to terms with it—is central to our understanding of the Court and the Constitution. This is a deeply political issue that demonstrates the intersection between the Court, the Constitution, and politics. Astonishingly, Powe does not mention *Gitlow* and barely considers incorporation. I would have liked to read Powe's analysis of incorporation and learn whether it was elitist to force the states to accept the federal Bill of Rights, or non-elitist and democratic (with a small "d") to make the states respect the fundamental liberties of the people.

Powe's book is narrowly focused on the Court, even as he tells us that his book is designed to place the Court in the context of American politics. Powe notes he came to this project after a career as a teacher of constitutional law.[132] The dust jacket quotes another constitutional law professor, Jack Balkin of Yale, declaring that this book is "great fun to read" and is "lively" and "opinionated."[133] All of this is true. Unfortunately, it is also quite problematic. As a constitutional law scholar, reading Powe's work is intriguing and thought provoking. He has wonderful insights into why judges might act as they do. Like the Hoffers, he would want to situate the Court in the politics of the times and within American history. Unlike the Hoffers, however, Powe is not really a historian. Thus, in many places his history is confused, wrong, or only tells part of the story. This is not merely disciplinary competition. He builds his argument on history, but if the history is not correct, then the arguments fall.

For example, in introducing his discussion of *Sturges v. Crowninshield*,[134] which involved a state bankruptcy law,[135] he argues that "[b]ecause of the depression at the end of the 1810s, states had to decide

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129. *See Pierce*, 268 U.S. at 532 (noting that the Catholic school, as part of its educational program, provided religious and moral instruction); *Meyer*, 262 U.S. at 401 (observing that under the ban, dead languages such as "Latin, Greek, [and] Hebrew are not proscribed; but German, French, Spanish, Italian and every other alien speech are within the ban"); Finkelman, *supra* note 128, at 191–96 (discussing *Meyer*'s effect on German-Americans).

130. 268 U.S. 652 (1925).

131. 2 UROFSKY & FINKELMAN, *supra* note 1, at 651–52.

132. Unmemorable Opinions, a Memorable Man, Posting of Lucas A. Powe Jr., to Room for Debate, http://roomfordebate.blogs.nytimes.com/2009/05/01/the-judgment-on-justice-souter/#powe (May 1, 2009).

133. POWE, *supra* note 1, at dust jacket.

134. 17 U.S. (4 Wheat.) 122 (1819).

135. *Id.*

what to do about insolvent debtors."[136] I assume this is a reference to the Panic of 1819.[137] However, because *Sturges* was decided in 1819—the year of the Panic—it would have been impossible for the act at issue in the case to have been passed in response to that Panic and then to have been brought before the Court in the year of the Panic. In fact, as Powe notes on the next page, in *Sturges* the Court was asked to determine the constitutionality of a law passed in 1811—eight years before the Panic and at the beginning of the 1810s, not the end.[138] The outcome in *Sturges* may very well have been tied to the Panic, but the case began before the Panic and was about a statute passed well before the Panic. The case may also have been about the Court and the American Elite, but unfortunately, the author makes no attempt to tie the parties to their elite (or non-elite) economic and social status. Nor does he explain how and why insolvency laws, which the Court undermined in this case,[139] worked to the disadvantage of some economic classes and the advantage of others.

Powe's "opinionated" analysis is equally misleading, in part because Powe seems intent on reinterpreting constitutional history, sometimes without much fidelity to the history itself. His discussion of *McCulloch v. Maryland*[140] illustrates the problem of his approach. As Powe correctly notes, Chief Justice Marshall's opinion in *McCulloch* was his "most important"[141] because he used the case "to write as strongly nationalist an opinion as possible."[142] Few constitutional scholars would disagree with this assessment. As others have noted, "His 'state paper,' as it has been properly called, expounded theories of national supremacy and federal power that over the next century and a half would be used to justify the growth of the central government and its involvement in nearly every aspect of national life."[143] Powe concludes that all this was unnecessary to the case and that Marshall's opinion "went far beyond the facts of the case into the realm of supposedly forbidden (because unconstitutional) advisory opinions."[144] Clearly Marshall wrote a broad opinion, setting out where congressional power begins and ends and setting out a theory of the Constitution.[145] But, if this makes it an

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136. POWE, *supra* note 1, at 63.

137. *See* MURRAY N. ROTHBARD, THE PANIC OF 1819: REACTIONS AND POLICIES, at vii (Ludwig von Mises Inst. 2007) (1962) (labeling the Panic of 1819 as America's first great economic crisis not caused by a singular event).

138. *Sturges*, 17 U.S. at 212; POWE, *supra* note 1, at 64.

139. *Sturges*, 17 U.S. at 200–08.

140. 17 U.S. (4 Wheat.) 316 (1819).

141. POWE, *supra* note 1, at 68.

142. *Id.*

143. 1 UROFSKY & FINKELMAN, *supra* note 1, at 219–20.

144. POWE, *supra* note 1, at 69.

145. *See McCulloch*, 17 U.S. at 421 ("[W]e think the sound construction of the constitution must allow to the national legislature that discretion, with respect to the means by which the powers it confers are to be carried into execution, which will enable that body to perform the high duties assigned to it, in the manner most beneficial to the people. Let the end be legitimate, let it be within

unconstitutional advisory opinion, then almost all important opinions which explain the result of a holding are advisory.[146]

More problematic than his assertion that *McCulloch* was unnecessary is his odd summary of the case. He starts his discussion of *McCulloch v. Maryland* by noting that Maryland had passed "a nondiscriminatory revenue measure, commensurate with the bank's booming business in the state" that would have led the federally chartered Bank of the United States to pay $15,000 in state taxes.[147] What Professor Powe does not tell the reader is that $15,000 in 1818, when the law was passed, would be worth about $462,000 today.[148] Nor is it at all clear what the "bank's booming business in the state" was at this time. The main branch of the bank was in Philadelphia and the Baltimore branch was not opened until 1817.[149] Thus, the 1818 Maryland law could not have been based on a booming business when it was passed. Nor was the Bank of the United States as a whole making great profits. In 1818 the bank had about $22.4 million in liabilities (mostly in the form of state banknotes) but had only about $2.4 million in specie (gold and silver).[150] Because the bank had a national policy of redeeming all notes in specie when requested to do so, the bank in 1818 was on verge of collapse.[151] This leads one to wonder what sort of "booming business" the bank had in 1818 when the law was passed. Since Powe does not provide any secondary sources for this claim, we can only wonder if in fact he has any evidence to support it. Certainly none of the economic or historical data I have found would support it.

The real issue here, however, is Powe's claim that the law was "nondiscriminatory." The title of the law creating the tax illustrates the problem with Powe's analysis. "An act to impose a Tax on all Banks or Branches thereof in the State of Maryland not chartered by the Legislature,"[152] by definition, applied *only* to banks operating in Maryland that were chartered outside of the state. This provision alone might be considered discriminatory. But the kicker here, which Powe leaves out, is

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the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the constitution, are constitutional.").

146. For example, in *Miranda v. Arizona*, 384 U.S. 436 (1966), the Court not only threw out Miranda's coerced confession and thus his conviction but also explained in great detail what was necessary for a constitutionally permissible interrogation, *id.* at 444–60. This too must have been an advisory opinion, although Powe never really discusses the case except to complain when the Court reaffirmed it. POWE, *supra* note 1, at 316.

147. POWE, *supra* note 1, at 68.

148. Tom's Inflation Calculator, http://www.halfhill.com/inflation.html. This calculation is based on the U.S. retail-price annual average.

149. *McCulloch*, 17 U.S. at 318.

150. Leon M. Schur, *The Second Bank of the United States and the Inflation After the War of 1812*, 68 J. POL. ECON. 118, 130 (1960).

151. *Id.* at 121.

152. Act of Feb. 11, 1818, ch. 156, 1817–1818 Md. Laws 174.

that there was only *one* bank in Maryland that fit this description: the branch of the Bank of the United States in Baltimore.[153] He argues that Marshall struck down the ability of a state to "nondiscriminatorily tax a federally chartered private corporation"[154] without noting that the tax did not apply equally to state chartered banks, and so was in fact a tax that discriminated against the federal bank. It may be that Powe thinks *McCulloch* was wrongly decided. Maybe it was. But, it can hardly be argued that this was a "fair tax,"[155] as Powe asserts. Powe would have been more persuasive if he had explained why a tax that affected only *one* bank in the entire state could be "nondiscriminatory." Similarly, he would have been on stronger grounds if he had demonstrated the bank's "booming business" and profits in February 1818 when the law was passed. The bank had been chartered in April 1816[156] and actually began operations on January 1, 1817.[157] Because of poor administration and leadership, in less than a year and a half the bank's "[o]ffices were drained of their capital."[158] In February 1818 when Maryland passed the law, the bank was teetering on failure. By the time Marshall heard *McCulloch*, the situation was worse, and fraud and mismanagement had led to the loss of more than $1.6 million in the Baltimore branch.[159] There was no "booming business" for the bank, especially in Baltimore. On the contrary, the bank as a whole was teetering on collapse, and the Baltimore branch was in worse shape than other branches of the bank.

Powe is correct that the history of the Court must be placed in larger political history. But, quite frankly, that requires a firm grasp of national and constitutional history that Powe fails to demonstrate. His strengths—and there are many—are found in his delightful and sometimes brilliant discussions of the Court in the last half-century. But, even here the book is idiosyncratic. It is not bad that it is "opinionated," but it would have been better and more useful book if the opinions were better grounded in history and if the thesis—of elitism and politics—was more clearly articulated.

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153. *See* Alfred Cookman Bryan, *History of State Banking in Maryland*, *in* 17 ECONOMIC HISTORY—MARYLAND AND THE SOUTH 17, 17–24 (Herbert B. Adams ed., 1899) (detailing the history of banking in Maryland, and indicating that the Baltimore branch of the Bank of the United States was the only bank in Maryland not chartered by the state during the early 1800s).

154. POWE, *supra* note 1, at 71.

155. *Id.*

156. *See* Act of Apr. 10, 1816, ch. 44, 1816 Md. Laws 266 (incorporating the subscribers of the Bank of the United States).

157. Report from Langdon Cheves, President of the Bank of the United States, 1822, *in* 1 DOCUMENTARY HISTORY OF BANKING AND CURRENCY IN THE UNITED STATES 582, 582 (Herman E. Krooss & Paul A. Samuelson eds., 1977).

158. *Id.* at 583.

159. *Id.* at 586.

II. Slavery, the Constitution, and the Court

In a brilliant essay during the bicentennial of the U.S. Constitution, William M. Wiecek described the problem of slavery at the Constitutional Convention as "[t]he Witch at the Christening."[160] Wiecek likened slavery to a witch who shows up at a christening, unwanted and uninvited, to curse the child, as in the story of *Sleeping Beauty*.[161] At the time he wrote the essay, only a few scholars were interested in thinking about the role of slavery at the Convention.[162] The traditional story, told for generations, was that slavery was unimportant to the founding. The framers, we were told, expected slavery to disappear, and so they felt it was unnecessary to actually worry about it at the Convention. Thus, a decade and a half before the bicentennial of the Constitution, William W. Freehling argued that the framers were inherently antislavery and that "[t]he impact of the Founding Fathers on slavery . . . must be seen in the long run not in terms of what changed in the late eighteenth century but in terms of how the Revolutionary experience changed the whole American antebellum history."[163] Twenty years later, the prize-winning scholar Don E. Fehrenbacher argued much the same way, claiming that "the Constitution had some bias toward freedom but was essentially open-ended with respect to slavery."[164] Similarly, the conservative legal scholar Earl Maltz has argued that "the Constitution of 1787 took no position on the basic institution of slavery."[165]

Scholars of the Revolution have also been reluctant to talk about slavery at the founding. David Waldstreicher, for example, notes in *Slavery's Constitution: From Revolution to Ratification*, that many of the greatest scholars of the Revolutionary period have ignored slavery.[166] These scholars,

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160. William M. Wiecek, *The Witch at the Christening: Slavery and the Constitution's Origins*, *in* THE FRAMING AND RATIFICATION OF THE CONSTITUTION 167, 167 (Leonard W. Levy & Dennis J. Mahoney eds., 1987).

161. *Id.*

162. At about this time, I published my first article on the issue, Paul Finkelman, *Slavery and the Constitutional Convention: Making a Covenant with Death*, *in* BEYOND CONFEDERATION: ORIGINS OF THE CONSTITUTION AND AMERICAN NATIONAL IDENTITY 188 (Richard Beeman et al. eds., 1987) [hereinafter Finkelman, *Slavery and the Constitutional Convention*]. For early works that discussed slavery and the Constitutional Convention, see PAUL FINKELMAN, AN IMPERFECT UNION: SLAVERY, FEDERALISM, AND COMITY 22–40 (1981) [hereinafter FINKELMAN, AN IMPERFECT UNION]; DONALD L. ROBINSON, SLAVERY IN THE STRUCTURE OF AMERICAN POLITICS, 1765–1820, at 131–247 (1971) and WILLIAM M. WIECEK, THE SOURCES OF ANTISLAVERY CONSTITUTIONALISM IN AMERICA, 1760–1848, at 62–83 (1977). While focused on larger issues, the role of slavery at the Convention was also dealt with in DAVID BRION DAVIS, THE PROBLEM OF SLAVERY IN THE AGE OF REVOLUTION, 1770–1823, at 122–31 (1975).

163. William W. Freehling, *The Founding Fathers and Slavery*, 77 AM. HIST. REV. 81, 82 (1972).

164. DON E. FEHRENBACHER, THE FEDERAL GOVERNMENT AND SLAVERY 3, 6 (1984).

165. Earl M. Maltz, *Slavery, Federalism, and the Structure of the Constitution*, 36 AM. J. LEGAL HIST. 466, 468 (1992).

166. DAVID WALDSTREICHER, SLAVERY'S CONSTITUTION: FROM REVOLUTION TO RATIFICATION 10–19 (2009).

most importantly Bernard Bailyn and Gordon Wood, see the Revolution in ideological terms, as a great movement that led to a new nation based on republicanism and self-government. They see the Constitution as "the ideological fulfillment of the American Revolution."[167] Intellectual historians of the founding, like Bailyn, Wood, and Jack Rakove, according to Waldstreicher, "see slavery as at most a side issue—a distraction that nearly derailed the Constitution."[168] These scholars, like Fehrenbacher and Maltz, would have us believe that "the Constitution's silence about slavery . . . suggests the praiseworthy antislavery implications of that silence."[169] More importantly, it "excuses the framers from having done anything more" about slavery at the founding.[170]

The countertrend to this recognizes the importance of slavery at the founding and throughout the antebellum period. This trend also understands that, to a great extent, slavery shaped the writing of the Constitution and its implementation. Donald Robinson's magisterial *Slavery in the Structure of American Politics* provides an in-depth look at slavery at the founding and during the early national period.[171] Other works support this, including David Brion Davis's volume *The Problem of Slavery in the Age of Revolution*,[172] William M. Wiecek's work on antislavery constitutional thought,[173] and my books *An Imperfect Union* and *Slavery and the Founders: Race and Liberty in the Age of Jefferson*.[174] More recently, David Waldstreicher's *Slavery's Constitution: From Revolution to Ratification* added to this literature. During the Revolution, the British intellectual Samuel Johnson asked, "How is it that we hear the loudest *yelps* for liberty among the drivers of negroes?"[175] Scholars who see slavery as central to the American founding provide an answer for Johnson. The American master class, led by Thomas Jefferson, Patrick Henry, Charles Cotesworth Pinckney, and George Mason, fully understood that slavery was vulnerable within the Empire. Thus, many members of the master class revolted. The Constitution

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167. *Id.* at 11 (internal quotations omitted) (endorsing Bailyn's claim that the Constitution is a document showing the reasonableness of the Revolution and that consequently, limits were necessary).

168. *Id.*

169. *Id.* at 12.

170. *Id.*

171. *See* ROBINSON, *supra* note 162, at 4–6 (highlighting the role of slavery as a political issue at the time of the founding).

172. *See* DAVIS, *supra* note 162, at 104–07 (citing as an example the founders' assumption that slavery would be taken into account, at a minimum, for the purposes of taxation and representation).

173. *See* WIECEK, *supra* note 162, at 62–83 (discussing the role slavery played in the drafting of and debate surrounding the Constitution).

174. *See* FINKELMAN, AN IMPERFECT UNION, *supra* note 162, at 22–45 (describing how the Constitutional Convention was affected by the issue of slavery); PAUL FINKELMAN, SLAVERY AND THE FOUNDERS: RACE AND LIBERTY IN THE AGE OF JEFFERSON 2 (2d ed. 2001) [hereinafter FINKELMAN, SLAVERY AND THE FOUNDERS] ("A careful reading of the Constitution reveals that the [abolitionists] were correct: the national compact did favor slavery.").

175. FINKELMAN, SLAVERY AND THE FOUNDERS, *supra* note 174, at 48.

for them was "the ideological fulfillment of the American Revolution,"[176] but with a catch. For them, guaranteeing the right to property in people and giving them almost unrestricted power to regulate and control race relations were central to their ideology.[177] Thus, the Convention that wrote the Constitution of 1787 was populated by many men with huge investments in slavery who were determined to create a framework of government that would protect their special form of property.

They were enormously successful in this. Five provisions in the Constitution were directly about slavery. The Three-fifths Clause[178] gave the slave states extra representation in Congress by counting the slaves for representation, even though no southern state legislatures even considered counting slaves for the purpose of representation.[179] Thus, masters in those areas of the South with huge slave populations that often outnumbered free people, such as coastal South Carolina and tidewater Virginia,[180] gained extra power in the House of Representatives that they did not even have in their own state legislatures. The Migration and Importation Clause prohibited the national government from ending the international slave trade for *at least* twenty years (until 1808) but did not require a ban on it after that time.[181] This was the only substantive limitation on Congress's plenary power "to Regulate commerce with foreign Nations."[182] The Capitation Tax Clause required that Congress apply the Three-fifths Clause to any "capitation tax" or other "direct" tax.[183] Article IV of the Constitution provided that no state could emancipate a fugitive slave and that any fugitive slave escaping into another state had to "be delivered up on Claim of the Party to whom such Service or Labour may be due."[184] Finally, the amendment provisions of the Constitution prohibited any alteration to the Constitution that would allow the abolition of the slave trade before 1808.[185] It is worth noting that no other form of property, or indeed no other regulation of social status, had any specific constitutional protection. States were free to recognize, or reject, all sorts of social statuses and regulate all kinds of property; so was Congress.

176. WALDSTREICHER, *supra* note 166, at 11.

177. *See* FINKELMAN, SLAVERY AND THE FOUNDERS, *supra* note 174, at 7–18 (summarizing the southern states' arguments in favor of slavery at the Constitutional Convention).

178. U.S. CONST. art. I, § 2, cl. 3.

179. Finkelman, *Slavery and the Constitutional Convention*, *supra* note 162, at 188, 198 n.26.

180. *See* CHARLES MANFRED THOMPSON, HISTORY OF THE UNITED STATES: POLITICAL, INDUSTRIAL, SOCIAL 293 (1917) (noting the high slave populations in Virginia and South Carolina and that in South Carolina the slaves outnumbered the whites).

181. U.S. CONST. art. I, § 9, cl. 1.

182. *Id.* art. I, § 8, cl. 3.

183. *Id.* art. I, § 9, cl. 4. This was partially redundant since Article I also provided that the Three-fifths Clause would be applied to any "direct tax" that might be "apportioned among the several States." *Id.* art. I, § 2, cl. 3.

184. *Id.* art. IV, § 2, cl. 3.

185. *Id.* art. V.

Only slave property and the legal status of "slave" received special constitutional recognition and protection.

In addition to these five specific clauses, numerous other clauses of the Constitution directly and indirectly protected slavery. Some provisions that indirectly guarded slavery, such as the prohibition on taxing exports, were included primarily to protect the interests of slaveholders.[186] Others, such as the guarantee of federal support to "suppress Insurrections"[187] and the creation of the Electoral College, were written with slavery in mind, although delegates also supported them for reasons having nothing to do with slavery.[188] The most prominent indirect protections of slavery were in the following clauses:

> Article I, Section 8, Clause 15. The Domestic Insurrections Clause empowered Congress to call "forth the Militia" to "suppress Insurrections," including slave rebellions.[189]
>
> Article I, Section 9, Clause 5. This clause prohibited federal taxes on exports and thus prevented an indirect tax on the staple products of slave labor, such as tobacco, rice, and eventually cotton.[190]
>
> Article I, Section 10, Clause 2. This clause prohibited the states from taxing exports or imports, thus preventing an indirect tax on the products of slave labor by a nonslaveholding state.[191]
>
> Article II, Section 1, Clause 2. This clause provided for the indirect election of the President through an electoral college based on congressional representation.[192] It also incorporated the Three-fifths Clause into the electoral college, giving whites in slave states a disproportionate influence in the election of the president.[193]
>
> Article IV, Section 3, Clause 1. This clause allowed for the admission of new states.[194] The delegates to the Convention anticipated the admission of new slave states to the Union.[195]
>
> Article IV, Section 4. The Domestic Violence Clause guaranteed the U.S. government would protect states from "domestic Violence," including slave rebellions.[196]

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186. Paul Finkelman, *Affirmative Action for the Master Class: The Creation of the Proslavery Constitution*, 32 AKRON L. REV. 423, 429 (1999).

187. U.S. CONST. art. I, § 8, cl. 15.

188. Finkelman, *supra* note 186, at 429.

189. U.S. CONST. art. I, § 8, cl. 15.

190. *Id.* art. I, § 9, cl. 5; Paul Finkelman, *The Root of the Problem: How the Proslavery Constitution Shaped American Race Relations*, 4 BARRY L. REV. 1, 7 (2003).

191. U.S. CONST. art. I, § 10, cl. 2.

192. *Id.* art. II, § 1, cl. 2.

193. *Id.* For a detailed discussion of the relationship between slavery and the electoral college, see generally Paul Finkelman, *The Proslavery Origins of the Electoral College*, 23 CARDOZO L. REV. 1145 (2002).

194. *Id.* art. IV, § 3, cl. 1.

195. Finkelman, *supra* note 190, at 8.

Article V. By requiring a three-fourths majority of the states to ratify any amendment to the Constitution,[197] this Article ensured that the slaveholding states would have a perpetual veto over any constitutional changes.[198]

Many other clauses would impact slavery under the Constitution, such as the provision giving Congress power over the national capital,[199] the provision giving Congress, and not the states, the power to regulate naturalization,[200] which Congress would limit to whites,[201] and the provision giving Congress the power to regulate the territories.[202]

Given the vast number of constitutional provisions protecting slavery, it is no wonder that the great abolitionist William Lloyd Garrison considered the Constitution to be the result of a terrible bargain between freedom and slavery. The American states were, in Garrison's words, united by a "covenant with death" and "an agreement with Hell."[203] Garrison and his followers refused to participate in American electoral politics because to do so they would have had to support the "pro-slavery, war-sanctioning Constitution of the United States."[204] Instead, under the slogan, "No Union with Slaveholders,"[205] the Garrisonians repeatedly argued for a dissolution of the Union.[206]

Starting with the first Congress, issues of slavery bedeviled the Legislative and the Executive Branches. By the early 1800s, cases involving slavery came before the Supreme Court. In the 1790s, Congress regulated—but could not ban—the African slave trade;[207] passed laws to allow or ban slavery in the federal territories;[208] regulated the capture and return of

196. U.S. CONST. art. IV, § 4.

197. *Id.* art. V.

198. DON E. FEHRENBACHER, THE SLAVEHOLDING REPUBLIC 46 (2001).

199. U.S. CONST. art. I, § 8, cl. 17.

200. *Id.*

201. An Act to Establish a Uniform Rule of Naturalization § 1, 1 Stat. 101 (1790).

202. U.S. CONST. art. IV, § 3, cl. 2.

203. William Lloyd Garrison, *Repeal of the Union*, THE LIBERATOR, May 6, 1842, at 3.

204. Letter from William Lloyd Garrison to Reverend Samuel J. May, (July 17, 1845), *in* 3 THE LETTERS OF WILLIAM LLOYD GARRISON 303, 303 (Walter M. Merrill ed., 1973).

205. William Lloyd Garrison, *Address to the Friends of Freedom and Emancipation in the United States*, THE LIBERATOR, May 31, 1844, at 2.

206. *See* JAMES BREWER STEWART, HOLY WARRIORS: THE ABOLITIONISTS AND AMERICAN SLAVERY 98–99, 158–59 (1976) (comparing the Liberty Party's advocacy of eliminating the slave trade by changing existing laws with the more radical Garrisonians' advocacy of disunion); WIECEK, *supra* note 162, at 228–48 (analyzing the Garrisonian repudiation of the Constitution and support for the disunion of the United States). *See generally* FINKELMAN, SLAVERY AND THE FOUNDERS, *supra* note 174, at 3–36 (summarizing the Garrisonian advocacy of disunion).

207. Act of Mar. 22, 1794, ch. 11, 1 Stat. 347; Act of Feb. 12, 1793, ch. 7, 1 Stat. 302; Finkelman, *supra* note 58, at 458.

208. *See* Northwest Ordinance of 1789, 1 Stat. 50, 53 (banning slavery in the Northwest Territory); Act of Apr. 7, 1798, ch. 28, § 7, 1 Stat. 549, 550 (prohibiting the introduction of slavery into the territory of Mississippi).

fugitive slaves;[209] applied racial categories to laws on the military,[210] the militias,[211] and naturalization;[212] and provided for the maintenance of slavery in the new District of Columbia.[213] During the War of 1812, New Englanders bitterly complained that the Three-fifths Clause gave the slave states too much power.[214] They understood that the slave-holding Thomas Jefferson was elected president over John Adams by the electoral votes created through the Three-fifths Clause and its application to the Electoral College.[215] After the War of 1812, slavery—and the racial controls in the South that came with it—led to the Missouri Compromise debates, which revealed the deep rift in the nation over slavery. Congress and the Executive Branch spent enormous energy on slavery in the territories and the District of Columbia,[216] the African slave trade,[217] fugitive slaves,[218] the distribution of antislavery literature in the mail,[219] and international relations involving fugitive slaves and free blacks.[220] The Supreme Court heard many cases on these

209. *See* Ch. 7, 1 Stat. at 302 (making it a crime to assist a fleeing slave, and providing a means for recovering escaped slaves).

210. *See* BERNARD C. NALTY, STRENGTH FOR THE FIGHT: A HISTORY OF BLACK AMERICANS IN THE MILITARY 19–20 (1986) (noting that in 1792 Congress restricted enrollment to white men).

211. *See* CHARLES S. HYNEMAN, THE AMERICAN FOUNDING EXPERIENCE 49 (Charles E. Gilbert ed., 1994) ("In 1792 [Congress] limited militia enrollment to able-bodied white male citizens . . . .").

212. *See* Naturalization Act of 1790, 1 Stat. 103 (repealed 1795) ("That any alien, being a free white person, who shall have resided within the limits and under the jurisdiction of the United States for the term of two years, may be admitted to become a citizen thereof . . . .").

213. *See* CLAYTON E. JEWETT & JOHN O. ALLEN, SLAVERY IN THE SOUTH 53 (2004) (explaining that the legislation passed at the time of the District of Columbia's creation imposed on it the laws of Virginia and Maryland that governed and defined the legal status of African-Americans).

214. *See* MATTHEW MASON, SLAVERY AND POLITICS IN THE EARLY AMERICAN REPUBLIC 39, 42 (2006) (explaining that although the Three-fifths Clause was not an especially divisive issue at the turn of the nineteenth century, during the War of 1812, the "New England Federalists demonstrated the full power of slavery as a political tool in their wartime appeal to Northerners' latent hostility to slaveholders and their power").

215. Finkelman, *supra* note 193, at 1155.

216. 1 UROFSKY & FINKELMAN, *supra* note 1, at 381.

217. *Id.* at 367.

218. *Id.* at 382–84.

219. *See* WIECEK, *supra* note 162, at 174–78 (describing the sometimes bitter debates over abolitionist literature during Jackson's presidency).

220. *See, e.g.*, ROBINSON, *supra* note 162, at 299–301 (chronicling an early debate about slavery when a 1789 bill was proposed imposing a $10 tax on all slaves imported into the United States); *id.* at 376 (stating that "in the field of foreign affairs, [officials of the federal government] were bound in duty to protect slave owners against assaults on their human property"); *id.* at 347–77 (analyzing two incidents, Jay's Treaty of 1795 and American relations with Santo Domingo, as illustrative of the great effect slavery and free blacks had on foreign relations); 1 UROFSKY & FINKELMAN, *supra* note 1, at 371 (detailing the multiple Executive recommendations for reparations to Spain in the aftermath of *Amistad*, which were countered by Congress); *id.* at 380 (explaining that the Wilmot Proviso prescribed what to do with land acquired from the Republic of Mexico).

issues, and the Justices, while riding circuit, heard many more.[221] In addition, the federal courts dealt with commercial transactions over slavery,[222] freedom claims of slaves who had claimed they had been emancipated or were never actually enslaved,[223] freedom claims of slaves who had been taken to free jurisdictions by their masters,[224] and private suits against abolitionists who helped slaves escape.[225]

Lurking in the background of all these cases was the political tinderbox that slavery created. Even before the Constitution was written, some southerners were ready to end the national union to protect slavery.[226] Eventually, of course, eleven southern states would do just that.[227] The nation's greatest and most costly crisis—the Civil War—was caused by slavery. As William Wiecek noted many years ago, slavery was "The Nemesis of the Constitution."[228]

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221. *See, e.g.*, Jones v. Van Zandt, 46 U.S. (5 How.) 215, 230–31 (1847) (interpreting the Fugitive Slave Law of 1793 to allow for a private lawsuit for harboring a fugitive slave even though the defendant (Van Zandt) encountered the alleged fugitive in the free state of Ohio and had no notice that he was in fact a fugitive slave); Prigg v. Pennsylvania, 41 U.S. (16 Pet.) 539, 625–26 (1842) (striking down as unconstitutional a Pennsylvania statute requiring judicial approval prior to the removal of fugitive slaves); United States v. The Amistad, 40 U.S. (15 Pet.) 518, 597 (1841) (finding that illegally enslaved Africans that had landed in America on a foreign vessel should be set free); Vaughan v. Williams, 28 F. Cas. 1115, 1116 (McLean, Circuit Justice, C.C.D. Ind. 1845) (No. 16,903) (holding that if a resident of Indiana harbored someone who had escaped from slavery the harborer would be liable for damages under the Fugitive Slave Law of 1793, though Justice McLean, riding circuit, held that the alleged slave had actually become free and thus the outcome favored the abolitionist). For a discussion of the *Vaughan* case, see Paul Finkelman, *John McLean: Moderate Abolitionist and Supreme Court Politician*, 62 VAND. L. REV. 519, 555–58 (2009).

222. *See, e.g.*, Groves v. Slaughter, 40 U.S. (15 Pet.) 449, 497 (1841) (considering the legality and validity of the sale of slaves in Mississippi in light of a provision of the Mississippi Constitution limiting the importation into the state of slaves as merchandise); Marshall v. Beverley, 18 U.S. (5 Wheat.) 313, 315 (1820) (hearing, but not ruling on, a claim that a sale of slaves was in violation of a deed of trust); Cassedy v. Williams, 5 F. Cas. 272, 272 (C.C.D.C. 1843) (No. 2,501) (concerning the purchase of a slave for $600 worth of notes from a failed bank).

223. *See, e.g.*, Williams v. Ash, 42 U.S. (1 How.) 1, 14 (1843) (holding that bequests of freedom to slaves were valid).

224. *See, e.g.*, Dred Scott v. Sandford, 60 U.S. (19 How.) 393, 399, 454 (1856) (establishing the plaintiff's inability to sue in court due to his lack of citizenship, thereby refusing to hear his claims for freedom); Strader v. Graham, 51 U.S. (10 How.) 82, 97 (1850) (holding that the states were free to determine the status of people in their jurisdiction, limited only by the Fugitive Slave Clause of the Constitution); Rhodes v. Bell, 43 U.S. (2 How.) 396, 404–05 (1844) (holding that a slave was free under Maryland law when he was brought from Virginia to D.C. for the purpose of sale).

225. *See, e.g.*, *Jones*, 46 U.S. at 231–32 (finding for the plaintiff against the abolitionist, who knowingly harbored the fugitive slave); Oliver v. Kauffman, 18 F. Cas. 657, 658–59 (Grier, Circuit Justice, C.C.E.D. Pa. 1850) (No. 10,497) (charging the jury to set aside their personal sentiments regarding slavery, whatever those may be, and fairly apply the law).

226. *See, e.g.*, Finkelman, *supra* note 58, at 445 (describing the threats of a South Carolina delegate to the Constitutional Convention that the Constitution's acceptance was contingent on the slavery question).

227. 1 UROFSKY & FINKELMAN, *supra* note 1, at 427.

228. HAROLD M. HYMAN & WILLIAM M. WIECEK, EQUAL JUSTICE UNDER LAW: CONSTITUTIONAL DEVELOPMENT, 1835–1875, at 86 (1982).

How then, do these new volumes on the history of the Supreme Court deal with slavery? How do they confront this nemesis that so bothered the Courts and nearly destroyed the nation?

In Lucas Powe's world, slavery was not an issue until the Missouri Compromise debates. He argues that "[f]or the Constitution's first three decades slavery was a dormant issue."[229] Then it "burst onto the scene in arguments over whether Missouri would be admitted as a state only with conditions placed on slavery."[230] It is not clear what "scene" slavery had suddenly burst upon or how it was "dormant" before then. The First Congress had debated slavery and the African slave trade. Benjamin Franklin's last public act, on February 12, 1789, was to send a petition to Congress denouncing slavery as a violation of the "political creed of Americans" and urging Congress to end the African Slavery Trade.[231] This led to an outburst from the South Carolina and Georgia delegations in Congress attacking this aging patriot, with South Carolina's William L. Smith declaring Franklin's petition to be "an attack on the palladium of the property of our country."[232] Congressman James Jackson offered a more vigorous attack and Franklin responded with a brilliant satirical essay defending slavery from the perspective of the fictitious Sidi Mehemet Ibrahim, a member of the Divan of Algiers.[233] Slavery had in fact burst upon the national political scene during the Revolution[234] over such issues as black enlistment, the slave trade, taxing the states based on their whole population, and Lord Dunmore's proclamation to free slaves who would fight for the British.[235] At the Constitutional Convention the delegates had angry debates over slavery and in the early Congress slavery was a political issue. Indeed, slavery "burst onto the scene" at the beginning of the American nation, and it would remain on the political and legal agenda, at least until it was abolished in 1865.

In the 1790s, as I noted above, Congress passed legislation regulating fugitive slaves[236] and the African slave trade.[237] Before abolishing the

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229. POWE, *supra* note 1, at 91.

230. *Id.* at 71.

231. ROBINSON, *supra* note 162, at 303.

232. *Id.*

233. Letter from Benjamin Franklin to the Editor of the Federal Gazette (Mar. 23, 1790), *available at* http://franklinpapers.org/franklin/framedVolumes.jsp.

234. *See* DAVIS, *supra* note 162, at 92–94 (discussing the problem of slavery during the Constitutional Convention); FINKELMAN, AN IMPERFECT UNION, *supra* note 162, ch. 1 (explaining how slavery affected many of the Constitutional Convention's most crucial decisions); ROBINSON, *supra* note 162, at 148 (discussing threats by South Carolinians in 1777 to dissolve the emerging Union over slavery); ARTHUR ZILVERSMITH, THE FIRST EMANCIPATION: THE ABOLITION OF SLAVERY IN THE NORTH 137–38 (1967) (discussing how slavery was ending during and immediately after the Revolution).

235. BENJAMIN QUARLES, THE NEGRO IN THE AMERICAN REVOLUTION, at xiii–xxv (1961).

236. *See supra* note 209 and accompanying text.

African trade in 1807,[238] Congress would pass other laws regulating it.[239] The slave-trade laws led to a number of cases that the Justices heard on circuit, while a few reached the full Court.[240] During this period the Court also heard a number of cases involving freedom claims, always rejecting them.[241] Congress also heard numerous petitions from settlers in the Old Northwest to repeal, amend, or suspend the Northwest Ordinance.[242] In other words, Congress, the Executive Branch, and the courts were dealing with slavery all along.

Powe's analysis of slave cases, like much of his work, is mixed. His discussions of *Prigg v. Pennsylvania*[243] and *Dred Scott* are excellent. Indeed, this part of the book is clear and sharp. He brings in outside events—the Mexican War, Bleeding Kansas—to show how slavery, politics, and constitutional developments were interconnected.[244] Most of the analysis is not new, although Powe rarely cites the secondary sources he seems to have used. But, this section covers a lot of ground and covers it well. If the whole book were like this, it would be a prize winner.

Other aspects of his discussion of slavery seem to lack precision and focus. He ignores the Court's rulings on manumission, which almost always went against slave plaintiffs under Marshall but were sometimes sympathetic to slave plaintiffs under Taney. The Court, and the Justices riding circuit,[245] were heavily involved in the African slave-trade cases,[246] and numerous

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237. Act of Mar. 22, 1794, ch. 11, 1 Stat. 347; Act of Feb. 12, 1793, ch. 7, 1 Stat. 302; *see also* Finkelman, *supra* note 58, at 458 (offering an overview of the government's actions in regulating the African slave trade).

238. Act of Mar. 2, 1807, ch. 22, 2 Stat. 426.

239. Act of Feb. 28, 1803, ch. 10, 2 Stat. 205; Act of May 10, 1800, ch. 51, 2 Stat. 70.

240. *See, e.g.*, Brig Caroline v. United States, 11 U.S. (7 Cranch) 496, 499 (1813) (adjudicating a charge based on the Act of March 22, 1774); Adams v. Woods, 6 U.S. (2 Cranch) 336, 342 (1806) (deciding a claim by a slave against his owner, brought under a Virginia law regulating the slave trade).

241. *E.g.*, Mima Queen v. Hepburn, 11 U.S. (7 Cranch) 290, 294 (1813); Scott v. Negro London, 7 U.S. (3 Cranch) 324, 331 (1806).

242. *E.g.*, Paul Finkelman, *Evading the Ordinance: The Persistence of Bondage in Indiana and Illinois*, 9 J. EARLY REPUBLIC 21, 23–24 (1989); Paul Finkelman, *Slavery and the Northwest Ordinance: A Study in Ambiguity*, 6 J. EARLY REPUBLIC 343, 361 (1986).

243. 41 U.S. 539 (1842).

244. *See* POWE, *supra* note 1, at 100–02 (discussing the constitutional issues created by the Mexican War, and noting that "[o]ver the course of the Mexican War the Wilmot Proviso was but one of several options articulated to deal with slavery in the territories" and that each of the proposals had a constitutional basis); *id.* at 104 (discussing how Bleeding Kansas illustrated the South's view of the North and impacted the slavery debate).

245. Unfortunately, neither Powe nor Hoffer, Hoffer, and Hull tells us very much if anything about the nature of circuit riding before the reorganization of the Courts in 1891, when circuit riding was abolished. Circuit Courts of Appeals Act, 26 Stat. 826 (1891). This is unfortunate because, at least before the Civil War, the Justices spent more time on circuit than in Washington, and that is where the Court may have had its most important impact. WILLIAM H. REHNQUIST, THE SUPREME COURT 236 (Vintage Books 2002) (1987).

246. *See supra* text accompanying note 240.

fugitive-slave cases,[247] but none of that is present here. Powe's discussion of South Carolina's Black Seamen's Laws[248] is confusing, and that is too bad, because had he applied the same rigor to this section as he did in his discussion of *Dred Scott* and *Prigg*, he might have truly advanced our understanding of these issues.

In 1822, South Carolina passed legislation that required free black sailors landing in South Carolina to be jailed while their ships were in port.[249] When the ship left port the captain would pay the local sheriff for feeding and housing his black crewman, and the free black sailor would then be allowed to leave with his ship.[250] This law clearly violated the Commerce Clause of the Constitution.[251] The South Carolina law also threatened international relations, since many foreign ships had black sailors.[252] The Black Seamen's Laws led to enormous controversies from the 1820s until the Civil War.[253] In the 1840s, Massachusetts sent commissioners to South Carolina and Louisiana to negotiate over these issues, but the governors of those two states refused to even discuss the matters with the representatives from Massachusetts.[254] The treatment of free black sailors by South Carolina, and later other states, especially Louisiana, helped set the stage for the protections found in the Fourteenth Amendment.[255]

Powe begins his tale by asserting that in 1822 "[m]ost Southern states" had enacted such laws at this time,[256] when in fact only South Carolina had. In the 1830s and 1840s, after the courts and Congress had refused to face this issue, other states did pass such laws,[257] but in 1822 only South Carolina behaved this way.[258] This is not mere nitpicking about a single error of fact. The timing here is important. The South Carolina story helps us understand

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247. *See supra* notes 220–21 and accompanying text.

248. *See* POWE, *supra* note 1, at 92–94 (discussing the Justices' various reactions to the South Carolina law).

249. Act of Dec. 21, 1822, 1822 S.C. Acts 461; HERBERT A. JOHNSON, THE CHIEF JUSTICESHIP OF JOHN MARSHALL 131 (1998).

250. *Id.*

251. *See* Elkison v. Deliesseline, 8 F. Cas. 493, 495 (Johnson, Circuit Justice, C.C.D.S.C. 1823) (No. 4366) ("[The] right of the general government to regulate commerce with the sister states and foreign nations is a paramount and exclusive right[, and the] navigation of ships has always been held . . . to appertain to commercial regulations.").

252. N. JEFFREY BOLSTER, BLACK JACKS: AFRICAN AMERICAN SEAMEN IN THE AGE OF SAIL 204–05 (1997).

253. *Id.* at 206.

254. *See id.* at 204 (stating that the Massachusetts commissioners were "thwarted" and one was "almost lynched").

255. *See* Paul Finkelman, *Race and Domestic International Law in the United States*, 17 NAT'L BLACK L.J. 25, 42 (2003) (recounting that while introducing what would become the Fourteenth Amendment, Congressman John Bingham used the treatment of the Massachusetts commissioners as a reason the proposed amendment was necessary).

256. POWE, *supra* note 1, at 92.

257. *See* BOLSTER, *supra* note 252, at 198–99 (noting that beginning in the 1830s, Georgia, North Carolina, Alabama, and Louisiana enacted Black Seamen's Laws).

258. *Id.*

the way slavery undermined the Constitution, and it also helps us see how the Court failed to support both the Constitution and fundamental liberty on this issue. Had the Justices responded in a different way, it is possible other southern states might not have followed South Carolina's lead on this issue.

In 1823, in *Elkison v. Deliesseline*,[259] Justice William Johnson heard a case on the 1822 South Carolina Black Seamen's Laws while riding circuit.[260] Henry Elkison, a free black sailor on an English ship was arrested and sent to jail when the ship docked in Charleston.[261] His supporters went to Johnson to obtain relief.[262] In his long opinion, Johnson vigorously denounced the South Carolina statute,[263] and Powe notes that South Carolina "disregard[ed] Johnson's decision."[264] The problem is that Johnson never actually gave South Carolina anything to disregard. Justice Johnson asserted that South Carolina's act was unconstitutional but denied that he had any power to issue a writ of habeas corpus in the case or a writ of *homine replegiando* against the sheriff.[265] In other words, he refused to offer any relief to Elkison. Instead, Johnson told the black sailor that he only had "recourse to the state authorities."[266] Elkison might have then taken the case to the state courts, but he did not. And there the case ended. Neither Johnson nor the U.S. Supreme Court ever ruled on the issue.

To complicate matters further, Powe then notes that Chief Justice Marshall "faced a similar issue" while riding circuit, but that he "chose to duck the constitutional question."[267] The problem here is that Marshall did not in fact face a similar issue. Powe seems to be referring to *The Brig Wilson v. United States*,[268] which Marshall heard on circuit in 1820—three years *before* the Elkison case. In that case, the Virginia law only prohibited the actual migration of free blacks into the state, and not the temporary sojourn of black sailors.[269] In fact, Section 3 of this law specifically provided, "This act shall not extend to master of vessels bringing into this state any free negro or mulatto employed on board and belonging to such vessel, and who shall therewith depart . . . ."[270] This was clearly not the same issue as in the South Carolina case. Indeed, the Virginia statute specifically avoided the

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259. 8 F. Cas. 493 (Johnson, Circuit Justice, C.C.D.S.C. 1823) (No. 4,366).

260. *Id.* at 493.

261. *Id.*

262. *Id.*

263. *See id.* at 494–95 (rebuking the South Carolina statute's treatment of out-of-state black sailors as "utterly incompatib[le]" with Congress's power to regulate foreign commerce).

264. POWE, *supra* note 1, at 93.

265. *Elkison*, 8 F. Cas. at 498.

266. *Id.*

267. POWE, *supra* note 1, at 93.

268. 30 F. Cas. 239 (Marshall, Circuit Justice, C.C.D. Va. 1820) (No. 17,846).

269. An Act to Prevent the Migration of Free Negroes and Mulattoes into this Commonwealth, ch. 23, § 1, 1793 Va. Acts 28.

270. *Id.* § 3.

Commerce Clause (and perhaps the Privileges and Immunities Clause) issues created by the South Carolina statute. The outcome was also different in that Marshall ordered the release of the ship under simple statutory construction.[271] Powe notes that Marshall never reached the constitutional issue in this case and told Justice Story he did not reach it because "[he was] not fond of butting against a wall in sport."[272]

The implication here is that Marshall criticized Johnson for going to the constitutional issue when he might have been smarter to act as Marshall had, in just reading the statute in such a way to free Elkison. That might not have been possible. The South Carolina statute was clearly quite different from the Virginia statute.

I wish that Powe had taken the time to truly examine this issue. He could have brought a great deal to analyzing these issues, and perhaps getting at the problem of how slavery truly corrupted justice and jurisprudence. He might also then have told us how these Justices, while riding circuit, were either acting as an "elite," or not acting as an "elite."

Powe's discussion of slavery is over twenty pages long, illustrating his correct understanding that slavery was deeply important to our constitutional history. Hoffer, boxed in by his Chief Justiceship approach, deals with slavery in his chapter on Marshall and later in his chapter on Taney. Like Powe, he recognizes that slavery is very important, but his discussions are often cryptic and unclear. Since there are no footnotes in the Hoffer book, it is often impossible to figure out exactly what he is focusing on.

Hoffer rejects the notion that the Constitution was proslavery, or that it "promot[ed] slavery."[273] He seems to vacillate between seeing slavery as the profound problem it was—the nemesis of the Constitution—and taking a rather soft view of slavery and the Constitution. Thus, oddly, he says the Three-fifths Clause "permitted states to include" slaves in their apportionment.[274] This phrasing seems to imply that the states had a choice in the matter (which they did not under the rules of apportionment and the census) or that some might have rejected counting slaves, which of course none did. A similar confusion of language comes when Hoffer states that "[t]he framers may have hoped that slavery would die out of its own accord."[275] Which framers hoped this? Surely not the southerners who demanded, over and over again, protection for slavery in the Constitution. This kind of analysis implies an odd sort of originalism, in the sense that we can lump all the framers into a single box and know what they hoped for.

271. *The Brig Wilson*, 30 F. Cas. at 245.

272. POWE, *supra* note 1, at 93 (quoting Letter from John Marshall to Joseph Story (Sept. 26, 1823), *in* 9 THE PAPERS OF JOHN MARSHALL, 1820–1823, at 338, 338 (Charles F. Hobson ed., 1998)).

273. HOFFER, HOFFER & HULL, *supra* note 1, at 74.

274. *Id.*

275. *Id.* at 75.

Hoffer continues this soft approach to slavery by arguing that "[o]pponents of slavery had founded the American Colonization Society in 1817 to remove emancipated slaves and free blacks from the country . . . ."[276] Some colonizationists did oppose slavery and some opponents of slavery (such as Lincoln) supported colonization because they believed it was a practical way of ending slavery in a society where most whites opposed black equality.[277] But the vast majority of colonizationists—and almost all the founders of the American Colonization Society—were emphatically not opponents of slavery.[278] Many of the leaders of the Colonization Society were slaveowners, like Henry Clay[279] and Justice Bushrod Washington. Hoffer quotes Chief Justice Marshall's assertions of his personal ambivalence about slavery but does not indicate where the quotation comes from.[280] Hoffer then notes that Marshall always had to view slavery "in a legal light."[281] What he does not tell us is that for much of his tenure on the bench Marshall consistently denied freedom claims of slaves when the issues might easily have gone the other way, and that he took a technical, almost pettifogging approach to slave-trade cases, which led to slave traders avoiding punishment.[282] Most tragically, when given the opportunity to strike a blow at the international slave trade in *The Antelope*—with the full sanction of federal law behind him—Marshall refused to do so.[283]

In his chapter on the Taney Court, Hoffer proclaims that Justice Story agonized over his proslavery decision in *Prigg v. Pennsylvania*, but he fails to point out that immediately after the case Story corresponded with Senator John M. Berrien of Georgia to suggest how a more efficient fugitive slave law might be passed.[284] Hoffer asserts that Story "knew that the Rendition

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276. *Id.*

277. Eric Foner, *Lincoln and Colonization*, *in* OUR LINCOLN: NEW PERSPECTIVES ON LINCOLN AND HIS WORLD 135, 139 (Eric Foner ed., 2008) (explaining that though the American Colonization Society was originally founded to colonize free blacks, nevertheless, "colonizationists frequently spoke of abolishing slavery gradually, peacefully, and without sectional conflict"); *id.* at 136 (distinguishing Lincoln's belief in inalienable natural rights for blacks from his disinterest in "bring[ing] about social and political equality between the white and black races"). For a different view, see Mark E. Neely, Jr., *Colonization and the Myth that Lincoln Prepared the People for Emancipation*, *in* LINCOLN'S PROCLAMATION: EMANCIPATION RECONSIDERED 45, 45–74 (William A. Blair & Karen Fisher Younger eds., 2009).

278. *See id.* at 139 ("Upper South planters and political leaders whose commitment to slavery appeared suspect dominated the [American Colonization Society].").

279. *Id.*

280. HOFFER, HOFFER & HULL, *supra* note 1, at 76.

281. *Id.*

282. *See, e.g.*, Scott v. Negro London, 7 U.S. (3 Cranch) 324, 331 (1806) (reversing a circuit court's decision granting a slave freedom under a Virginia statute because the circuit court misapplied the statute); Adams v. Woods, 6 U.S. (2 Cranch) 336, 342 (1805) (overturning a fine imposed under a federal law regulating the slave trade by applying the relevant two-year statute of limitation).

283. 23 U.S. (10 Wheat.) 66, 121–22 (1825).

284. Paul Finkelman, *Story Telling on the Supreme Court:* Prigg v. Pennsylvania *and Justice Joseph Story's Judicial Nationalism*, 1994 SUP. CT. REV. 247, 286.

Clause [Fugitive Slave Clause] was of utmost importance to South Carolina and Georgia in the drafting and ratification of the federal Constitution."[285] But in fact Story knew no such thing. In his famous *Commentaries on the Constitution*, he noted only that the clause was a boon "for the benefit of the slave-holding states" to indicate northern good will toward the "peculiar interests of the south."[286] He thought the clause was evidence that the South "at all times had its full share of benefits from the Union."[287] Significantly, Story did not argue in *Commentaries* that the clause was part of a bargain or that it was a quid pro quo for something in the Constitution that the North wanted. Nor did he argue in his *Commentaries*, as he would disingenuously assert in *Prigg*, that it was "a fundamental article, without the adoption of which the Union could not have been formed."[288] By the time Story wrote his overwhelmingly proslavery opinion in *Prigg* he had full access to Madison's notes on the Constitutional Convention, which showed that the Fugitive Slave Clause was not a fundamental part of the constitutional bargain but was an afterthought, proposed late in the Convention, without any serious debate.[289]

Hoffer thus spends a good deal of time on the issue of slavery but somehow manages to avoid the central questions: How did the Constitution, which protected slavery in so many ways, affect the Court; and how and why did the Court so overwhelmingly protect slavery?

III. Conclusion

Both of these books offer a great deal for the serious student of constitutional history. They are not, however, in the end, what they might have been. The total lack of notes in Hoffer and the sparse notes almost without any secondary sources in Powe make it hard to follow the arguments. For example, Hoffer tells us that Justice McKinley "joined the majority in allowing federal regulation of interstate trade,"[290] but he does not name a case or cite one. Since the Congress *never* passed legislation regulating the interstate trade, and there are no cases asserting the federal power to regulate the trade in the entire history of the Court, it is hard to know what case this

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285. HOFFER, HOFFER & HULL, *supra* note 1, at 94.

286. JOSEPH STORY, COMMENTARIES ON THE CONSTITUTION OF THE UNITED STATES § 952 (Carolina Academic Press 1987) (1833).

287. *Id.*

288. Prigg v. Pennsylvania, 41 U.S. (16 Pet.) 539, 540 (1842).

289. *See* JAMES MADISON, NOTES OF DEBATES IN THE FEDERAL CONVENTION OF 1787, at 545–46, 552 (Adrienne Koch ed., 1966) (relating the brief debate that preceded the insertion of the Fugitive Slave Clause); Louise Weinberg, *Methodological Interventions and the Slavery Cases; or, Night-Thoughts of a Legal Realist*, 56 MD. L. REV. 1316, 1347–48, 1348 n.145 (1997) (arguing that a "fair reading" of the debate over the Fugitive Slave Clause reveals that the clause did not embody a "crucial compromise").

290. HOFFER, HOFFER & HULL, *supra* note 1, at 85.

might be.[291] Beyond the documentation, both books have numerous little errors that distract the knowledgeable reader and will unfortunately mislead the novice constitutional scholar.

In the end, these books take us back to where I started this Review: the problem of interpretation and history. History is vital to our understanding of how the Constitution has shaped our society and been shaped by it. Much in these books will help us to better understand the Court and the Constitution. At their best, the authors illustrate the complexity of history and the futility of originalism. They also illustrate why a serious study of constitutional history should be required for all law students and why judges should read and learn from history. The more we understand how we got to where we are, the more tools we will have to avoid the mistakes our predecessors made and to perhaps fix the problems they created. With some caveats, both Powe and Hoffer are a start in that direction.

291. The case Hoffer has in mind may be *Groves v. Slaughter*, 40 U.S. 449 (1841), which turned entirely on a construction of the Mississippi Constitution, *id.* at 503. The case did not consider federal regulation of the trade and did not imply that Congress could regulate the trade. *See* Michael A. Morrison, Book Review, 54 CIV. WAR HIST. 97, 98 (2008) (reviewing DAVID L. LIGHTNER, SLAVERY AND THE COMMERCE POWER: HOW THE STRUGGLE AGAINST THE INTERSTATE SLAVE TRADE LED TO THE CIVIL WAR (2006)) ("The Marshall Court . . . refused to make clear Congress's authority in a case (*Groves v. Slaughter*) that explicitly involved the interstate slave trade.").

Notes

A Horizontal Federalism Solution to the Management of Interstate Aquifers: Considering an Interstate Compact for the High Plains Aquifer*

I. Introduction

This Note focuses on the tremendous problems with the current management of the High Plains Aquifer—the largest aquifer in the continental United States and a critical source of water for agriculture and other American industries.[1] The aquifer underlies portions of eight states,[2] and thus it is currently governed by eight very different and sometimes conflicting groundwater regimes. This governance structure has not been up to the task—the aquifer, which is essential to our country's agriculture industry, is now in jeopardy of depletion within only a few decades.[3]

This Note proposes a new management scheme for the High Plains Aquifer that derives from the principles of horizontal federalism[4]—an interstate groundwater compact. There are currently no compacts governing

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1. *See* Dylan O. Drummond, Comment, *Texas Groundwater Law in the Twenty-first Century: A Compendium of Historical Approaches, Current Problems, and Future Solutions Focusing on the High Plains Aquifer and the Panhandle*, 4 TEX. TECH J. TEX. ADMIN. L. 173, 179 (2003) (stating that the High Plains Aquifer is the "largest contiguous aquifer in the lower forty-eight states" and that it "provides water for twenty-seven percent of the Nation's irrigated crop production annually").

2. *See* V.L. MCGUIRE, U.S. GEOLOGICAL SURVEY, WATER-LEVEL CHANGES IN THE HIGH PLAINS AQUIFER, PREDEVELOPMENT TO 2005 AND 2003 TO 2005, at 1 (2007) (listing the eight states of Colorado, Kansas, Nebraska, New Mexico, Oklahoma, South Dakota, Texas, and Wyoming).

3. *See, e.g.*, Scott C. Lucas, *Halting the Downward Spiral of Monoculturization and Genetic Vulnerability: Toward a Sustainable and Biodiverse Food Supply*, 17 J. ENVTL. L. & LITIG. 161, 197 n.187 (2002) ("The [High Plains] Aquifer . . . will be depleted in thirty to forty years at current rates of extraction.").

4. Horizontal federalism focuses on the horizontal relationship between the states, as opposed to the more common vertical federalism, which focuses on the relationship between the states and the federal government. Allan Erbsen, *Horizontal Federalism*, 93 MINN. L. REV. 493, 494 (2008). Horizontal federalism has been defined "as encompassing the set of constitutional mechanisms for preventing or mitigating interstate friction that may arise from the out-of-state effects on in-state decisions." *Id.* at 503.

interstate aquifers,[5] and there has been no serious discussion or proposal of this type of governance scheme for interstate aquifers.[6] But compacts are commonly used for managing other types of interstate water resources,[7] and I suggest that the interstate compact for the High Plains Aquifer be modeled according to a particular eastern river-basin compact, as opposed to the western interstate river compacts that are commonplace in the western United States.[8] At the same time, I do not advocate for the rote adoption of just any interstate compact. Instead, I will suggest modifications to these eastern-style river-basin compacts that I find faithful to principles of horizontal federalism, such as providing opportunities for an attractive form of local decisional input in order to satisfy local interests.

Throughout this Note I suggest a new governance scheme for the High Plains Aquifer, yet many if not all of these suggestions may be applicable to any of the numerous interstate aquifers in the United States.[9] Therefore, while I do not argue for implementation of interstate compacts for any and all transboundary domestic aquifers, these principles should be helpful for other interstate aquifers also in need of new management regimes.

The organization of this Note will be as follows: In Part II, I will briefly explain the important characteristics of the High Plains Aquifer and how the aquifer is threatened with imminent depletion. I will then explain the current management scheme within the aquifer—the various groundwater doctrines for each of the overlying eight states.

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5. There are no compacts that completely govern the activities of an interstate aquifer, as most compacts govern a particular river or reservoir. Nonetheless, there are some compacts that govern the water-resources activities in a particular water basin, and those compacts govern the groundwater in addition to the streams, rivers, and reservoirs in the basin. For example, the Delaware River Basin Commission governs all withdrawals of groundwater and surface water in the basin. David C. Noonan et al., *Constraints to Managing Interstate Aquifer*, 110 J. WATER RESOURCES PLAN. & MGMT. 191, 191 (1984). But the Delaware River Basin Commission's governing authority extends to the boundaries of the basin in the four states, rather than to the boundaries of any interstate aquifer. *See id.* at 191–92 (noting that the compact controlled the waters "of the basin" and that the compact's authority is "limited to the Delaware River's surface drainage basin yet, the sedimentary deposits that comprise the Coastal Plain ground-water system extend both east and west beyond the river's catchment").

6. A few scholars have mentioned, only in passing, that the use of compacts to govern interstate aquifers might be a good idea. *See, e.g.*, Morton W. Bittinger & E. Bruce Jones, *Interstate and International Aquifers*, 8 WATER RESOURCES BULL. 386, 389–90 (1972) (mentioning that interstate compacts might be a potential solution to governing interstate aquifers but only briefly discussing the issue in two short paragraphs).

7. *See* Josh Clemons, *Interstate Water Disputes: A Road Map for States*, 12 SOUTHEASTERN ENVTL. L.J. 115, 129 (2004) ("There are now approximately twenty-five compacts apportioning interstate water among states.").

8. The eastern river-basin compact I suggest be used as a model is the Delaware River Basin Compact. For the distinctions between the eastern- and western-based compacts, see *infra* subpart IV(B).

9. *See* Zachary A. Smith, *Interstate and International Competition for Water Resources*, 23 WATER RESOURCES BULL. 873, 874–76 (1987) (discussing the survey results showing the numerous instances of interstate aquifers and listing the twenty-three areas where the author's survey revealed interstate competition problems for groundwater resources).

In Part III, I will develop my argument that a change in the governance scheme is needed. I start with the presumption that a governance scheme for a vital resource like groundwater should promote goals of equitable and sustainable use of that resource. I then argue that in interstate aquifers, such as the High Plains Aquifer, these goals are not being promoted for two main reasons—the current management scheme allows negative externalities and is administratively inefficient.

Then, in Part IV, I suggest that a new scheme should be adopted according to the principles of horizontal federalism. I explain why an interstate compact is preferable to other horizontal-federalism solutions, and then I explain the principles and current uses of interstate compacts.

Finally, in Part V, I argue that an interstate compact is the best solution for a management scheme in the High Plains Aquifer. I will show how an interstate compact will promote equitable and sustainable use of the aquifer, and alleviate concerns present in the current governance scheme of the aquifer. I will make specific recommendations that an interstate compact for the High Plains Aquifer should consider, and then I will address potential questions and concerns for an interstate groundwater compact.

II. The High Plains Aquifer and Its Governing Authorities

A. The High Plains Aquifer

The High Plains Aquifer is the largest aquifer in the continental United States,[10] and it spans eight states: Colorado, Kansas, Nebraska, New Mexico, Oklahoma, South Dakota, Texas, and Wyoming.[11] The High Plains Aquifer is also known as the Ogallala Aquifer.[12] The area overlying the High Plains Aquifer is one of the major agricultural regions of the world,[13] and the irrigated agricultural economy of the region depends primarily on the aquifer.[14] Our entire nation depends on the High Plains Aquifer, as the aquifer provides water for twenty-seven percent of the irrigated crop production annually in the United States.[15]

While the use of the aquifer's water is substantial, there is little recharge[16] of the aquifer. Approximately 2.00–2.50 inches of water are lost annually due to pumping, but the recharge rate is 0.80–0.85 inches—roughly

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10. Drummond, *supra* note 1, at 179.

11. MCGUIRE, *supra* note 2, at 1.

12. Drummond, *supra* note 1, at 178–79.

13. MCGUIRE, *supra* note 2, at 1.

14. RICHARD R. LUCKEY & MARK F. BECKER, U.S. GEOLOGICAL SURVEY, HYDROGEOLOGY, WATER USE, AND SIMULATION OF FLOW IN THE HIGH PLAINS AQUIFER IN NORTHWESTERN OKLAHOMA, SOUTHEASTERN COLORADO, SOUTHWESTERN KANSAS, NORTHEASTERN NEW MEXICO, AND NORTHWESTERN TEXAS 2 (1999).

15. Drummond, *supra* note 1, at 179.

16. Recharge happens when precipitation or other water infiltrates the ground and essentially refills the aquifer. W. JESSE SCHWALBAUM, UNDERSTANDING GROUNDWATER 26 (1997).

forty percent of the pumping rate.[17] So current usage of the aquifer is unsustainable[18] because more water is being drawn from the aquifer than is being recharged. Furthermore, evidence that climate change may further reduce recharge rates indicates that this problem may worsen.[19]

Unfortunately, due to the region's unsustainable use of the water, the aquifer is in jeopardy of depletion in the near future. Some experts have claimed that with the current rates of extraction, the aquifer may become depleted within thirty to forty years.[20] And for the time being, water-level declines may increase the cost of groundwater withdrawals because of increased pumping lift and decreased well yields.[21] Thus, current usage of the High Plains Aquifer poses a major threat to the region's main water supply and our nation's agricultural economy.

B. Groundwater Management and Regulation in the High Plains Aquifer

1. Groundwater Doctrines in the United States.—Most of the governing groundwater law is state law, as the states have generally assumed responsibility for managing the nation's groundwater.[22] The federal government has exercised some authority in the groundwater area, such as on issues of groundwater quality and endangered species,[23] but this Note is exclusively concerned with groundwater quantity. I make no effort to discuss water-quality issues.[24] In each of the fifty states, the courts—and more recently the legislatures—have adopted varying approaches to groundwater law that can be generally divided into five categories.[25] Here I briefly discuss the five categories of state groundwater law: rule of capture, reasonable use

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17. Drummond, *supra* note 1, at 187.

18. Note that there is not an agreed-upon definition of what constitutes "sustainable" use of an aquifer. *See* John D. Leshy, *Interstate Groundwater Resources: The Federal Role*, 14 HASTINGS W.-NW. J. ENVTL. L. & POL'Y 1475, 1493 (2008) (debating the question of how to define sustainability). For purposes of this Note, I define "sustainable" as use of the aquifer, at least over time, that does not exceed the recharge. Therefore, sustainable water use is essentially water use that would not eventually deplete the aquifer.

19. *See* Nora R. Pincus, *Groundwater and International Law: The Need for Specific Regulation*, 11 U. DENV. WATER L. REV. 313, 332 (2008) ("Climate change will affect groundwater resources in relation to the nature of recharge of aquifers . . . .").

20. *See supra* note 3 and accompanying text.

21. MCGUIRE, *supra* note 2, at 1.

22. John D. Leshy, *The Federal Role in Managing the Nation's Groundwater*, 14 HASTINGS W.-NW. J. ENVTL. L. & POL'Y 1323, 1323 (2008).

23. *See* JAMES R. RASBAND ET AL., NATURAL RESOURCES LAW AND POLICY 820–38 (2004) (discussing the Clean Water Act and the Endangered Species Act).

24. It is quite possible that my proposal to use an interstate compact to regulate groundwater quantity issues would also work for issues of quality. But due to the federal regulations already in existence, such as the Clean Water Act, I have limited my discussion to a compact for groundwater quantity only, as the issues become more complicated when a layer of federal regulation is involved.

25. RASBAND ET AL., *supra* note 23, at 784.

(American Rule), correlative rights, reasonable use (Restatement), and prior appropriation.[26]

First, the rule of capture states that landowners can take as much water out of their land as they want, for whatever purpose they want, and they can use the water wherever they want.[27] The only common limitations are that the water cannot be removed maliciously[28] and the water cannot be wasted.[29] The rule of capture was the basic common law rule brought to America from England, but later, the reasonable use (American Rule) somewhat modified the rule of capture.[30] The reasonable use (American Rule) added two requirements to the rule of capture: (1) the landowner must make reasonable use of the water taken from the land; and (2) the water must be used on the land from which the water is withdrawn, unless it causes no injury to the other overlying landowners.[31] The third rule, correlative rights, states that all overlying landowners of an aquifer have coequal or correlative rights to pump the groundwater and use it on their overlying land.[32] In essence, the rule is much like the reasonable use (American Rule), but instead of the landowners being able to use unlimited water for any beneficial use until the aquifer is depleted, the landowners must share the water equitably.[33] The fourth rule, the reasonable use (Restatement) rule, comes from Section 858 of the Restatement (Second) of Torts.[34] This rule states that landowners can pump water for any beneficial purpose, whether for the overlying land or not, as long as the use does not cause unreasonable harm to neighboring landowners and other users.[35] The last groundwater rule, prior appropriation, was borrowed from the legal regimes of surface water.[36] In a prior-appropriation scheme, rather than viewing groundwater as a part of the land, the water is viewed as the collective property of its state's citizens, and the state distributes it to promote public ends.[37] The state water agencies then issue permits for people to use a certain amount of the groundwater, and those permits are given priority based on either the seniority of the water user in time or preferred water uses.[38]

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26. For a more detailed explanation of these five categories of state groundwater law, see *id.* at 784–89.

27. *Id.* at 785.

28. *Id.*

29. City of Corpus Christi v. City of Pleasanton, 276 S.W.2d 798, 802 (Tex. 1955).

30. RASBAND ET AL., *supra* note 23, at 785–86.

31. *Id.*

32. *Id.* at 786.

33. *Id.*

34. *Id.*

35. *Id.*

36. *See id.* at 787 (noting that, like for "surface water, most of the arid states in the West have adopted some form of prior appropriation for groundwater").

37. *Id.*

38. *Id.*

2. *Various State Groundwater Doctrines Within the High Plains Aquifer.*—Since eight states overlie the High Plains Aquifer, there are eight different groundwater doctrines governing portions of the aquifer—some of which are conflicting.

Colorado and Kansas use the prior-appropriation doctrine.[39] Both Colorado and Kansas also use groundwater management districts, which are smaller local governing authorities that help regulate at the local level.[40] Wyoming uses a prior-appropriation doctrine and employs groundwater control areas, which are similar to groundwater management districts but are only created under certain conditions, such as declining water levels.[41] While New Mexico and South Dakota also use the prior-appropriation doctrine, these states do not use groundwater management districts.[42]

Alternatively, at the other end of the spectrum, Texas uses the rule of capture for its groundwater doctrine.[43] And though Texas still clearly uses the rule-of-capture doctrine, it has taken recent measures to move more in the prior-appropriation direction by creating groundwater management districts (known as groundwater conservation districts in Texas).[44] Oklahoma uses a reasonable use (Restatement) rule for aquifers like the High Plains Aquifer and encourages utilization of these groundwater resources.[45] Finally, Nebraska uses a mix of doctrines—parts of the state have groundwater

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39. *See* William Fronczak, *Designated Ground Water: Colorado's Unique Way of Administering Its Underground Resources*, 7 U. DENV. WATER L. REV. 111, 114–15 (2003) (discussing Colorado's use of the prior-appropriation doctrine); John C. Peck, *Groundwater Management in Kansas: A Brief History and Assessment*, 15 KAN. J.L. & PUB. POL'Y 441, 442 (2006) (discussing Kansas's use of the prior-appropriation doctrine).

40. *See* Fronczak, *supra* note 39, at 115 (discussing how Colorado provided procedures for instituting local control over groundwater resources through the formation of groundwater management districts); Peck, *supra* note 39, at 442 (discussing Kansas's adoption of legislation designed to enable the creation of groundwater management districts).

41. *See generally* WYO. STAT. ANN. §§ 41-3-904 to -907 (2009) (providing rules for applying for groundwater appropriation); *id.* § 41-3-912(a) (listing the conditions under which the board of control may designate a control area).

42. *See* S.D. CODIFIED LAWS § 46-6-3 (2004) (providing that new appropriation of groundwater is subject to vested rights and prior appropriations); Amy Hardberger, Comment, *What Lies Beneath: Determining the Necessity of International Groundwater Policy Along the United States–Mexico Border and a Roadmap to an Agreement*, 35 TEX. TECH L. REV. 1211, 1241–42 (2004) (discussing New Mexico's prior-appropriation system).

43. Hardberger, *supra* note 42, at 1240.

44. *See id.* at 1241 (discussing Texas's use of groundwater conservation districts).

45. In Oklahoma, a tributary groundwater resource—one that forms a definite stream—is subject to the prior-appropriation doctrine. Kevin L. Patrick & Kelly E. Archer, *A Comparison of State Groundwater Laws*, 30 TULSA L.J. 123, 129 (1994). If the groundwater does not form a definite stream, however, Oklahoma applies a reasonable-use standard. *Id.* Oklahoma's reasonable-use policy encourages utilization, as opposed to conservation. *Id.* at 130. Because the groundwater in the High Plains Aquifer does not form a definite stream, the reasonable-use standard applies to the High Plains Aquifer. *See* LUCKEY & BECKER, *supra* note 14, at 10 ("The aquifer is composed of clay, silt, sand, and gravel with the sand and gravel sections contributing most of the water to wells, although considerable water is stored in the clay and silt sections.").

management districts that use a prior-appropriation system, while other parts use the reasonable use (Restatement) rule.[46]

The previous paragraphs illustrate the conflicting groundwater policies within the High Plains Aquifer. States like Colorado, Kansas, Wyoming, and New Mexico arguably aim to conserve the groundwater resource, while states like Texas and Oklahoma use groundwater policies that do not encourage conservation. Furthermore, the geographic proximity of some of the opposing groundwater doctrines within the High Plains Aquifer is remarkable. For example, five of the states overlie the aquifer within a forty-mile radius—Colorado, Kansas, New Mexico, Oklahoma, and Texas.[47] Within that small area, Oklahoma and Texas promote arguably unsustainable use of the aquifer, while Colorado, Kansas, and New Mexico aim to conserve the aquifer. Having such different legal regimes governing the same aquifer within a small area may be problematic. The liberal water-use policies of some states can undermine the conservative water-use policies of neighboring states.[48]

III. Problems with the Current Governance Scheme in the High Plains Aquifer

In this Part, I argue that there are two main reasons why the current governance scheme in the High Plains Aquifer is inequitable and promotes unsustainable use: it creates negative externalities and is administratively inefficient. While advancing my argument for each of the aforementioned problems, I will give examples where these problems are already occurring in interstate aquifers, and I will pay particular attention to problems within the High Plains Aquifer. Of course, I begin with the presumption that at least two of our goals for governance of a vital interstate resource, such as an aquifer, should be to promote equitable and sustainable use. By equitable I mean that the regulations should promote fairness and substantial equality in meeting the needs of various users within the aquifer. Sustainable means use of the aquifer that is less than the natural recharge it receives—thus, water use that would not lead to an inevitable depletion. One may disagree with these goals, but my argument will presume that many people agree that these are reasonable objectives.

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46. *See* Ronald Kaiser & Frank F. Skillern, *Deep Trouble: Options for Managing the Hidden Threat of Aquifer Depletion in Texas*, 32 TEX. TECH L. REV. 249, 287 (2001) (explaining that in Nebraska, "[r]easonable use has been replaced in special groundwater management areas by a permit system").

47. *See* LUCKEY & BECKER, *supra* note 14, at 9 fig.4 (illustrating that the borders of Colorado, Kansas, New Mexico, and Texas are within a forty-mile radius of the middle of Oklahoma's Cimarron County).

48. *See* Hardberger, *supra* note 42, at 1242 ("New Mexico's control over shared water is undermined when a neighboring state allows unlimited pumping.").

A. Problems with Negative Externalities—or Spillover Effects

The first problem with state regulation of groundwater in interstate aquifers is that this regulatory scheme creates negative externalities (or spillover effects). By negative externality I essentially mean the situation where the actions by one water user create a negative impact on another water user, over which the second user has little or no control.[49]

It is easy to see how drawdown creates costs on other water users; I will explain with a hypothetical. Imagine one water user pumping water at some point in an aquifer—call him "*X*." When a water user pumps water from an aquifer, the water table is lowered at that point, especially if he is overpumping.[50] In an aquifer, groundwater flows from an area where the water table is higher to an area where the water table is lower.[51] So the groundwater in the area surrounding *X* would flow towards the point at which the water is being pumped by *X*. Furthermore, the more water a user pumps, the lower the water table becomes at that point and the faster the groundwater in the surrounding areas flows to that point.[52] Now, in these surrounding areas of the aquifer assume there is another water user who would like to be able to pump water from the aquifer—call him "*Y*." Since *Y*'s water table is now lowered, his cost to pump the water will increase because it generally costs more to pump deeper.[53] Additionally, *X* could eventually pump so much water as to deplete that portion of the aquifer, in which case *Y* would be unable to pump water. Hence, in either event, *X* is creating a cost for *Y* because of his pumping, and this cost is an externality.

This problem is worsened in the situation of an interstate aquifer, such as the High Plains Aquifer. For example, imagine *X* is located in Texas or Oklahoma, and *Y* is in another state—e.g., New Mexico. Now *Y* might not

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49. Externalities include "external costs, external benefits, and pecuniary as well as nonpecuniary externalities." Harold Demsetz, *Toward a Theory of Property Rights*, 57 AM. ECON. REV. 347, 348 (1967). In this Note, however, my focus is on pecuniary and nonpecuniary external costs. Most people agree that water rights are a form of property rights. *See, e.g.*, A. Dan Tarlock & Sarah Bates, *Western Growth and Sustainable Water Use: If There Are No "Natural Limits," Should We Worry About Water Supplies?*, 38 ENVTL. L. REP. NEWS & ANALYSIS 10582, 10588 (2009) ("Water rights are property rights, but they differ significantly from land rights."). One function of a property rights system is "that of guiding incentives to achieve a greater internalization of externalities." Demsetz, *supra*, at 348. Therefore, one of our goals in a system of groundwater rights should be to internalize or decrease externalities as much as possible.

50. *See* SCHWALBAUM, *supra* note 16, at 34–35 (describing the phenomenon of drawdown).

51. This phenomenon is intuitive: just like water flows downhill, groundwater flows to a lower water table. Darcy's equation describes this phenomenon. *See id.* at 28–35 (discussing Darcy's equation and how groundwater flows in the direction of a lower water table).

52. *See id.* at 28–31 (explaining Darcy's equation—the gradient will increase if the difference in the water tables increases, so the seepage velocity will also increase because it is directly related to the gradient).

53. *See, e.g.*, Susan Batty Peterson, Note, *Designation and Protection of Critical Groundwater Areas*, 1991 BYU L. REV. 1393, 1398 ("As water is pumped from a groundwater basin, water levels drop, and users must pump the water a greater vertical distance to bring it to the surface. Increased energy costs result.").

have any recourse at all—especially if *X* is in Texas where he is within his rights to pump as much as he wants.[54] Furthermore, if *X* is in Texas or Oklahoma, he is arguably going to pump more and injure *Y* further since those states' groundwater doctrines encourage the use of groundwater—which also consequentially encourages unsustainable use of the aquifer.[55] But if *X* and *Y* were both in New Mexico, hopefully the state water board would not grant a permit, or reissue it, if one water user were substantially harming another.[56] On the other hand, if *X* and *Y* were both in Texas, *Y* still may not have any recourse, but he is likely in a better situation since Texas is probably more willing to help another water user in Texas than in New Mexico.[57] Also, if both users were in the same state, *Y* may have recourse through the political process. So the problem is worsened with interstate aquifers because it is more difficult to internalize or even decrease the externality when the users are in different states. Further, these externalities obviously create an inequitable situation for the water user who is harmed by the externality.

There are also actual examples, as opposed to hypotheticals, of problems with externalities in interstate aquifers. One example is the Cambrian–Ordovician aquifer system, which transverses the Wisconsin–Illinois border.[58] In this aquifer, pumpage in either state can have drawdown effects in the neighboring state.[59] Even as early as 1981, the State of Wisconsin was concerned that groundwater pumping in Illinois was having a negative impact in Wisconsin because Illinois was pumping more water from the aquifer.[60] A more recent example is with the Memphis Sands Aquifer (also known as the "Sparta" Aquifer) on the Tennessee–Mississippi border.[61] In a recent lawsuit, the State of Mississippi claimed that the city of Memphis, Tennessee has been taking massive amounts of water from the aquifer and that this was negatively affecting Mississippi's use of the water.[62] Mississippi claimed that the pumping in Memphis has lowered the water table and created a cone of depression that extended over ten miles into the State of Mississippi.[63] Assuming Mississippi's claims are true, this cone of depression that lowers the water table in Mississippi is clearly a negative

54. *See supra* note 43 and accompanying text.

55. *See supra* notes 43–45 and accompanying text.

56. *See* Hardberger, *supra* note 42, at 1242 (noting that in New Mexico "[g]roundwater permits are managed and approved by the state engineer").

57. *See supra* note 44 and accompanying text.

58. C.W. Fetter, Jr., *Interstate Conflict over Ground Water: Wisconsin–Illinois*, 19 GROUND WATER 201, 201 (1981).

59. *Id.*

60. *See id.* at 212–13 (thanking the Wisconsin Department of Justice for its funding and advice on the computer modeling reported therein).

61. Hood *ex rel.* Mississippi v. City of Memphis, 533 F. Supp. 2d 646, 648 (N.D. Miss. 2008).

62. Complaint at *3–5, *Hood*, 533 F. Supp. 2d 646 (No. 2:05CV32-D-B).

63. *Id.* at *5.

externality created by the City of Memphis. Were this problem happening internally in Mississippi, then Mississippi could deal with it; however, since the spillover effect is imposed across state lines, Mississippi must file a federal lawsuit—and still has not received recourse.[64] Finally, though I have found no lawsuits regarding groundwater pumping causing groundwater problems in the High Plains Aquifer, scholars have discussed the potential for problems in the High Plains Aquifer for decades.[65]

As I have developed in the last several paragraphs, spillover effects are created by groundwater pumping by a user in one state affecting the groundwater pumping ability of a user in another state. The state-regulation regime makes internalizing or decreasing these negative externalities very difficult in interstate aquifers, which causes inequitable and unsustainable use within the aquifer.

B. Lack of Administrative Efficiency

State-by-state regulation of an interstate aquifer is also undesirable because of its inherent lack of administrative efficiency. But the word "efficient" is a relative term, so the real issue is whether state-by-state regulation in an interstate aquifer is administratively inefficient compared to other available alternatives. In this Note, I argue that a more administratively efficient alternative would be an interstate compact.

Essentially, many scholars argue that governance of a single entity by a single administrative or governing body is more efficient than governance by multiple bodies.[66] At least some of the inefficiencies created by the governance of multiple bodies are the result of overlapping, and thus redundant, responsibilities. For example, in the High Plains Aquifer there are eight states that overlie the aquifer, meaning that there are at least eight administrative bodies that oversee the aquifer. Though each of these administrative bodies only governs the particular part of the aquifer that they overlie, some of the duties of these administrative bodies, such as aquifer research and monitoring, are redundantly performed by several or all of the agencies.[67] Therefore, it would be more administratively efficient if these costs could be

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64. *Hood*, 533 F. Supp. 2d at 651.

65. *See, e.g.*, Bittinger & Jones, *supra* note 6, at 387–88 (highlighting the potential for severe interstate problems due to the widely differing legal doctrines and regulations of states sharing the High Plains Aquifer).

66. *See, e.g.*, Susan Rose-Ackerman, *Cooperative Federalism and Co-optation*, 92 YALE L.J. 1344, 1346 (1983) ("In addition, administrative efficiency argues in favor of a single system instead of dual state and federal programs with beneficiaries having to qualify separately for each set of services.").

67. *See, e.g.*, Oklahoma Water Resources Board: Water Supply Monitoring, http://www.owrb.ok.gov/supply/monitoring/monitoring.php (stating that the agency makes "[a]n annual effort to monitor the water levels of Oklahoma aquifers"); Texas Water Development Board Groundwater Monitoring Section Activities, http://www.twdb.state.tx.us/GwRD/HEMON/GMSA.asp ("The [Texas Water Development Board] measures groundwater levels annually in more than 2000 wells completed in the 30 major and minor aquifers and located throughout the state.").

aggregated into one governing authority, which could be an interstate compact. Further, a more efficient governing authority could better monitor the aquifer to ensure it is being used sustainably. For these reasons, state-by-state regulation of interstate aquifers is undesirable and unsustainable because of its administrative inefficiency compared to interstate compacts.

IV. Horizontal Federalism and Various Approaches Through Interstate Compacts

A. *The Background and Theory of Horizontal Federalism*

There are two distinct dimensions to constitutional federalism: the federal government's interaction with the states, and the individual and group interactions between the many states.[68] The Supremacy Clause makes the interaction hierarchical between the federal government and the states, so this interaction is "vertical" in a sense.[69] Conversely, the interactions between the states are on an equal plane of constitutional status, so this interaction is "horizontal."[70] The Supreme Court has not focused on the theoretical distinctions between horizontal and vertical federalism, but these distinctions have recently started to appear prominently in legal scholarship.[71] Additionally, in the past scholars have typically focused on vertical federalism—how powers should be allocated between the federal and state tiers of government.[72] So solutions for problems associated with state regulation of interstate aquifers have typically looked to vertical federalism.[73] But focus in legal scholarship has recently started to intensify in the area of horizontal federalism.[74] Yet there has been no talk of using horizontal-federalism solutions for interstate aquifers.

Horizontal federalism has been defined "as encompassing the set of constitutional mechanisms for preventing or mitigating interstate friction that

68. Erbsen, *supra* note 4, at 501.

69. *Id.*

70. *Id.*

71. *Id.* at 501–02.

72. *Id.* at 502.

73. *See, e.g.*, Leshy, *supra* note 22, at 1324 ("The first part of this essay identifies the various ways the federal government can influence groundwater management.").

74. *See, e.g.*, Erbsen, *supra* note 4, at 494 (conducting a systematic survey of the doctrine of horizontal federalism); Noah D. Hall, *Toward a New Horizontal Federalism: Interstate Water Management in the Great Lakes Region*, 77 U. COLO. L. REV. 405, 405 (2006) (recounting how horizontal federalism was used in the context of the Great Lakes–St. Lawrence River Basin Water Resources Compact); Gillian E. Metzger, *Congress, Article IV, and Interstate Relations*, 120 HARV. L. REV. 1468, 1512–22 (2007) (describing the core postulates of horizontal federalism: state autonomy, state equality, and state territoriality); Judith Resnik, *Foreign as Domestic Affairs: Rethinking Horizontal Federalism and Foreign Affairs Preemption in Light of Translocal Internationalism*, 57 EMORY L.J. 31, 43 (2007) (exploring horizontal federalism and the institutions of translocalism).

may arise from the out-of-state effects of in-state decisions."[75] Given this definition, and my argument that state regulation of interstate aquifers is inequitable, I will focus on those constitutional mechanisms provided by horizontal federalism for preventing or mitigating interstate friction. Though there are many constitutional methods for addressing interstate friction,[76] in the context of water-resources management perhaps the two most common are equitable apportionment and interstate compacts.[77]

At least in the context of surface water, scholars have noted that interstate compacts are preferable to equitable apportionment.[78] I argue that this statement is also true in the context of interstate aquifers. The doctrine of equitable apportionment is a tool used by the U.S. Supreme Court to resolve interstate conflicts over water resources.[79] The doctrine is basically a method of judicially allocating disputed water resources between the relevant states.[80] One problem with the doctrine of equitable apportionment is that it is determined on a case-by-case basis,[81] and because these water resources issues are complex, many commentators feel the Court does not have the time, experience, or resources to sufficiently resolve them.[82] Another problem is that since the states are before the Court seeking a resolution by equitable apportionment, an obvious prerequisite is that the states were in an interstate water dispute to begin with. Therefore, the doctrine of equitable apportionment is only a method to resolve interstate friction after a dispute has already begun. I argue that it would be better if interstate friction could be addressed before it becomes a dispute that the parties are willing to litigate in the Supreme Court. This problem is resolved with an interstate compact

75. Erbsen, *supra* note 4, at 503.

76. *See id.* at 529–60 (cataloging various methods provided by the Constitution to "mitigate the risk of interstate conflict").

77. *See* Hall, *supra* note 74, at 410 ("Absent congressional action, states manage water resources under various common law and statutory approaches and are left to resolve interstate disputes through either equitable apportionment in the Supreme Court or an interstate compact (two common forms of horizontal federalism).").

78. *See, e.g., id.* ("States often find that an interstate compact is the preferred approach for apportioning and managing a shared water resource.").

79. *See* Jeffrey Uhlman Beaverstock, Comment, *Learning to Get Along: Alabama, Georgia, Florida and the Chattahoochee River Compact*, 49 ALA. L. REV. 993, 1000–03 (1998) (discussing the various disputes that the Supreme Court has used equitable apportionment to resolve).

80. *See id.* at 1001 ("The result in *Kansas* was the Court's adoption of the principle of equitable apportionment, which is a method of allocating water resources adapted from international water law." (referring to Kansas v. Colorado, 206 U.S. 46 (1907))).

81. *See id.* at 1001–02 (identifying five generalizations that permeate the Supreme Court's decisions).

82. *See, e.g.*, WILLIAM GOLDFARB, WATER LAW 32 (1984) ("[T]he [Supreme] Court lacks the technical resources to cope with the complicated hydrologic, economic, and sociological questions involved [in water-rights-apportionment disputes among states]."); Beaverstock, *supra* note 79, at 1003 (contending that some commentators believe the Court is not equipped to resolve water-rights-apportionment issues among the states); Jenny Huang, Note, *Finding Flow: The Need for a Dynamic Approach to Water Allocation*, 81 N.Y.U. L. REV. 734, 751 (2006) ("Adjudicative bodies lack expertise to effectively address technical water issues . . . .").

because the parties can reach an agreement themselves that will hopefully resolve future disputes over the interstate water resource.[83]

B. Interstate Compacts

1. General Overview of Interstate Compacts.—The U.S. Constitution permits states to enter into compacts with one another.[84] An interstate compact is a binding agreement between two or more states that is approved by Congress.[85] Once approved, the compact is federal law, and it can preempt contradictory state law.[86] The most common use of a compact is to create an intermediate, regional level of regulation to resolve problems that extend beyond a single state but do not merit national attention.[87] General uses for interstate compacts in the past have included forest fire fighting, mining regulation, water allocation, sanitation, higher education, transportation, and taxes.[88]

For the purposes of this Note, looking at the use of interstate compacts for water-resources allocation is most useful. There are numerous currently existing compacts that seek to apportion interstate water among the states.[89] But, the current interstate compacts only seek to allocate surface water such as rivers, reservoirs, or river basins, and there are no current interstate compacts that seek to govern an interstate aquifer.[90] Nevertheless, it is useful to look at these interstate surface-water compacts to see what an interstate groundwater compact might look like. Traditionally, interstate water compacts have tended to follow one of two models: western or eastern.[91] In the following sections I discuss each model.

2. Western Water Compacts.—Western water compacts typically focus on allocating coveted water rights to a shared water resource among the party states.[92] These compacts essentially divide the "pie" into agreed pieces, and then what each state does with its piece is beyond the scope of the compact.[93] Western compacts generally restrict the total amount of water available to each individual state by creating legal obligations for dividing the limited

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83. *See* Beaverstock, *supra* note 79, at 1003–04 (examining interstate compacts generally).

84. *See* U.S. CONST. art. I, § 10, cl. 3 ("No State shall, without the Consent of Congress, . . . enter into any Agreement or Compact with another State . . . .").

85. Olen Paul Matthews & Michael Pease, *The Commerce Clause, Interstate Compacts, and Marketing Water Across State Boundaries*, 46 NAT. RESOURCES J. 601, 626 (2006).

86. *Id.* at 626–27.

87. Christi Davis & Douglas M. Branson, *Interstate Compacts in Commerce and Industry: A Proposal for "Common Markets Among States*,*"* 23 VT. L. REV. 133, 138–39 (1998).

88. *Id.* at 139.

89. *See supra* note 7 and accompanying text.

90. *See supra* note 5 and accompanying text.

91. Hall, *supra* note 74, at 411.

92. *Id.*

93. *Id.*

resource.[94] But the compacts generally do not provide standards or guidance for managing individual water withdrawals within the state's total allocation.[95]

3. *Eastern Water Compacts.*—Eastern compacts, in contrast, generally create centralized interstate management authorities comprised of the party states and possibly the federal government.[96] The authorities, often called compact commissions, have broad regulatory powers for permitting and managing individual withdrawals of all waters in the river and river basin.[97] Though this centralized approach has the benefit of uniform management of a single resource, the downside is a significant loss of state autonomy.[98]

An example of an eastern water compact is the Delaware River Basin Compact.[99] The Delaware River Basin Compact, considered one of the most successful interstate water-allocation agreements, is a compact between Delaware, New Jersey, New York, and Pennsylvania.[100] The Delaware River Basin Compact created a commission (the Delaware River Basin Commission) for implementation of the compact and management of the basin.[101] The Commission governs all water uses in the basin, including surface water and groundwater use.[102] The Commission is comprised of the governor of each compacting state, and it also has one federal commissioner who is appointed by the President of the United States.[103] Most decisions require only a majority vote, though changes in the water allocation require unanimous approval.[104]

One central feature of the compact is its requirement of a comprehensive plan, developed by the Commission, for the present and future uses of the water in the river basin.[105] The plan serves as the basis for an annual water-resources program, which describes the quantity and quality of water needed over the following six years and the future projects and facilities required to meet those needs.[106] The comprehensive planning and

94. *Id.*

95. *Id.* at 411–12.

96. *Id.* at 412.

97. *Id.*

98. *Id.*

99. *Id.* The text of the Delaware River Basin Compact can be found at Pub. L. No. 87-328, 75 Stat. 688 (1961).

100. Jessica A. Bielecki, *Managing Resources with Interstate Compacts: A Perspective from the Great Lakes*, 14 BUFF. ENVTL. L.J. 173, 205 (2007).

101. *Id.* at 206.

102. *See supra* note 5 and accompanying text. But remember that the compact only governs groundwater within the basin, so the compact is not a compact for an interstate aquifer. *See supra* note 5 and accompanying text.

103. Clemons, *supra* note 7, at 133.

104. *Id.*

105. *Id.*

106. *Id.* at 133–34.

regional management scheme in the Delaware River Basin Compact has no equivalent—other compacts are primarily written to ratify apportionments and allow each state to protect its share.[107] The compact has been largely successful, as it has enabled the Delaware River Basin Commission to meet challenges including droughts, water-supply development, and pollution control.[108]

V. An Interstate Groundwater Compact for the High Plains Aquifer

A. *Why Use an Interstate Compact to Govern the Aquifer?*

In Part III of this Note, I argued that state regulation of an interstate aquifer is inequitable and encourages unsustainable use of the aquifer. I stated two basic problems with the state regulation of interstate aquifers: negative externalities and a lack of administrative efficiency. In the High Plains Aquifer, these problems are arguably magnified since the aquifer underlies eight states[109] and, additionally, in one area of the aquifer there are five states within a forty-mile radius.[110] Therefore, I argue that an interstate groundwater compact would be a more effective means of governing the High Plains Aquifer. Though there are many reasons why an interstate groundwater compact would be a better solution for the High Plains Aquifer, in this section I argue why an interstate groundwater compact will at least alleviate the two problems discussed in Part III.

1. Negative Externalities.—As compared to state regulation of the interstate aquifer, an interstate groundwater compact for the High Plains Aquifer will help internalize and decrease negative externalities. As I discussed in subpart III(A), when one water user pumps water he lowers the water table for surrounding water users in the same aquifer, and this water user creates a spillover effect on other water users who rely on the same aquifer. I mentioned that if these water users are in different states, the harmed water user is more limited in the recourse he may seek against the harmful water user, and depending on the groundwater doctrines of the states, the harmful water user may be encouraged to pump even more water.[111] So, it is much harder to internalize or decrease these externalities in a system where the individual states regulate the aquifer. But if there were an interstate groundwater compact encompassing the states where the water users are located, then the spillover effects would be more easily internalized and decreased. Since the interstate groundwater compact would have jurisdiction over both water users, the compact's commission could either

107. *Id.* at 134.

108. *Id.*

109. *See supra* note 11 and accompanying text.

110. *See supra* notes 47–48 and accompanying text.

111. *See supra* subpart III(A).

(1) decrease the harm created by the water user by limiting the amount of water that user can withdraw, or (2) internalize the externality created by the harmful user by penalizing that water user and perhaps reimbursing the harmed water user.

2. *Administrative Efficiency.*—An interstate groundwater compact, especially for the High Plains Aquifer, would also be more administratively efficient than a system of state regulation.

One way that state regulation of a shared water resource can be administratively inefficient is that there are too many regulatory authorities with overlapping and redundant responsibilities. Part of the success of the Delaware River Basin Compact has been its increase in administrative efficiency.[112] Within the Delaware River Basin there was once overlapping authority of forty-three state agencies, fourteen interstate agencies, and nineteen federal agencies.[113] The Delaware River Basin Compact created a commission that replaced all of those other agencies.

If a compact were created for the High Plains Aquifer, the compact would have a similar effect on administrative efficiency. Though I have no official count of the number of agencies governing portions of the aquifer, there must be at least eight—one for each state overlying the aquifer. So the High Plains Aquifer would be governed more efficiently since one commission could perform tasks, such as aquifer research and monitoring, that are now redundantly performed by several governing agencies.[114] Indeed, that is why some scholars have concluded that one of the main advantages of water compacts over other apportionment methods is that water compacts lower transaction costs by centralizing information.[115]

B. *Designing an Interstate Groundwater Compact for the High Plains Aquifer*

Fortunately, for any states planning to create an interstate groundwater compact, there are several interstate water compacts to learn from when creating a new compact. Furthermore, there are many different state

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112. *See* David N. Copas Jr., Note, *The Southeastern Water Compact, Panacea or Pandora's Box? A Law and Economics Analysis of the Viability of Interstate Water Compacts*, 21 WM. & MARY ENVTL. L. & POL'Y REV. 697, 728 (1997) ("The Delaware River Basin compact ('DRBC') represents a significant step towards efficiency in the use of water compacts.").

113. *Id.* at 728–29.

114. *See supra* note 67 and accompanying text.

115. *See, e.g.*, Charles W. Howe et al., *Transaction Costs as Determinants of Water Transfers*, 61 U. COLO. L. REV. 393, 404–05 (1990) (using regression analysis to describe the significant transaction costs incurred when states allocate water without an interstate compact); Wilson G. Barmeyer, Note, *The Problem of Reallocation in a Regulated Riparian System: Examining the Law in Georgia*, 40 GA. L. REV. 207, 238–40 (2005) (describing the advantages of a centralized water bank in lowering transaction costs); Copas, *supra* note 112, at 729 (concluding that the Delaware River Compact is the best solution under a Coasian analysis because it provides the complete information required to efficiently allocate the water among users).

groundwater policies that could potentially be a part of an interstate groundwater compact. As I have recommended an interstate groundwater compact for the High Plains Aquifer in this Note, in this subpart I make some recommendations for designing a potential groundwater compact for the High Plains Aquifer.

1. Create the Compact Using the Eastern-Water-Compact Model.—If a compact is created for the High Plains Aquifer, the compact should follow the eastern-water-compact model and not the western-water-compact model.

Though the western model may be easier to establish because it does not require setting up a commission or governing authority, there are several problems with using a western model compact for the High Plains Aquifer. First, though a western water compact may help decrease externalities, the western water compact would not help with administrative efficiency. In a western water compact, since all the compact would do is set allocations of groundwater for each of the compact states, presumably the states would all keep their governing agencies. Therefore, there would be no decrease in governing agencies in the High Plains Aquifer, and there may even be an increase in the number of governing authorities if a new agency is created to provide oversight on each state's water allocation. A second general problem with the western water compact is that compacts like the Colorado River Compact, a western water compact, have not worked well in practice.[116]

Conversely, eastern water compacts, such as the Delaware River Basin Compact, have been major successes.[117] The creation of a commission to govern the aquifer would increase the administrative efficiency by replacing the many overlapping authorities with a single authority. Additionally, in an eastern water compact, the compact can be drafted in a way that gives the commission the flexibility to manage future uncertainties of water-resources development in the High Plains Aquifer.[118] Thus, if a compact is created for the High Plains Aquifer, that compact should follow the eastern model of interstate water compacts.

2. Institute a Commission Similar to the Delaware River Basin Commission.—If a compact for the High Plains Aquifer follows the eastern-water-compact approach, then the compact should model its commission on the Delaware River Basin Commission. Other commissions, such as the one

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116. *See* Charles T. DuMars & David Seeley, *The Failure of the Apalachicola-Chattahoochee-Flint River Basin and Alabama-Coosa-Tallapoosa River Basin Compacts and a Guide to the Successful Establishment of Interstate Water Compacts*, 21 GA. ST. U. L. REV. 373, 391–93 (2004) (identifying problems with the Colorado River Compact).

117. *See supra* note 108 and accompanying text.

118. *See* Clemons, *supra* note 7, at 134 ("The *Delaware River Basin Compact*'s flexible, cooperative, planning-oriented structure has enabled the DRBC to meet challenges including droughts, water supply development, and pollution control.").

in the Great Lakes Compact, have also modeled their commissions on the Delaware River Basin Commission.[119]

One important feature a commission in the High Plains Aquifer should adopt from the Delaware River Basin Commission is the use of majority voting in most circumstances. Majority voting could help the commission from being deadlocked because one state decides to hold out. The Pecos River Compact is a good example of how requiring unanimous consent from commissioners can cause problems.[120] Part of the failure of the Apalachicola–Chattahoochee–Flint River Compact is also attributed to its requirement of unanimity.[121] Another important feature a commission in the High Plains Aquifer should adopt from the Delaware River Basin Commission is the requirement of a comprehensive water plan for present and future uses of the aquifer. Given that the High Plains Aquifer is at risk of being depleted within a few decades,[122] a water plan with future water-resource projections may be vital to ensure long-term use of the aquifer.

3. *Use Groundwater Management Districts at the Local Level.*—I suggest that any compact created for the High Plains Aquifer, or any other interstate aquifer, should consider using groundwater management districts to help give representation at the local level. This would be a new idea in the realm of interstate compacts, but groundwater management districts have been successfully used by state governing authorities for decades.[123] Just as some state governing agencies use groundwater management districts to help regulate at the local level, the commission for the High Plains Aquifer could use groundwater management districts to solicit valuable advice at the local level. There are many states that use groundwater management districts,[124] so the commission for the High Plains Aquifer Compact would have several models from which to borrow. Furthermore, since several states in the High Plains Aquifer already have groundwater management districts,[125] much of

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119. *See* Bielecki, *supra* note 100, at 205–07 (comparing and contrasting the Delaware River Basin Compact's commission with the commission for the Great Lakes Compact).

120. *See* Clemons, *supra* note 7, at 131 (stating that the Pecos River Compact is a "prime example" of the difficulties created when the compact's decision-making requires "unanimous consent among commissioners"). The text of the Pecos River Compact can be found at TEX. WATER CODE ANN. § 42.010 (Vernon 2008).

121. *See* Bielecki, *supra* note 100, at 209 ("Part of the ACF's failure may be attributed to the structure of the decision-making provisions. The agreement required unanimity, . . . which was fatal to negotiations."). The text of the ACF Compact can be found at Pub. L. No. 105-104, 111 Stat. 2233 (1997).

122. *See supra* note 3 and accompanying text.

123. *See supra* notes 40–41 and accompanying text.

124. *See, e.g.*, Groundwater Management Districts Association, http://www.gmdausa.org/MemberStates.htm (listing seven states—Colorado, Kansas, Louisiana, Mississippi, Nebraska, Oklahoma, and Texas—with groundwater management districts that belong to the Groundwater Management Districts Association).

125. *See supra* notes 40–41, 44, 46 and accompanying text.

the foundation for creating the groundwater management districts is already in place.

But I realize that adding groundwater management districts seems somewhat counterintuitive to the purpose of the compact—to regulate the large region equitably and sustainably in a uniform manner throughout the aquifer. So it is important to realize that the purpose of the groundwater management districts is not to reduce the autonomy of the overall commission or compact but to help the commission gain local expertise and receive local input. Therefore, the groundwater management districts may help alleviate one of the concerns of such a large interstate compact—that it might become akin to the federal government and lose sight of local interests. Additionally, many people feel that groundwater management districts have been used reasonably effectively in managing aquifers and meeting the needs of their constituents.[126]

Of course, the details of the groundwater management districts would be resolved between the compacting states. Nonetheless, I recommend the groundwater management districts be more similar to the groundwater control areas in Wyoming than to the much more autonomous groundwater management districts in other states. In Wyoming, the groundwater control areas that are created serve in an advisory role to the state engineer rather than govern as relatively autonomous bodies.[127] So if a compact for the High Plains Aquifer uses groundwater management districts similar to the groundwater control areas in Wyoming, the commission would retain its autonomy and authority while still receiving input and advice from local groups.

There are many other details that would need to be resolved by the compacting states, such as the size, location, and other characteristics of the groundwater conservation districts. I only recommend that the commission create groundwater conservation districts in order to receive advice from local groups and thereby better serve local interests—while still retaining the autonomy and uniformity of the commission.

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126. *See, e.g.*, Stephen E. White & David E. Kromm, *Local Groundwater Management Effectiveness in the Colorado and Kansas Ogallala Region*, 35 NAT. RESOURCES J. 275, 306 (1995) ("Based on our field work within the region, a systematic assessment of performance, and a survey of irrigators, we believe that most of the groundwater management districts in the High Plains of Colorado and Kansas are reasonably effective in managing the aquifer and meeting the needs and preferences of their constituents.").

127. *See* WYO. STAT. ANN. § 41-3-915(a) (2009) ("If the state engineer finds after the hearing, and after receiving the advice of the control area advisory board, that the underground water in the control area is insufficient for all of the appropriators, he may by order adopt [corrective controls] . . . .").

C. Potential Questions and Concerns with an Interstate Groundwater Compact

Though I strongly recommend the use of an interstate groundwater compact for the High Plains Aquifer, since there are no current compacts that govern interstate aquifers, there are some questions and concerns for creating such a compact.

1. What Groundwater Doctrine Should the Compact Encompass?—As previously discussed, there are currently five different groundwater doctrines that have been used by various states, and each has its own advantages and disadvantages.[128] The compact states will need to agree on a doctrine to at least have as a default or background rule.

Though I do not consider any doctrine to be the best, as they each have different purposes and advantages, the easiest and most equitable solution may be to use the doctrine of prior appropriation. As an initial matter, six of the eight states overlying the High Plains Aquifer already use varying forms of prior appropriation for groundwater, so these states bring experience with that doctrine.[129] Only Texas and Oklahoma (and Nebraska in some areas) use a different groundwater doctrine.[130] Nonetheless, Oklahoma has experience with using the prior-appropriation doctrine for some types of groundwater—just not for the High Plains Aquifer.[131] Additionally, although Texas does not use prior appropriation for groundwater, it does have experience with the prior-appropriation doctrine for surface water.[132] So the prior-appropriation doctrine may be the easiest to use because all the states have some experience with it.

Though there may be a more equitable doctrine, the prior-appropriation doctrine would likely at least give each compacting state a stake in the issuance of groundwater permits. The more difficult question may be, What degree of voting power should each state have with regard to the issuance of permits? Most likely, the groundwater commission, or a subcommittee of the commission, would have to be in charge of issuing permits. But each state would have some degree of representation on that commission. Among the many plausible alternatives are giving each state equal power, dividing power according to proportional volume of the aquifer underlying the state, and dividing power according to population or water need overlying the

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128. *See supra* section II(B)(2).

129. The states of Colorado, Kansas, Nebraska, New Mexico, South Dakota, and Wyoming all have some sort of a prior-appropriation doctrine. *See supra* notes 39–42, 46 and accompanying text.

130. *See supra* notes 43–46 and accompanying text.

131. *See supra* note 45 and accompanying text.

132. *See* Eric Opiela, *The Rule of Capture in Texas: An Outdated Principle Beyond Its Time*, 6 U. DENV. WATER L. REV. 87, 89 n.9 (2002) ("[W]hile the rule of capture governs Texas groundwater, the doctrine of prior appropriation governs surface water in Texas, much like western states.").

aquifer. Alternatively, an interesting scheme might be some sort of sliding scale based on the impact the water use of a permit may have on any particular state. As discussed in the next section, pumping groundwater has much stronger effects closer to the pump source. So, for example, Texas may have more power over permits in Oklahoma or New Mexico than it would for Wyoming or South Dakota.

Prior appropriation is likely the easiest solution for a groundwater doctrine, and it is at least somewhat equitable since each state should have some stake in the permits issued within the aquifer. Further, if sustainability of the aquifer is a concern, issuing permits potentially allows the flexibility to use more or less water within the aquifer depending on the projected sustainable-water-use limits.

2. Hydrogeologic Concerns.—Groundwater generally does not move as dynamically as surface water. Groundwater may move only a few feet per day,[133] but surface water obviously moves much faster, especially in rivers. In the context of an interstate compact governing a river, the activities of any upstream state can clearly affect downstream states, even if they are hundreds of miles away. But in an interstate aquifer, since groundwater moves so slowly, activities of states that are hundreds of miles away may not be so closely related. In the High Plains Aquifer, for example, Texas may not care as much about what Wyoming is doing in the aquifer, but Texas may be strongly concerned with New Mexico's or Oklahoma's actions. Thus, in an interstate groundwater compact, Texas may want more participation in activities closer to the state and less participation for activities farther away. Fortunately, if an eastern-water-compact model is used, then the commission's governing authority might be able to take this factor into consideration.

Another potential problem is the relationship between groundwater and surface water. Theoretically, though groundwater use will impact the surface water and vice versa,[134] a compact for the High Plains Aquifer would only have jurisdiction over groundwater. This could obviously create management problems. I propose two ways this problem might be remedied. First, though this is not within the scope of what I argue in this Note, the compact could try to govern the entire basin of the High Plains Aquifer—similarly to the Delaware River Basin Compact.[135] But this basin would probably be

133. *See* SCHWALBAUM, *supra* note 16, at 33–34 (stating that a 1.25 feet/day seepage velocity is a fairly typical rate of flow of groundwater in a sand and gravel aquifer).

134. Groundwater and surface water are related—for example, streams quite often gain or lose water from aquifers that lie beneath them. *See* Drummond, *supra* note 1, at 177–78 (describing the interaction of groundwater and surface water in gaining and losing streams). Therefore, if the water level in the aquifer gets low enough, then the water table becomes too low to continue to contribute water to the river or reservoir. *See id.* (noting that in these "losing streams, the water table of the shallow aquifer is typically lower than the water level of the stream").

135. *See supra* note 5 and accompanying text.

extremely large once all the rivers that drain into the High Plains Aquifer are considered,[136] so this is likely not a good option. The other option is to let the compact govern only the groundwater and then let the commission of the compact work closely with the institutions that govern the surface water that is hydrologically connected to the High Plains Aquifer. Fortunately, many of the states that would be parties to the compact also have jurisdiction over the surface water that is connected to the aquifer[137]—or are possibly a party to another compact that has jurisdiction over that surface water.[138] So while the relationship between groundwater and surface water may complicate the compact, the issue should be resolvable.

3. *States Acquiescing to a Groundwater Compact.*—Finally, there is a concern that one or more states may not want to become a party to a compact for the High Plains Aquifer. I suspect that Texas, for example, might not want to join a compact because that could interrupt the current status quo, where Texas uses as much water from the aquifer as it wants.[139] Unfortunately, if a state does not want to join an interstate compact it cannot be forced to, as an interstate compact is a voluntary agreement entered into by the states.[140] But there are reasons why a state may eventually change its mind and decide to join an interstate compact. First, if disputes over water resources become a problem, the states may seek equitable apportionment by the Supreme Court of the United States.[141] Equitable apportionment by the Supreme Court may not be a favorable potential solution to many states,[142] so a state may decide to join an interstate compact if equitable apportionment is the alternative. Indeed, this is more or less what spurred the creation of the Delaware River Basin Compact.[143] Second, if the situation in the High Plains Aquifer does not improve, the federal government could one day consider federal regulations. If the options were either federal government regulation of groundwater or an interstate compact, the state may prefer the interstate compact. Though after almost thirty years since *Sporhase v. Nebraska ex rel. Douglas*[144] determined federal regulation of groundwater quantity may be

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136. *See* Drummond, *supra* note 1, at 184 fig.11-5 (illustrating the many rivers that drain into the High Plains Aquifer).

137. *See id.* (depicting the states with jurisdiction over the surface water in the High Plains Aquifer region).

138. *See, e.g.*, TEX. WATER CODE ANN. § 46.013 (Vernon 2008) (enacting the Red River Compact, which allocates the river's water rights among Arkansas, Louisiana, Oklahoma, and Texas).

139. *See supra* note 43 and accompanying text.

140. *See* Davis & Branson, *supra* note 87, at 137 (noting that the interstate compact must be "ratified by the signatory states' legislatures").

141. *See supra* note 79 and accompanying text.

142. *See supra* notes 79–82 and accompanying text.

143. *See* Bielecki, *supra* note 100, at 205–06 (discussing how prior-apportionment hearings before the Supreme Court eventually led to the states' desire to create the compact).

144. 458 U.S. 941 (1982).

possible,[145] the federal government has never done so, and thus it seems unlikely to happen anytime soon. Last, if the federal government liked the idea of a compact, then the federal government could give financial incentives for the states to enter into the compact. Hence, there are ways that states can be encouraged to enter into an interstate compact if there are any that do not initially desire to be a party.

VI. Conclusion

In conclusion, the current state-by-state regulation of the High Plains Aquifer is inequitable and unsustainable—it is allowing the potential for depletion within a few decades.[146] I outline at least two reasons why the current governance scheme is problematic, as it allows negative externalities and is administratively inefficient.

I argue that the solution for a better management scheme for the High Plains Aquifer lies within the constitutional mechanisms of horizontal federalism. A better governing structure for the High Plains Aquifer is an interstate compact. An interstate compact would lessen the problems of negative externalities and administrative inefficiency. A compact for the High Plains Aquifer should use the structure of the eastern water compacts as its model. Furthermore, the commission for the High Plains Aquifer Compact should be designed like the Delaware River Basin Commission. In addition, the interstate groundwater compact for the High Plains Aquifer should use groundwater management districts in order to gain local advice and expertise. By carefully and diligently crafting an interstate compact for the High Plains Aquifer, the region could enjoy much more effective means of regulation and management that would promote the equitable and sustainable use of the aquifer.

Finally, in this Note, though I make suggestions for this new management scheme for the High Plains Aquifer, many if not all of these suggestions may also be applicable to any of the numerous interstate aquifers in the United States.[147] While I do not advocate the adoption of compacts for any and all interstate aquifers, these principles may be helpful to other transboundary aquifers that may be having similar problems with different or conflicting state groundwater doctrines governing the same body of water.

—Rex A. Mann

145. *See id.* at 953–54 (concluding that "water is an article of commerce" and that "[groundwater] overdraft is a national problem and Congress has the power to deal with it on that scale").

146. *See supra* note 3 and accompanying text.

147. *See supra* note 9 and accompanying text.

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Holdover Trademark Licensees and the Counterfeiting Loophole*

I. Introduction

In today's decidedly consumerist America,[1] trademark law necessarily serves a critical function.[2] Trademarks decrease consumer search costs, allowing the public to distinguish quickly between products and services by relying on brand name as an indicator of consistent quality.[3] Consumers need not examine the attributes of a product or service before each purchase; once a consumer has knowledge of a particular brand, the trademark provides a shorthand signal of those attributes.[4] Trademark law also benefits producers, encouraging expenditures to maintain consistent quality and protecting producers' goodwill in their marks from free-riding competitors.[5]

Trademark protection, however, is being significantly weakened by substantial breakdowns in statutory and common law.[6] One of these breakdowns—the subject of this Note—manifests when an entity formerly licensed to use a mark continues to do so after the license has expired or terminated. In such a scenario, because the license has lapsed, continued use of the mark reflects an improper connection to now unauthorized, unlicensed products or services. Although courts often impose trademark-infringement liability on these "holdover licensees"[7] (as one might expect), infringement

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1. *See, e.g.*, James Q. Whitman, *Consumerism Versus Producerism: A Study in Comparative Law*, 117 YALE L.J. 340, 394 (2007) ("Americans came to regard 'consumer' as their primary legal identity during the mid-twentieth century . . . .").

2. Protection of consumers is the primary policy justification underlying trademark law. Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 YALE L.J. 1717, 1729 (1999).

3. William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 268–69 (1987).

4. *Id.* at 269.

5. *Id.* at 269–70.

6. *See, e.g.*, Arielle G. Lenza, Case Comment, Rescuecom Corp. v. Google, Inc., 52 N.Y.L. SCH. L. REV. 137, 138 (2007–2008) (arguing that the interpretation of the Lanham Act's "use" requirement in Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393 (N.D.N.Y. 2006), threatens to weaken trademark protection).

7. *See, e.g.*, U.S. Structures, Inc. v. J.P. Structures, Inc., 130 F.3d 1185, 1193 (6th Cir. 1997); Pennzoil-Quaker State Co. v. Smith, No. 2:05cv1505, 2008 WL 4107159, at *20 (W.D. Pa. Sept. 2, 2008) (both finding a holdover licensee liable for trademark infringement).

liability alone is typically insufficient to satisfy trademark law doctrine and policy.[8] Instead, as this Note will argue, holdover licensees should generally incur liability for a more severe and more appropriate cause of action: trademark counterfeiting.

Imagine the following scenario. A young entrepreneur, holding a freshly minted business degree from a top university, wants to put his education to work immediately. He decides to open a business, but rather than facing the difficulties involved with creating a startup, he elects to open a franchise location of a well-established company—McDonald's. Under the franchise agreement, the entrepreneur agrees to give McDonald's a 15% royalty of his total sales. In exchange, McDonald's provides him with regular shipments of its "delicious cuisine," along with menus, signage, and other materials bearing the MCDONALD'S marks and trade dress[9] to be installed at the location. McDonald's licenses the entrepreneur to use these marks and trade dress, conditioned upon continued fulfillment of his obligations under the franchise agreement.

Sometime later, things begin to sour. The entrepreneur begins to shortchange McDonald's on his required royalty payments. Due to this underpayment, McDonald's exercises its right to cancel the franchise, thereby terminating the entrepreneur's license to use the MCDONALD'S marks and trade dress. The entrepreneur, however, continues to operate a burger joint at the location. Because McDonald's has stopped food shipments, the entrepreneur buys burger patties, fries, and other menu items from a small local distributor—completely unaffiliated with McDonald's—who offers remarkably low prices. The entrepreneur takes down the large MCDONALD'S sign on the street, but to conserve time and money, he leaves up portions of the MCDONALD'S menus, wall decorations, and exterior building dressing.

The new burger joint is a success. Customers, some of whom are initially drawn to the location by the remnants of the well-known MCDONALD'S marks and trade dress, are ultimately quite satisfied with the entrepreneur's proprietary, non-McDonald's food. The entrepreneur, not wanting to disturb his good fortune, decides to leave the location as is, only

8. *See infra* Part IV.

9. Trade dress is the total image and overall appearance of a product or service, including features like size, shape, color combinations, textures, and graphics. Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 764 n.1 (1992). Trade dress is protectable under federal trademark law. TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 28–29 (2001); *see also* 15 U.S.C. § 1125(a)(3) (2006) (establishing specific rules for trade-dress-infringement actions). In the case of a McDonald's restaurant, trade dress would include the uniquely McDonald's building shape, interior wall dressing, and color scheme. *See Taco Cabana*, 505 U.S. at 764 n.1 ("[T]rade dress may include the shape and general appearance of the exterior of the restaurant, the identifying sign, the interior kitchen floor plan, the decor, the menu, the equipment used to serve food, the servers' uniforms and other features reflecting on the total image of the restaurant.").

removing some of the interior MCDONALD'S signage as it becomes outdated.

In this fact pattern—a prototypical holdover-licensee scenario—courts should generally impose liability for trademark counterfeiting. Liability for mere trademark infringement[10] does not sufficiently serve trademark policy. Moreover, from a doctrinal standpoint, counterfeiting is the most appropriate cause of action. The leftover MCDONALD'S marks used by the entrepreneur are identical to those displayed at legitimate McDonald's restaurants. Yet unlike the marks at legitimate McDonald's restaurants, the marks at the entrepreneur's restaurant do not symbolize a genuine existing affiliation with McDonald's. Instead, the marks now represent a *false* connection to McDonald's: because the franchise has terminated, the marks are being used in connection with menu items that do not originate from McDonald's and services over which McDonald's has no control. This false connection leads to consumer confusion, the touchstone test for trademark counterfeiting.[11]

Unfortunately, despite the cogent arguments for imposing counterfeiting liability on holdover licensees, certain courts have reached the opposite result.[12] Courts almost always levy liability for mere trademark infringement,[13] but some courts refuse to go further.[14] In these jurisdictions, holdover licensees are able to escape counterfeiting liability, even though their conduct—using *identical* versions of the former licensor's marks in connection with now inauthentic products or services—powerfully invokes both the doctrine and policy underlying trademark-counterfeiting prohibitions.[15] This result imposes substantial costs on plaintiff mark owners, including the loss of almost-guaranteed treble damages and attorney's fees, or alternatively, statutory damages up to $2 million per counterfeit mark.[16]

In arguing that holdover licensees should generally be liable for counterfeiting, this Note proceeds in several parts. Part II provides an overview of basic trademark law and policy, with a particular focus on

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10. For a discussion of the distinction between trademark infringement and trademark counterfeiting, as well as other aspects of basic trademark law, see *infra* Part II.

11. *See infra* note 55 and accompanying text. Such confusion need not rise to the level of *actual* confusion—trademark counterfeiting requires only a *probability* of consumer confusion. *See infra* notes 48–49, 53, 59 and accompanying text. Further, even to the extent that customers very quickly realize the location is not a McDonald's, the brief initial confusion caused by the MCDONALD'S marks is sufficient to establish trademark counterfeiting. *See infra* notes 50–51 and accompanying text.

12. *See, e.g.*, *U.S. Structures*, 130 F.3d at 1190, 1192 (upholding a lower court finding of trademark infringement against a holdover licensee, but denying a counterfeiting claim).

13. *See* Litman, *supra* note 2, at 1725–26 (describing courts' use of trademark law to "uphold claims to exclusive rights" in various proprietary marks); *see also* cases cited *supra* note 7.

14. *See, e.g.*, *U.S. Structures*, 130 F.3d at 1192 (reversing a judgment of counterfeiting liability for a holdover licensee).

15. *See infra* subpart IV(B).

16. *See infra* notes 75–83 and accompanying text.

counterfeiting. Part III describes the holdover-licensee scenario more fully and explains the deficient precedents that have allowed holdover licensees in certain courts to escape counterfeiting liability. Part IV argues that courts should reject those precedents and recognize trademark counterfeiting as the most appropriate cause of action against holdover licensees. To advance this argument, Part IV posits three explanations sympathetic to current case law denying counterfeiting liability but ultimately rejects those explanations. Part V suggests two solutions, one legislative and one judicial, through which courts could more readily impose counterfeiting liability. The legislative solution is for Congress to amend the statutory definition of *counterfeit*[17] to read: "A 'counterfeit' is a spurious mark that is identical to, or substantially indistinguishable from, a registered mark. A mark is 'spurious' if it is a physically inauthentic replica, or if it is an authentic mark used in connection with inauthentic products or services." The judicial solution is for courts construing the definition of *counterfeit* to engage in a more nuanced process of statutory interpretation, using trademark policy to resolve ambiguous statutory language and legislative history.

II. Trademark Law Overview

A. General Principles and Policy

A trademark is an identifying symbol.[18] Under the Lanham Act[19]—the federal trademark statute—a *trademark* is defined as a designation that identifies and distinguishes a producer's goods or services and indicates their source.[20] In essence, a mark must answer the question: "Who are you?"[21] Beyond this prerequisite, there are no technical limitations on the allowable subject matter that may form a mark.[22] Words, such as WAL-MART, remain the most common types of marks,[23] but trademark protection also extends to

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17. *See* 15 U.S.C. § 1127 (2006) (defining *counterfeit* as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark").

18. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3:4, at 3–14 (4th ed. 2009).

19. 15 U.S.C. §§ 1051–1141n.

20. *Id.* § 1127. The term *trademark* technically refers only to marks used on goods. JANE C. GINSBURG ET AL., TRADEMARK AND UNFAIR COMPETITION LAW: CASES AND MATERIALS 17 (4th ed. 2007); *see also* 15 U.S.C. § 1127 (defining a *trademark* as a designation used to identify and distinguish goods). However, the term is often used as a blanket definition covering other types of marks, such as service marks (marks used in connection with services, rather than goods). 1 MCCARTHY, *supra* note 18, § 3:1. Accordingly, this Note will use the terms *trademark* and *mark* as inclusive of all subject matter protectable under the federal trademark statute. *Cf.* 15 U.S.C. § 1127 ("The term 'mark' includes any trademark, service mark, collective mark, or certification mark.").

21. 1 MCCARTHY, *supra* note 18, § 3:6.

22. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 cmt. g (1995); *see also* 15 U.S.C. § 1127 (providing that a trademark may consist of "any word, name, symbol, or device, or any combination thereof").

23. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 cmt. g.

other designations, including logos,[24] sounds,[25] trade dress,[26] and in some instances, even single colors.[27]

Trademark law promotes several policy rationales. First, trademarks protect consumers from confusion.[28] Because trademarks must identify and distinguish source, trademarks reduce the potential for misunderstanding and deceit in the marketplace, allowing consumers to proceed with confidence in the truth of the information presented.[29]

Second, trademarks lower consumer search costs.[30] As a consumer gains experience with a product or service, the attached marks (i.e., the brand) "become associated with expectations of a particular quality."[31] This economizes the cost of information about anticipated performance, leading to more efficient future purchases—rather than fully investigating a product or service before each purchase, a consumer can use his past experience with the brand to make a decision.[32]

Third, trademarks create optimal quality-based incentives for producers. Producers must build and maintain a consistent quality over time and across consumers, or else the producers' marks will cease to embody any particular level of quality.[33] A producer's failure to maintain that consistent quality destroys the marks' search-cost-economizing function, thereby devaluing the marks to the consumer.[34] Moreover, beyond simply promoting consistency at any level of quality (e.g., consistently low-quality products), trademark

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24. *See, e.g.*, *In re* Corning Glass Works, 6 U.S.P.Q.2d (BNA) 1032, 1033 (T.T.A.B. 1988) ("A design which has ornamental value may nevertheless be registered if it also functions as a trademark.").

25. *See, e.g.*, U.S. Trademark No. 3,288,274 (filed May 30, 2005) (issued Sept. 4, 2007) (establishing a federal trademark registration for a sound comprising a C eighth note, E-flat eighth note, B-flat eighth note, G quarter note, C eighth note, and C quarter note for use by Nokia on various communication devices).

26. *See supra* note 9.

27. *See, e.g.*, Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 159 (1995) (holding that when a single color has come to indicate a particular source of goods or services, "no special legal rule prevents color alone from serving as a trademark").

28. *See* Dart Drug Corp. v. Schering Corp., 320 F.2d 745, 748 n.10 (D.C. Cir. 1963) ("[C]onfusion to the public is the essence of both trademark infringement and unfair competition." (citations omitted)); Safeway Stores, Inc. v. Safeway Props., Inc., 307 F.2d 495, 497 (2d Cir. 1962) ("The keystone in that portion of the law of unfair competition which relates to trademarks is the avoidance of confusion in the minds of the buying public.").

29. Falcon Rice Mill, Inc. v. Cmty. Rice Mill, Inc., 725 F.2d 336, 348 (5th Cir. 1984). The importance of preventing consumer confusion is further illuminated by the fact that the touchstone test for trademark infringement and trademark counterfeiting is likelihood of confusion. *See infra* subpart II(B).

30. ARMEN ALCHIAN & WILLIAM R. ALLEN, EXCHANGE AND PRODUCTION: COMPETITION, COORDINATION, AND CONTROL 193 (2d ed. 1977); Landes & Posner, *supra* note 3, at 268–69.

31. ALCHIAN & ALLEN, *supra* note 30, at 193.

32. *Id.*

33. Landes & Posner, *supra* note 3, at 269.

34. *Id.*

law actually encourages producers to *improve* quality.[35] Because marks identify and distinguish source, producers cannot evade associations between their marks and the quality of their products or services.[36] Thus, producers are incentivized to improve quality as much as consumers are willing to pay for it.[37] In contrast, without trademark law, consumers would be unable to recognize high- or low-quality brands, so producers would have little motivation to improve quality.[38] Sales would simply go to the producers who cut quality and offered the lowest prices.[39]

Finally, trademark law protects a producer's goodwill in his marks from free-riding competitors.[40] Given that it is exponentially more expensive to build up goodwill in one's own marks than to simply duplicate and use another's, a lack of trademark protection would disincentivize expenditures to develop goodwill and instead incentivize simply copying and using marks already established by others.[41]

B. Trademark Infringement

The essence of trademark infringement is *likelihood of confusion*.[42] Under the Lanham Act, the touchstone test for whether a defendant has infringed a plaintiff's mark is whether the defendant's use of the allegedly infringing mark is likely to confuse the consuming public.[43] Generally, likelihood of confusion can occur in two broad scenarios.[44] In the first scenario, the defendant's use of the mark confuses the public into believing that the defendant's products or services originate from the plaintiff.[45] In the second scenario, the defendant's use confuses the public into believing that there is some other affiliation, association, or sponsorship between the plaintiff and the defendant.[46] Most circuits utilize a multifactor balancing test to determine whether a defendant's use of a mark has created likelihood of

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35. 1 MCCARTHY, *supra* note 18, § 2:4.

36. *See* Landes & Posner, *supra* note 3, at 269 (describing how trademarks allow consumers to associate quality levels with brands).

37. *Id.*

38. *Id.*

39. *Id.*

40. *Id.* at 270.

41. *See id.* (arguing that the incentive for producers to incur the expense of creating a trusted trademark will be destroyed if such marks are not protected by trademark law).

42. Internet Specialties W., Inc. v. Milon-DiGiorgio Enters., 559 F.3d 985, 990 (9th Cir. 2009); *see also* 15 U.S.C. §§ 1114(1)(a), 1125(a)(1)(A) (2006) (prohibiting use of a mark where such use is "likely to cause confusion, . . . mistake, or to deceive"). Likelihood of confusion is also known as "confusing similarity." 4 MCCARTHY, *supra* note 18, § 23:4.

43. 4 MCCARTHY, *supra* note 18, § 23:1, at 7.

44. 2 ANNE GILSON LALONDE, GILSON ON TRADEMARKS § 5.01[3] (Karin Greene ed., 2008) [hereinafter GILSON].

45. *Id.*

46. *Id.*

confusion.[47] Likelihood of confusion requires only a *probability* of consumer confusion;[48] evidence of *actual* confusion is not required.[49]

Likelihood of confusion can occur at various points in the commercial process. Confusion often manifests at the point of sale—i.e., at the time of the consumer's purchase—but need not necessarily arise then.[50] Under the doctrine of initial-interest confusion, likelihood of confusion (and therefore infringement) may also stem from confusion that creates initial customer interest in a product or service, even though such confusion never actually results in a sale.[51] Confusion may also occur postsale, among individuals other than the purchaser.[52]

C. *Trademark Counterfeiting*

Trademark counterfeiting is a subset of trademark infringement.[53] All counterfeiters infringe, but all infringers do not necessarily counterfeit.[54] In both counterfeiting and infringement cases, likelihood of confusion is the critical inquiry.[55] The key difference is that, in counterfeiting cases, the defendant's mark is impossible or extremely difficult to tell apart from the plaintiff's.[56]

The cause of action for counterfeiting is created by Lanham Act provisions 15 U.S.C. § 1117(b) and (c). Referencing § 1117(a), which

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47. *See, e.g.*, Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961) (establishing eight factors for evaluating likelihood of confusion: strength of the plaintiff's mark; degree of similarity between the plaintiff's and defendant's marks; proximity of the products or services attached to the marks; likelihood that the plaintiff will "bridge the gap"; evidence of actual confusion; defendant's good faith in adopting the mark; quality of the defendant's product or service; and sophistication of the buyers); *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 cmt. b reporter's note (1995) ("The evolving views of the Second Circuit have been influential in the approach adopted by most courts to the likelihood of confusion issue . . . . The fact-oriented approach adopted in *Polaroid* has been followed by other courts, although the enumeration of relevant factors varies among jurisdictions.").

48. 4 MCCARTHY, *supra* note 18, § 23:3, at 18.

49. E. & J. Gallo Winery v. Consorzio Del Gallo Nero, 782 F. Supp. 457, 465 (N.D. Cal. 1991); 4 MCCARTHY, *supra* note 18, § 23:12; *see also, e.g.*, *Polaroid*, 287 F.2d at 495 (holding that evidence of actual confusion is merely one factor in the likelihood-of-confusion analysis).

50. 4 MCCARTHY, *supra* note 18, § 23:5, at 22.

51. Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 260 (2d Cir. 1987); 4 MCCARTHY, *supra* note 18, § 23:6, at 30.

52. 4 MCCARTHY, *supra* note 18, § 23:7, at 39; *see also* Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc., 221 F.2d 464, 466 (2d Cir. 1955) (finding likelihood of confusion where imitation ATMOS-marked clocks were likely to confuse visitors at purchasers' homes, even though the purchasers likely knew the clocks were not genuine Atmos products).

53. 2 GILSON, *supra* note 44, § 5.19[2][a].

54. *Id.*

55. *Id.*; *see also* 15 U.S.C. § 1117(b) (Supp. 2008) (establishing the counterfeiting cause of action by referencing § 1117(a), which in turn incorporates the core infringement provisions of § 1114(1)(a), for registered marks, and § 1125(a)(1)(A), for unregistered marks, both of which center upon likelihood of confusion).

56. 2 GILSON, *supra* note 44, § 5.19[2][a].

establishes remedies for normal infringement claims, § 1117(b) provides for special remedies against a defendant who "intentionally [uses] a mark or designation, knowing such mark or designation is a counterfeit mark."[57] Similarly, § 1117(c) provides for statutory damages "[i]n a case involving the use of a counterfeit mark."[58]

A counterfeiting claim under § 1117(b) and (c) requires everything that an infringement claim does[59] but also entails four additional requirements. First, the defendant's mark must be *counterfeit*: "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark."[60] The Lanham Act's legislative history defines *spurious* to mean "not genuine or authentic" but does not further explain the term's significance.[61] The requirement that the defendant's mark be identical to or substantially indistinguishable from the plaintiff's differs significantly from a mere infringement case, where the similarity between the marks is only one factor in evaluating likelihood of confusion.[62] Second, the plaintiff's mark must be registered on the U.S. Patent and Trademark Office's principal register for use on the exact same goods or services as those to which the defendant applied the mark.[63] In contrast, an infringement claim can be brought for either registered or unregistered marks,[64] and the similarity between the plaintiff's and defendant's goods or services is merely a factor in determining infringement.[65] Third, to establish counterfeiting, the defendant must not have been authorized to use the plaintiff's mark at the time of the manufacture or production of the goods or services in question.[66] Fourth,

57. 15 U.S.C. § 1117(b).

58. *Id.* § 1117(c).

59. *See supra* notes 53–54 and accompanying text.

60. 15 U.S.C. § 1127 (2006). Some clarification is helpful regarding the interplay between the Lanham Act's substantive counterfeiting prohibitions in § 1117(b) and (c) and the definition of *counterfeit* in § 1127. In establishing remedies against counterfeiters, § 1117(b) and (c) both expressly incorporate the definition of *counterfeit mark* found in another Lanham Act provision, § 1116(d). *See id.* § 1117(b); *id.* § 1117(c) (both referring to a *counterfeit mark* "as defined in section 1116(d) of this title"). Section 1116(d), then, circularly defines a *counterfeit mark* as a "counterfeit of a mark." *Id.* § 1116(d)(1)(B)(i). In turn, § 1127 ultimately defines *counterfeit* as quoted above: "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." *Id.* § 1127. For further discussion regarding the Lanham Act's statutory language and the *counterfeit* requirement, see 2 GILSON, *supra* note 44, § 5.19[3][b][i].

61. *Joint Statement on Trademark Counterfeiting Legislation*, 130 CONG. REC. H31,675 (1984).

62. *See supra* note 47.

63. 15 U.S.C. §§ 1116(d)(1)(B)(i), 1127; *see also* 2 GILSON, *supra* note 44, § 5.19[3][b][iv] ("In order for a claim of counterfeiting to prevail, the plaintiff or complainant's trademark must be registered on the U.S. PTO's principal register for use on the same goods to which the defendant applied the mark.").

64. *Compare* 15 U.S.C. § 1114(a)(1) (providing a cause of action for registered marks), *with id.* § 1125(a)(1) (providing an essentially identical cause of action but without requiring registration).

65. *See supra* note 47.

66. 15 U.S.C. § 1116(d)(1)(B); *see also* 2 GILSON, *supra* note 44, § 5.19[3][b][v], [3][c][i] ("The term 'counterfeit mark' does not include a mark used when the manufacturer or producer of

counterfeiting generally arises only when a defendant acts with knowledge and intent.[67] Although unintentional counterfeiting is possible,[68] it is relatively rare[69] and has little relevance to the argument advanced by this Note.[70] Accordingly, unintentional counterfeiting is not considered in the discussion below, and this Note does not argue that unintentional or negligent holdover licensees should be subject to counterfeiting liability.

As a subset of trademark law, counterfeiting law promotes many of the same policy rationales: protecting consumers from confusion, minimizing consumer search costs, optimizing quality-based incentives for producers, and protecting producers' goodwill in their marks.[71] Counterfeiting prohibitions, however, promote these policies in situations where the defendant's conduct especially threatens trademark protection, as the defendant's mark is extremely similar (or identical) to the plaintiff's and the goods or services are necessarily the same.[72] The automatic presence of these two factors makes likelihood of confusion more probable in a counterfeiting case than an infringement case.[73] Further, because counterfeiting requires that the defendant's mark be identical to or substantially indistinguishable from the plaintiff's, it is far less likely that the defendant arrived at the mark by accident.[74]

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the good was, at the time of manufacture or production, authorized by the trademark owner to use the mark on that type of goods.").

67. *See* 15 U.S.C. § 1117(b) (providing a cause of action where a defendant intentionally uses a mark he knows to be counterfeit); *id.* § 1117(c)(2) (establishing statutory damages for "willful" counterfeiting).

68. *See id.* § 1117(c)(1) (providing for statutory damages without mentioning any mental-state requirement, in contrast to § 1117(b) or (c)(2)); *see also* 2 GILSON, *supra* note 44, § 5.19[4][a][ii] (discussing the existence of unintentional counterfeiting).

69. Unintentional counterfeiting typically arises in only one specific factual scenario. *See* 2 GILSON, *supra* note 44, § 5.19[4][a][ii] (noting that unintentional counterfeiting primarily occurs when a retailer sells goods he does not know are counterfeit).

70. In the types of holdover-licensee cases with which this Note is concerned, the holdover licensee knows that he is continuing to use the former licensor's mark after termination of the license and has been asked to stop. These facts preclude any colorable argument that the holdover licensee is not acting intentionally and knowingly. *See* Int'l Korwin Corp. v. Kowalczyk, 855 F.2d 375, 380–81 (7th Cir. 1988) (holding that willfulness exists where a defendant is provided notice of his infringing conduct).

71. *See* 2 GILSON, *supra* note 44, § 5.19[1] ("Counterfeiting . . . thwarts . . . the trademark owner's ability to assure its customers of quality products [and services]."); GINSBURG ET AL., *supra* note 20, at 958 ("[Counterfeiting] remedies exist to combat . . . the normal harms trademark owners can suffer, such as diverted sales, reputation loss and potential injury to mark distinctiveness and goodwill, and that potential purchasers can suffer, such as obtaining the wrong goods or increased search costs . . . .").

72. *See supra* notes 56, 60 and accompanying text.

73. While there is no logical necessity that likelihood of confusion will always be present in counterfeiting cases, the weight of these two factors makes confusion more likely than in an infringement case. *See, e.g.*, Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961) (establishing similarity between the marks and similarity between the underlying products or services as two factors for evaluating likelihood of confusion).

74. *See supra* notes 60–62 and accompanying text.

As counterfeiting is especially grievous conduct, the law provides several enhanced remedies beyond those available for mere infringement. First, special monetary damages are available to the plaintiff.[75] When a defendant intentionally uses a mark he knows to be counterfeit, the plaintiff is entitled to mandatory treble damages and attorney's fees, unless the court finds extenuating circumstances.[76] Alternatively, the plaintiff may elect to receive statutory damages of up to $2 million per counterfeit mark.[77]

A hypothetical example illustrates the potential for immensely divergent damages awards between infringement and counterfeiting cases. Suppose a plaintiff suffers $100,000 of actual damages from a defendant's use of his mark. The plaintiff succeeds on an infringement claim but fails on counterfeiting. To start, injunctions are often the only remedy available in infringement cases;[78] without establishing counterfeiting, a plaintiff typically cannot expect any monetary damages whatsoever.[79] Assume for the sake of argument, though, that the hypothetical plaintiff here is entitled to $100,000, even on the infringement-only claim. The plaintiff accrues $25,000 of attorney's fees while litigating the case. Absent exceptional circumstances, a court cannot award attorney's fees for a mere infringement claim.[80] Although the court may adjust damages or profits upward, the decision to do so is entirely discretionary.[81] Thus, the plaintiff's likely net gain is $75,000: $100,000 in actual damages minus $25,000 owed to his attorney.

A successful counterfeiting claim on the same facts yields a much higher net gain. If the court finds that the defendant intentionally and knowingly counterfeited, the plaintiff will almost certainly be entitled to mandatory treble damages and attorney's fees, or $300,000 plus $25,000, for a net gain of $300,000: $325,000 minus $25,000 owed to the attorney.[82]

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75. 15 U.S.C. § 1117(b)–(c) (Supp. 2008).

76. *Id.* § 1117(b). A finding of extenuating circumstances is very rare. Once the mental state requirements of knowledge and intent are established, the vast majority of cases will not entail the sort of extenuating circumstances necessary to negate an award of mandatory treble damages and attorney's fees. *Joint Statement on Trademark Counterfeiting Legislation*, 130 CONG. REC. H31,680 (1984).

77. 15 U.S.C. § 1117(c)(2). Section 1117(c)(2) actually refers to "willful" counterfeiting, rather than utilizing the intent–knowledge language of § 1117(b). *See id.* (allowing for an award of statutory damages "if the court finds that the use of the counterfeit mark was willful"). Nevertheless, there is no indication in the statute or its legislative history that the word *willful* was intended to mean something other than knowledge and intent, so this provision seemingly refers to the same mental state as § 1117(b). *See* N.A.S. Import, Corp. v. Chenson Enters., 968 F.2d 250, 252 (2d Cir. 1992) (defining *willful* in terms of knowledge and intent); 2 GILSON, *supra* note 44, § 5.19[4][a] (discussing the distinction between *willful* and *nonwillful* in terms of "intent").

78. *See* GINSBURG ET AL., *supra* note 20, at 917 (identifying injunctive relief as the usual remedy in trademark cases, given that actual damages are usually difficult to quantify and prove).

79. *Id.*

80. 15 U.S.C. § 1117(a).

81. *Id.*

82. *See id.* § 1117(b) (providing for mandatory treble damages and attorney's fees in cases of intentional and knowing counterfeiting, except in extenuating circumstances).

Alternatively, the plaintiff could elect to receive statutory damages, which would yield up to $2 million per counterfeit mark.[83] Either way, the plaintiff's net gain would be substantially higher than the $75,000 he would receive for the infringement-only claim, or perhaps even more likely, the $25,000 net loss he would sustain if the court granted only an injunction against the infringement.

Finally, beyond the sizable increase in monetary remedies, counterfeiting claims provide two additional benefits. First, a plaintiff in a civil counterfeiting case can apply for ex parte seizure of the counterfeit marks and goods.[84] This allows the court to seize the counterfeit materials without providing notice to the defendant.[85] Second, unlike defendants in mere infringement cases, counterfeiters are subject to criminal penalties.[86] All things considered, the difference in liability between infringement and counterfeiting can be substantial.

III. Holdover Licensees: Avoiding Counterfeiting Liability

As the previous Part described, trademark-counterfeiting law serves the same core functions and policies as trademark law at large.[87] The Lanham Act and federal criminal law establish enhanced penalties for counterfeiting beyond those available in infringement cases—including civil remedies that may immensely affect what a plaintiff receives on a successful claim—because counterfeiting is a particularly egregious form of infringement.[88]

Certain defendants, however, are avoiding the augmented penalties for counterfeiting, notwithstanding the alignment of their conduct with counterfeiting doctrine and policy. These defendants are holdover trademark licensees—entities formerly licensed to use another's marks who continue to use those marks without authorization after their license has terminated.[89] This Part describes more fully the holdover-licensee scenario and identifies the deficient precedents that have allowed holdover licensees to escape counterfeiting liability. In particular, this Part details two cases—including a key Sixth Circuit decision—in which holdover licensees have questionably defeated counterfeiting claims. This Part also describes one Ninth Circuit decision that reached the opposite result but notes the subsequent failure of that decision to gain widespread adoption. The next Part then advances the

83. *See id.* § 1117(c)(2) (setting the statutory maximum recovery at $2 million per counterfeit mark where the defendant's use was willful).

84. *Id.* § 1116(d)(1)(A).

85. 2 GILSON, *supra* note 44, § 5.19[4][b][i].

86. *See* 18 U.S.C. § 2320 (2006) (establishing criminal sanctions against trafficking in counterfeit goods or services).

87. *See supra* notes 28–41, 71–74 and accompanying text.

88. *See supra* notes 71–86 and accompanying text.

89. *See* 4 MCCARTHY, *supra* note 18, § 25:31, at 78–79 (defining a *holdover* as a franchisee, dealer, or licensee who continues to use a mark after the license agreement has terminated and authorization to use the mark has thus lapsed).

central normative claim of this Note: courts should overcome the deficient precedents and recognize trademark counterfeiting as generally the most appropriate cause of action against holdover licensees.

It is well established that holdover licensees are liable for trademark infringement.[90] Nevertheless, certain courts refuse to go further by imposing counterfeiting liability.[91] In one of the few circuit decisions considering the issue, the Sixth Circuit has expressly ruled that holdover licensees are not counterfeiters.[92] In that case, *U.S. Structures, Inc. v. J.P. Structures, Inc.*,[93] the defendants entered into a franchise agreement allowing them to use the plaintiff's ARCHADECK mark in connection with a deck-construction business.[94] After six years of operation, the plaintiff terminated the franchise for the defendants' failure to pay required royalties.[95] Following termination, the defendants continued to use the ARCHADECK mark within their business and in an advertising program through which they received numerous customer referrals.[96] The Sixth Circuit affirmed the district court's finding of trademark infringement[97] but reversed an award of treble damages and attorney's fees under the Lanham Act's counterfeiting provisions:

> We agree with defendants that [15 U.S.C.] § 1117(b) does not apply where, as in this case, a holdover franchisee continues to use the franchisor's original trademark after the franchise has been terminated. *Although the use of an original trademark is without authorization, it is not the use of a counterfeit mark.* Thus, the district court erred in awarding attorneys' fees pursuant to § 1117(b).[98]

The court did not elaborate further on its reasoning.[99] It also failed to cite any authority in support of the proposition that holdover licensees are not counterfeiters.[100]

Relying on the unreasoned precedent of *U.S. Structures*, other courts have similarly exonerated holdover licensees from counterfeiting claims.[101]

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90. *Id.*

91. *See, e.g.*, U.S. Structures, Inc. v. J.P. Structures, Inc., 130 F.3d 1185, 1192 (6th Cir. 1997); Pennzoil-Quaker State Co. v. Smith, No. 2:05cv1505, 2008 WL 4107159, at *20–22 (W.D. Pa. Sept. 2, 2008) (both absolving a holdover licensee from a counterfeiting claim).

92. *U.S. Structures*, 130 F.3d at 1192.

93. 130 F.3d 1185 (6th Cir. 1997).

94. *Id.* at 1187.

95. *Id.*

96. *Id.*

97. *Id.* at 1193.

98. *Id.* at 1192 (emphasis added).

99. *Id.*

100. *Id.*

101. *See, e.g.*, Pennzoil-Quaker State Co. v. Smith, No. 2:05cv1505, 2008 WL 4107159, at *22 (W.D. Pa. Sept. 2, 2008); Motor City Bagels, L.L.C. v. Am. Bagel Co., 50 F. Supp. 2d 460, 489 (D. Md. 1999) (both citing *U.S. Structures*, 130 F.3d at 1192, to deny counterfeiting liability for a holdover licensee). On the other hand, one circuit court decision since *U.S. Structures* has decided the issue correctly, finding a holdover licensee liable for counterfeiting. *See* Idaho Potato Comm'n

In a recent case, *Pennzoil-Quaker State Co. v. Smith*,[102] a federal district court cited *U.S. Structures* to deny counterfeiting liability for a holdover licensee whose conduct was considerably more egregious than the defendants' in *U.S. Structures*.[103] In *Pennzoil*, the defendant Smith owned Lube Pro, a retail oil-change center.[104] At his Lube Pro facility, Smith displayed various exterior and interior signage prominently bearing the PENNZOIL marks.[105] This signage included a massive road sign stating, "We Feature PENNZOIL products," and another large PENNZOIL sign on the front of the facility's exterior.[106] Smith had obtained the PENNZOIL signage from the facility's previous owner, who had signed an agreement with Pennzoil to become an authorized distributor.[107] Under that agreement, Pennzoil was required to loan genuine PENNZOIL signage to the facility for installation there.[108] The signage remained the property of Pennzoil, and the agreement required the facility owner to remove and return the signage if he ever discontinued featuring Pennzoil-brand products.[109]

After Smith's purchase of the Lube Pro facility, Pennzoil contacted Smith to request that he sign a contract, similar to the one the previous owner had signed, to become an authorized Pennzoil distributor.[110] Smith declined, believing that Pennzoil charged too much for its bulk oil.[111] Despite his refusal to sign the agreement, however, Smith did not take down the PENNZOIL signage.[112]

Yet rather than "featuring" Pennzoil products, Smith sold very little: 95% of his oil came from bulk containers, which he never purchased from Pennzoil.[113] In 2005, Smith sold approximately 5,000 gallons of oil, only 100 to 150 of which were Pennzoil products.[114] Smith performed oil changes

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v. G & T Terminal Packaging, Inc., 425 F.3d 708, 720–22 (9th Cir. 2005) (affirming a counterfeiting claim against a holdover licensee who continued to use a certification mark after expiration of the license). Still, that lone decision does not absolve the need, as this Note argues, for other courts to distance themselves from *U.S. Structures* and its progeny. Indeed, at least one court has already distinguished *Idaho Potato* on relatively dubious grounds in order to follow *U.S. Structures*' perplexing rule. *See Pennzoil*, 2008 WL 4107159, at *21 & n.33 (distinguishing *Idaho Potato* on the grounds that it concerned a certification mark, not a trademark or service mark, but failing to connect that distinction to the issue of why holdover licensees should not be liable for counterfeiting).

102. No. 2:05cv1505, 2008 WL 4107159 (W.D. Pa. Sept. 2, 2008).

103. *See id.* at *22 (referring to *U.S. Structures* as "instructive" despite its factual differences).

104. *Id.* at *5.

105. *Id.*

106. *Id.*

107. *Id.* at *5–6.

108. *Id.* at *5.

109. *Id.* at *6.

110. *Id.*

111. *Id.*

112. *Id.*

113. *Id.* at *7.

114. *Id.*

with Pennzoil only when the customer specifically requested that he do so.[115] Such requests occurred less than once a week, possibly as infrequently as once a month.[116] Smith estimated that less than 1% of his customers requested a specific brand of oil.[117] In short, despite not being an authorized Pennzoil distributor and despite selling only a miniscule amount of Pennzoil products (and only when specifically requested), Smith continued to display the prominent PENNZOIL signage at his Lube Pro location.[118]

Ignoring this confluence of culpable behavior, the district court rejected Pennzoil's trademark-counterfeiting claim.[119] Reasoning that Smith's use of the PENNZOIL signage was not use of a counterfeit mark, the court held that Pennzoil could not establish an essential element of its claim.[120] The court asserted that the term *counterfeit* in the Lanham Act refers to the defendant's marks themselves, not the underlying goods or services.[121] The PENNZOIL marks at the Lube Pro were genuine—loaned by Pennzoil itself—not counterfeits or copies.[122] Thus, the court evidently found it irrelevant that the overwhelming majority of Smith's oil-change products were not Pennzoil brand. Further, the court held that even if *counterfeit* in the Lanham Act could potentially refer to the defendant's underlying goods or services, Smith had not "attached" the genuine PENNZOIL marks to his overwhelmingly non-Pennzoil products[123] (even though one sign stated, "We *Feature* PENNZOIL products," at a facility that sold only 5% or less Pennzoil).[124] The court attempted to support its holding by citing *U.S. Structures* for the bare proposition that holdover licensees are not counterfeiters.[125]

In contrast, one circuit has rejected *U.S. Structures*, affirming counterfeiting liability against a holdover licensee. In *Idaho Potato Commission v. G&T Terminal Packaging, Inc.*,[126] the defendant continued to use the IDAHO and GROWN IN IDAHO certification marks on bags of potatoes after his license to do so had expired.[127] Upholding statutory damages for counterfeiting under § 1117(c),[128] the Ninth Circuit prudently

115. *Id.* at *8.
116. *Id.*
117. *Id.*
118. *Id.* at *5–8.
119. *Id.* at *21–22.
120. *Id.* at *21; *see also supra* notes 56–58 and accompanying text.
121. *Pennzoil*, 2008 WL 4107159, at *21.
122. *Id.*
123. *Id.*
124. *Id.* at *5, *7 (emphasis added).
125. *Id.* at *22.
126. 425 F.3d 708 (9th Cir. 2005).
127. *Id.* at 711–13.
128. *See supra* note 75 and accompanying text.

rejected *U.S. Structures*' rule that holdover licensees are not counterfeiters.[129] Unfortunately, like the Sixth Circuit in *U.S. Structures*, the Ninth Circuit did little to explain its holding.[130] Although the Ninth Circuit seemed to implicitly reject *U.S. Structures*, it did not confront the Sixth Circuit's rule head on.[131] Perhaps for those reasons, the Ninth Circuit's decision has not been universally followed: *Pennzoil*, decided three years after *Idaho Potato*, instead chose to adopt the *U.S. Structures* rule.[132]

While *Idaho Potato* lacks a particularly compelling discussion of the counterfeiting issue, its result finds substantial support in trademark doctrine and policy.[133] *U.S. Structures*, *Pennzoil*, and similar cases,[134] on the other hand, concede an unjust victory to holdover-licensee defendants. This victory is significant. Even when a holdover licensee remains liable for infringement, exculpation on a counterfeiting claim provides a tremendous boon because the defendant avoids the enhanced counterfeiting penalties.[135] The next Part argues that holdover licensees generally should not enjoy this windfall. Courts should reject *U.S. Structures* and regularly impose counterfeiting liability on holdover licensees.

IV. Holdover Licensees Are Counterfeiters

The previous Part described how current law allows holdover licensees to elude counterfeiting liability. This Part argues that courts should reject the deficient precedent of *U.S. Structures* (and the cases following it) to adjudge holdover licensees as counterfeiters. Most notably, this Part suggests that holdover licensees are counterfeiters because they purposefully use the former licensor's actual marks to generate false associations with the former licensor.

In advancing the argument against *U.S. Structures* and its progeny, this Part will take a two-pronged approach. First, this Part will attempt to decipher the rationale behind the *U.S. Structures* rule, advancing three potential explanations for its undeveloped holding. Then, this Part will reveal why all three explanations should ultimately be rejected as unpersuasive arguments

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129. *See Idaho Potato*, 425 F.3d at 721 (citing the conclusion of U.S. Structures, Inc. v. J.P. Structures, Inc., 130 F.3d 1185, 1192 (6th Cir. 1997), as contradictory authority on the counterfeiting issue).

130. *See id.* at 720–22 (analyzing the counterfeiting issue in terms of likelihood of confusion and quality control, but failing to substantially discuss counterfeiting specifics).

131. *See id.* at 721 (citing *U.S. Structures*, 130 F.3d at 1192, as contradictory authority on the counterfeiting issue, but failing to explain why *U.S. Structures* was not followed).

132. Pennzoil-Quaker State Co. v. Smith, No. 2:05cv1505, 2008 WL 4107159, at *22 (W.D. Pa. Sept. 2, 2008).

133. *See infra* subpart IV(B).

134. *See, e.g.*, Motor City Bagels, L.L.C. v. Am. Bagel Co., 50 F. Supp. 2d 460, 489 (D. Md. 1999) (denying counterfeiting liability for a holdover licensee without performing any analysis of the issue beyond a cursory citation to *U.S. Structures*, 130 F.3d at 1192).

135. *See supra* notes 75–86 and accompanying text.

for the case's result. In doing so, this Part will show that, even under the most sympathetic readings possible, decisions denying counterfeiting liability for holdover licensees are generally fundamentally inconsistent with counterfeiting doctrine, trademark law policy, and the weight of better reasoned circuit authority.

A. *Attempting to Decipher* U.S. Structures

The *U.S. Structures* opinion is puzzling. Although its rule is clear—holdover licensees are not counterfeiters—the court did not even briefly explain its reasoning.[136] Consequently, any inquiry into the court's rationale must involve some speculation. With that in mind, one could hypothesize at least three explanations potentially justifying *U.S. Structures*.

1. Narrow Interpretation of "Spurious."—The first explanation, and likely the most viable, is that *U.S. Structures* reflects a narrow interpretation of the term *spurious* as used in the Lanham Act. As discussed above, one essential element of a counterfeiting claim is that the defendant's mark be counterfeit: "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark."[137] The Lanham Act's legislative history defines *spurious* to mean "not genuine or authentic" but does not further clarify the term's significance.[138] In denying the plaintiff's counterfeiting claim, the *U.S. Structures* court may have believed that the defendants' ARCHADECK marks were not spurious and therefore were not counterfeit.

In reaching this conclusion, the court may have applied either of two narrow interpretations of *spurious*. First, if the defendants' ARCHADECK marks were physically genuine—i.e., the physical marks had been provided by the plaintiff itself at the outset of the license—the court may have believed that the marks inherently could not be spurious. This was likely the driving rationale in *Pennzoil*, where Pennzoil itself had loaned physical signage to Lube Pro.[139] Second, even if the defendants' physical ARCHADECK marks had not been provided by the plaintiff, the court may have nevertheless felt that the marks were not spurious because they had originally, under the former license, reflected a legitimate association with the plaintiff. Because of a general lack of precision throughout the opinion,

136. *See U.S. Structures*, 130 F.3d at 1192 (holding, without elaboration, that unauthorized continued use of a mark by a former licensee is not trademark counterfeiting).

137. 15 U.S.C. § 1127 (2006).

138. *Joint Statement on Trademark Counterfeiting Legislation*, 130 CONG. REC. H31,675 (1984).

139. Pennzoil-Quaker State Co. v. Smith, No. 2:05cv1505, 2008 WL 4107159, at *5–6 (W.D. Pa. Sept. 2, 2008).

it is unclear which (if either) of these two possibilities—physical genuineness or original legitimacy—informed *U.S. Structures*.[140]

In its exceptionally brief treatment of the counterfeiting issue, *U.S. Structures'* language supports the possibility that the court applied a narrow interpretation of *spurious*. To dispense with the plaintiff's counterfeiting claim, the court held, "Although [the defendants' holdover use] of an original trademark is without authorization, *it is not the use of a counterfeit mark*."[141] Because the Lanham Act defines *counterfeit mark* with reference to the key term *spurious*,[142] this language suggests that the court believed the defendants' ARCHADECK marks were not spurious either because of physical genuineness or original legitimacy. Further, although decided eleven years after *U.S. Structures*, a narrow interpretation of *spurious* certainly governed in *Pennzoil*, where the court held that the term *counterfeit* "refers to the mark itself, not the nature of the goods or services."[143] In other words, the *Pennzoil* court narrowly interpreted *spurious* to hold that a mark is counterfeit only when the mark itself is inauthentic, regardless of the authenticity of the underlying goods or services.[144]

2. *Authorization.*—The second explanation for *U.S. Structures* is rooted in another required element of a trademark-counterfeiting claim: lack of authorization. To establish counterfeiting, a plaintiff must show that the defendant was not authorized to use the mark at the time of the manufacture or production of the goods or services in question.[145] The *U.S. Structures* court may have concluded that the defendants in that case were not counterfeiters because they had previously been authorized to use the ARCHADECK mark under the license agreement.

3. *Judicial Pragmatism.*—The third explanation is that *U.S. Structures* was simply the result of judicial pragmatism. As Justice Oliver Wendell Holmes once proclaimed, "[H]ard cases make bad law."[146] Although the *U.S. Structures* defendants admittedly benefitted from their holdover use of

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140. *See U.S. Structures*, 130 F.3d at 1187–88 (describing the facts at issue without mentioning where the defendants' ARCHADECK marks originated); *id.* at 1192 (failing to provide any rationale in ruling that holdover use of a mark does not give rise to a counterfeiting claim).

141. *Id.* at 1192 (emphasis added).

142. *See* 15 U.S.C. § 1117(b)–(c) (Supp. 2008) (referencing § 1116(d), which defines a *counterfeit mark* as a "counterfeit of a mark" registered with the U.S. Patent and Trademark Office or as "spurious"); *id.* § 1127 (2006) (defining *counterfeit*, as utilized in § 1116(d), as a "spurious mark").

143. *Pennzoil*, 2008 WL 4107159, at *21.

144. *Id.*

145. 15 U.S.C. § 1116(d)(1)(B) (2006); 2 GILSON, *supra* note 44, § 5.19[3][b][v], [3][c][i].

146. N. Sec. Co. v. United States, 193 U.S. 197, 400 (1904) (Holmes, J., dissenting).

the ARCHADECK mark,[147] their conduct was surely not the most egregious form of counterfeiting imaginable. Perhaps the *U.S. Structures* court did not wish to impose the weighty counterfeiting penalties on defendants whose conduct the court believed did not morally align with such hefty consequences.

B. Rejecting the Explanations for U.S. Structures

1. Narrow Interpretation of "Spurious."—The first explanation potentially supporting *U.S. Structures*—a narrow interpretation of the term *spurious*—is deficient for several reasons. To start, a narrow interpretation of *spurious*, which would exclude from the term's gambit any physically genuine or originally legitimate mark, defies common sense. As a matter of plain intuition, it is considerably more egregious to sell inauthentic products or services under the guise of a physically genuine or originally legitimate mark than to sell the same under an inauthentic replica mark. An inauthentic replica mark at least gives consumers some chance, however small, of detecting the mark's lack of authenticity. When a physically genuine or originally legitimate mark is used, on the other hand, the chance of detection necessarily drops to zero—there is no inauthenticity in the mark to detect. Still, one need not stop at intuition when arguing against a narrow interpretation of *spurious*. Beyond simply eschewing practical sensibilities, a narrow interpretation of *spurious* defies several strands of trademark law itself.

First, it is inconsistent with well-established circuit precedent to hold that a mark is not spurious, and therefore not counterfeit, simply because it is physically genuine or was originally legitimate at some prior point.[148] Similarly, the *Pennzoil* holding, which couched its counterfeiting discussion solely in terms of the marks' physical authenticity and paid no regard to the inauthentic nature of the attached goods and services,[149] defies reasoning found in many circuit decisions.

In terms of on-point authority contravening *U.S. Structures* and *Pennzoil*, the Ninth Circuit in *Idaho Potato* rejected a narrow interpretation of *spurious*.[150] By affirming counterfeiting liability against the holdover licensee in that case, the Ninth Circuit established that a genuine, originally

147. *See* U.S. Structures, Inc. v. J.P. Structures, Inc., 130 F.3d 1185, 1187 (6th Cir. 1997) (noting that the defendants received numerous customer referrals through an advertising program in which they continued to use the ARCHADECK mark after termination of the license).

148. *See infra* notes 150–157 and accompanying text.

149. *See Pennzoil*, 2008 WL 4107159, at *21 ("The plain language of the statute indicates that the term 'counterfeit' refers to the mark itself, not the nature of the goods or services associated with the mark . . . .").

150. *See supra* notes 126–31 and accompanying text.

legitimate mark can still be spurious for purposes of the counterfeiting statute.[151]

Other circuit decisions in counterfeiting cases lend substantial support to the Ninth Circuit's approach, refuting the viability of interpreting *spurious* narrowly. Although these other decisions do not specifically address the holdover-licensee context—which is exactly why *U.S. Structures*' problematic rule still carries weight[152]—their rules and rationales inform counterfeiting law as a whole, including holdover-licensee cases. For instance, some circuits expressly hold that a genuine mark becomes spurious when attached to inauthentic products or services. Thus, in *United States v. Petrosian*,[153] the Ninth Circuit held that genuine COCA-COLA marks on genuine bottles became spurious—and therefore counterfeit—when the defendants filled the bottles with a beverage that was not Coca-Cola.[154] The marks were rendered spurious, despite being technically genuine, because they "falsely indicated that Coca-Cola was the source of the beverage in the bottles and falsely identified the beverage in the bottles as Coca-Cola."[155] Following the same logic, the Fifth Circuit held in *Rolex Watch USA, Inc. v. Meece*[156] that genuine ROLEX marks could be deemed spurious when placed on watches partially containing non-Rolex parts.[157] At least two circuits have similarly noted that, although *counterfeit* literally implies an unauthorized reproduction or duplication, counterfeiting actually does not require the defendant to have physically duplicated the plaintiff's mark—it is irrelevant whether the defendant uses the plaintiff's genuine mark or a replica.[158] These precedents, if applied in *U.S. Structures* and *Pennzoil*, would have defeated any argument that the holdover licensees' marks were not spurious because of physical genuineness or original legitimacy. Once the licenses were terminated and the underlying goods and services became unauthorized, the attached marks would have been rendered spurious, regardless of their physical genuineness or then-lapsed original legitimacy.

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151. *See supra* notes 126–31 and accompanying text. *Idaho Potato* may also stand for the proposition that a physically genuine mark can still be spurious, but it is unclear from the opinion whether the IDAHO and GROWN IN IDAHO marks were physically provided by the plaintiff. *See* Idaho Potato Comm'n v. G & T Terminal Packaging, Inc., 425 F.3d 708, 711 (9th Cir. 2005) (reciting that the licensee was licensed to use the plaintiff's marks without discussing the source of the physical marks used by the licensee).

152. *See, e.g.*, *Pennzoil*, 2008 WL 4107159, at *21 (electing to follow *U.S. Structures*).

153. 126 F.3d 1232 (9th Cir. 1997).

154. *Id.* at 1234.

155. *Id.*

156. 158 F.3d 816 (5th Cir. 1998).

157. *Id.* at 826–27.

158. *See* Westinghouse Elec. Corp. v. Gen. Circuit Breaker & Elec. Supply, Inc., 106 F.3d 894, 899–900 (9th Cir. 1997); Gen. Elec. Co. v. Speicher, 877 F.2d 531, 534 (7th Cir. 1989) (both concluding that when a defendant attaches a plaintiff's mark to inauthentic goods, whether the mark is genuine or an unauthorized reproduction has no legal relevance).

More broadly, the circuit decisions rejecting a narrow interpretation of *spurious* reveal the overarching trademark law principles that invalidate such an interpretation. The value of a trademark lies not in its physical incarnation or any since-lapsed relationship; rather, a trademark's value lies in the connection it *presently* represents to a particular producer of goods or services.[159] Accordingly, a mark should rightfully be regarded as genuine when, at the time and in the context of the allegedly unlawful use, it represents a legitimate association with the mark's owner. If, as in the holdover-licensee scenario, the mark owner no longer bears any connection to the products or services sold under the mark, the mark cannot reasonably be regarded as genuine in any meaningful sense of the word. The mark has become nothing more than a genuine Coca-Cola bottle that now contains a disappointingly flavorless discount-brand cola.[160] Even if the mark is physically genuine, it is not genuine in the sense relevant to trademark law. It is spurious.

In addition to defying well-established circuit precedent, a narrow interpretation of *spurious* also defeats the functions and policy rationales underlying trademark-counterfeiting law. Source identification, the fundamental purpose of a trademark,[161] is greatly impeded when a holdover licensee continues to use a physically genuine or originally legitimate mark to advertise or sell now-inauthentic products and services. Further, regardless of whether a mark is physically genuine, originally legitimate, or merely an imitation created illicitly by the counterfeiter, the policies underlying counterfeiting prohibitions are equally pervasive.[162] In fact, a physically genuine or originally legitimate mark is actually more likely to create consumer confusion than an unauthorized replica because "the imitation is not merely colorable, but perfect."[163] In other words, attachment of genuine marks to inauthentic products and services—the mainstay of the holdover licensee[164]—is particularly conducive to consumer confusion

159. *See, e.g.*, *Rolex*, 158 F.3d at 826 (holding that ROLEX marks were potentially rendered spurious because they did not represent watches made of 100% genuine Rolex parts); *Petrosian*, 126 F.3d at 1234 (finding genuine COCA-COLA marks spurious where they no longer bore any connection to Coca-Cola because the marks had been affixed to an imitation beverage); *cf.* El Greco Leather Prods. Co. v. Shoe World, Inc., 806 F.2d 392, 395 (2d Cir. 1986) (holding that even where certain physical goods were originally authorized by a trademark owner, those goods may lose their genuine nature if not inspected for quality before they are sold to ensure they accurately represent a genuine connection to the mark owner).

160. *Cf. Petrosian*, 126 F.3d at 1234 (holding that bottles bearing genuine COCA-COLA marks became counterfeit when filled with a non-Coca-Cola imitation beverage).

161. *See supra* notes 18–21 and accompanying text.

162. *See Speicher*, 877 F.2d at 534 (finding no difference, for counterfeiting-prohibition purposes, between an infringing mark made by the mark owner and an infringing mark made by the infringer himself).

163. *Id.*

164. *See, e.g.*, U.S. Structures, Inc. v. J.P. Structures, Inc., 130 F.3d 1185, 1187 (6th Cir. 1997) (describing the defendants' original use of the ARCHADECK marks under the license agreement, which represented a legitimate connection to the plaintiff); Pennzoil-Quaker State Co. v. Smith, No.

precisely because the mark is, or was at some point, genuine: it is perfectly identical to the mark used by the mark owner itself. This heightened potential for confusion detrimentally affects the various objectives of trademark policy, including protecting consumers,[165] reducing consumer search costs,[166] providing optimal incentives for producers,[167] and protecting producers' goodwill.[168]

Lastly, interpreting *spurious* narrowly in the holdover-licensee context puts the mark owner in a highly precarious position. As with a typical infringement case, the potential for consumer confusion in the holdover-licensee scenario creates a risk that the mark owner will be attributed as the source of the holdover licensee's products or services.[169] In the holdover-licensee context, however, this risk is particularly dangerous. The holdover licensee's marks are identical to the ones used by the mark owner itself.[170] Consequently, there is an especially strong chance of consumer confusion, leading to an increased risk that the holdover licensee's commercial shortcomings will be attributed to the mark owner.[171] But because the license has terminated, the mark owner has already lost all ability to control the quality of the holdover licensee's products or services—a control so critical to trademark law that it is actually *required* to maintain a valid license in the first place.[172] As a result, the mark owner faces a significant chance of being negatively associated with product or service deficiencies over which it has absolutely no control. For example, a customer at an oil-change center prominently bearing genuine "We Feature PENNZOIL" signage may attribute a subsequent car problem to Pennzoil, even though the products

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2:05cv1505, 2008 WL 4107159, at *5–7 (W.D. Pa. Sept. 2, 2008) (noting that the defendant Smith used physically genuine signage loaned by Pennzoil itself).

165. *See supra* notes 28–29 and accompanying text.

166. *See supra* notes 30–32 and accompanying text.

167. *See supra* notes 33–39 and accompanying text.

168. *See supra* notes 40–41 and accompanying text.

169. *Cf.* 15 U.S.C. § 1125(a)(1)(A) (2006) (creating a cause of action for infringement where the defendant's use is likely to cause confusion "as to the origin" of the defendant's goods or services).

170. *See, e.g.*, Pennzoil-Quaker State Co. v. Smith, No. 2:05cv1505, 2008 WL 4107159, at *5–7 (W.D. Pa. Sept. 2, 2008) (describing the defendant Smith's use of PENNZOIL signage provided directly by Pennzoil itself).

171. *See* Burger King Corp. v. Mason, 710 F.2d 1480, 1492–93 (11th Cir. 1983) ("Common sense compels the conclusion that a strong risk of consumer confusion arises when a terminated franchisee continues to use the former franchisor's trademarks. A patron of a restaurant adorned with the Burger King trademarks undoubtedly would believe that [Burger King] endorses the operation of the restaurant. . . . Any shortcomings of the franchise therefore would be attributed to [Burger King].").

172. A licensor has an affirmative duty to monitor and control the quality of goods and services offered by licensees under the licensor's marks. 3 MCCARTHY, *supra* note 18, § 18:48, at 101–04. A license agreement that does not control quality in this way is known as a "naked license" and is invalid. *Id.* This rule promotes the central trademark function of source identification: without quality control standards, the licensee's use of the marks represents a false connection to the licensor, and the licensee's goods or services offered under the mark are not truly genuine. *Id.*

provided were not Pennzoil-brand and Pennzoil could not enforce its quality-control standards.

2. *Authorization.*—The second possible explanation for *U.S. Structures*, that the court believed the plaintiff had not established the authorization element of a counterfeiting claim, is equally unpersuasive. Although it is true that an essential element of counterfeiting is that the defendant must not have been authorized to use the plaintiff's marks at the time of the manufacture or production in question,[173] that provision does not apply to holdover licensees.[174] Indeed, the relevant statutory provision was purposely revised during the drafting process to avoid creating a grace period for holdover licensees.[175] Rather, the authorization element was meant to target a different situation, known as the "overrun" scenario, where a *current* licensee produces more goods or services than the license permits and then eventually sells those goods or services.[176] For example, the authorization element would preclude counterfeiting liability for a manufacturer who is licensed to make 500,000 umbrellas bearing a licensor's marks but instead manufactures and sells 1 million.[177] This protection against counterfeiting claims extends to sales occurring after the license has terminated, but only when the overruns were actually produced while the license was still valid.[178]

By definition, then, an overrun producer is distinct from the prototypical holdover licensee. An overrun producer is merely selling off a finite quantity of extra products or services, all of which were produced during a period of authorization.[179] In contrast, holdover licensees in cases like *U.S. Structures* and *Pennzoil* do more than simply liquidate a fixed, limited stock. The holdover-licensee defendant in *Pennzoil*, for example, was not merely selling off some finite overrun inventory of Pennzoil lubricants. Rather, he continued to use PENNZOIL signage, without a license, to sell and advertise overwhelmingly non-Pennzoil products and services.[180] Given this critical distinction, the authorization element cannot sensibly be used to absolve holdover licensees from counterfeiting claims in cases like *U.S. Structures* and *Pennzoil*.

173. *See supra* note 66 and accompanying text.

174. *Joint Statement on Trademark Counterfeiting Legislation*, 130 CONG. REC. H31,676–H31,677 (1984).

175. *Id.*

176. *Id.*

177. *Id.*

178. *Id.*

179. *Id.*

180. *See* Pennzoil-Quaker State Co. v. Smith, No. 2:05cv1505, 2008 WL 4107159, at *6–8 (W.D. Pa. Sept. 2, 2008) (explaining that the defendant Smith continued to use PENNZOIL signage without a license, including a sign stating, "We Feature PENNZOIL products," despite selling only 5% or less Pennzoil).

3. *Judicial Pragmatism.*—Finally, couching *U.S. Structures* in terms of judicial pragmatism is considerably unsettling. Setting aside the interminable clash between formalism and realism,[181] it is troubling to envision a judge who uses supposedly common-sense principles to decide cases without even mentioning those principles. While there may exist judges who "select[] the result that best comports with personal values and then enlist[], sometimes brutally, whatever doctrines arguably support the result,"[182] those judges' decisions, even the most radical among them, presumably have a modicum of support in sound legal doctrine, policy, or at the very least, common sensibilities. Yet if such a basis existed for the *U.S. Structures* rule that holdover licensees are not counterfeiters, the court neglected to articulate that basis.[183]

If, as hypothesized above,[184] the *U.S. Structures* court simply did not wish to levy the enhanced counterfeiting penalties on the defendants in that case, the court could have made an attempt to ground its decision in counterfeiting doctrine. For instance, the court could have construed the facts to find "extenuating circumstances," which would have allowed the imposition of counterfeiting liability in name, but without the penalties that essentially distinguish counterfeiting from infringement.[185] Although this application would have pushed the envelope of the extenuating-circumstances exception,[186] it likely would not have been any less reasonable than the undeveloped holding actually written. In the end, rather than carefully considering the issue and weighing the relevant authorities, doctrines, and policies, the court in *U.S. Structures* did not undertake any significant effort to support its decision on the counterfeiting issue.

V. Correcting *U.S. Structures* and Its Progeny

The defective rule of *U.S. Structures* should be rejected. Future holdover-licensee cases outside the Sixth Circuit need not emulate *Pennzoil* by following *U.S. Structures*' prohibitive rule. A number of mechanisms could be used to overcome the troublesome decision, depending on which explanation for the court's rationale is most accurate—a narrow

181. *See, e.g.*, Brian Leiter, *Rethinking Legal Realism: Toward a Naturalized Jurisprudence*, 76 TEXAS L. REV. 267, 277–78 (1997) (contrasting common perceptions of legal formalists and legal realists).

182. Jon O. Newman, *Between Legal Realism and Neutral Principles: The Legitimacy of Institutional Values*, 72 CAL. L. REV. 200, 203 (1984).

183. *See* U.S. Structures, Inc. v. J.P. Structures, Inc., 130 F.3d 1185, 1192 (6th Cir. 1997) (ruling that holdover licensees are not counterfeiters but without providing any reasoning or citing to any authority in support of that proposition).

184. *See supra* section IV(A)(3).

185. *See* 15 U.S.C. § 1117(b) (Supp. 2008) (providing enhanced civil remedies for intentional and knowing counterfeiting, except where a court finds extenuating circumstances).

186. *Joint Statement on Trademark Counterfeiting Legislation*, 130 CONG. REC. H31,680 (1984).

interpretation of *spurious*, authorization, or judicial pragmatism.[187] This Part assumes the narrow-interpretation explanation, given its (albeit scant) support in the language of *U.S. Structures*,[188] as well as the subsequent holding of *Pennzoil*, which implicitly applied a narrow interpretation of *spurious*.[189] In assuming a narrow interpretation of *spurious* as the basis for *U.S. Structures*, this Part suggests two solutions, one legislative and one judicial, for reversing course on the flawed proclamation that holdover licensees are not counterfeiters.

The first solution is for Congress to redraft the Lanham Act's ambiguous definition of *counterfeit*. If courts are disregarding the weight of authority and errantly interpreting the requirement that a counterfeit be spurious to mean that the mark must literally be a physically inauthentic replica with no legitimate original association,[190] Congress could redraft the statute to better align with trademark policy. For example, Congress could alter the definition of *counterfeit* to read: "A 'counterfeit' is a spurious mark that is identical to or substantially indistinguishable from, a registered mark. A mark is 'spurious' if it is a physically inauthentic replica, or if it is an authentic mark used in connection with inauthentic products or services."[191]

The second solution is more feasible[192] but also more complex: courts should engage in a more nuanced interpretation of the term *spurious*. Under well-established principles of statutory interpretation, courts should first rely on a statute's literal language if that language is plain and unambiguous.[193] If the statutory language is ambiguous, courts may then consider the legislature's intent, as derived from extrinsic materials like legislative history.[194] Finally, if an inquiry into legislative intent does not reveal a clear interpretation, courts should look to the policies and purposes underlying the statute.[195]

The Lanham Act requires that a counterfeit mark be "spurious."[196] This language is ambiguous. Even given additional guidance from the Lanham

187. *See supra* subpart IV(A).

188. *See supra* notes 137–41 and accompanying text.

189. *See supra* notes 143–44 and accompanying text.

190. *See supra* notes 139–44, 148–52 and accompanying text.

191. *Cf.* 15 U.S.C. § 1127 (2006) (providing the current statutory definition of *counterfeit*).

192. *See* Patrick M. Garry, *The Unannounced Revolution: How the Court Has Indirectly Effected a Shift in the Separation of Powers*, 57 ALA. L. REV. 689, 696 (2006) (acknowledging the difficulty in acting legislatively in a system of checks and balances).

193. Caminetti v. United States, 242 U.S. 470, 485 (1917).

194. *See* Exxon Mobil Corp. v. Allapattah Servs., Inc., 545 U.S. 546, 568 (2005) ("Extrinsic materials have a role in statutory interpretation only to the extent they shed a reliable light on the enacting Legislature's understanding of otherwise ambiguous terms.").

195. *See* Negusie v. Holder, 129 S. Ct. 1159, 1171 (2009) (Stevens, J., concurring in part and dissenting in part) ("[S]tatutory interpretation is a multifaceted enterprise, ranging from a precise construction of statutory language to a determination of what policy best effectuates statutory objectives.").

196. 15 U.S.C. § 1127.

Act's legislative history, which explains that *spurious* means "not genuine or authentic,"[197] courts still face significant uncertainty. Perhaps *spurious* refers to a mark that is physically inauthentic and lacks any original legitimacy, an interpretation assumed here to be the driving force behind *U.S. Structures*. Yet this is not the only possible interpretation. *Spurious* could also reflect the pervasive trademark law principle of source identification—a spurious mark is one that misrepresents source by suggesting an inauthentic connection to a particular producer of goods or services. This latter interpretation of *spurious* finds substantial support in the circuit authority holding that a genuine mark becomes spurious when attached to inauthentic products or services.[198]

Due to these conflicting interpretations, courts must look to trademark policy to determine unequivocally what is a spurious mark under the ambiguous text of the Lanham Act. Specifically, courts' interpretations should be couched in the policy objectives of protecting consumers from confusion, lowering consumer search costs, optimizing quality-based incentives for producers, and protecting producers' goodwill in their marks.[199]

With those policies in mind, interpreting *spurious* narrowly, such as to include only physically inauthentic marks with no original legitimacy, is inadequate. Even more so than an inauthentic replica mark, improper use of a physically genuine or originally legitimate mark is highly conducive to consumer confusion.[200] This heightened likelihood of confusion then compromises other trademark policy objectives: when consumers are confused, they cannot rely on the search-cost-economizing function of trademarks; when consumers have trouble distinguishing between products or services, producers have less incentive to provide high- and consistent-quality products or services, as their efforts may be attributed to another producer; if consumer confusion is present, marks cannot clearly indicate source, so producers have less incentive to develop goodwill and more incentive to simply infringe others' marks.[201]

Accordingly, given the Lanham Act's underlying policies, the superior interpretation of *spurious* is the one suggested by the weight of circuit authority:[202] a spurious mark is one that falsely represents a connection to a producer because it attaches to goods or services bearing no relationship to that producer, even if the mark itself is physically genuine or was at some prior point originally legitimate.

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197. *Joint Statement on Trademark Counterfeiting Legislation*, 130 CONG. REC. H31,675 (1984).

198. *See supra* notes 153–58 and accompanying text.

199. *See supra* notes 28–41 and accompanying text.

200. *See supra* notes 159–64 and accompanying text.

201. *See supra* notes 28–41 and accompanying text.

202. *See supra* notes 149–61.

VI. Conclusion

Holdover trademark licensees are unjustly avoiding liability for trademark counterfeiting.[203] These defendants continue to use genuine marks, which they were formerly authorized to use under a valid license, after that license has terminated.[204] In doing so, holdover licensees use the former licensor's genuine marks to sell products and services that no longer bear any connection to the former licensor.[205] This conduct implicates the very core of prohibitions against trademark counterfeiting.[206] Yet due to a small number of unreasoned court decisions, holdover licensees in certain jurisdictions are able to escape counterfeiting liability in favor of the less stringent—and less appropriate—remedies for mere trademark infringement.[207]

Courts should now reject this approach. Holdover licensees, at least in most circumstances, should be adjudged as trademark counterfeiters. Decisions absolving holdover licensees from counterfeiting liability lack a rational basis in trademark law doctrine or policy and also run contrary to the persuasive weight of better reasoned judicial authority.[208] Either through legislative modification of statutory counterfeiting provisions or via a more nuanced process of statutory interpretation,[209] courts should begin to consistently ensure that holdover licensees incur the form of liability most suitable under the scope of trademark law.

—*Travis R. Wimberly*

203. *See supra* Parts III and IV.
204. *See supra* notes 94–96, 107–18 and accompanying text.
205. *See supra* notes 94–96, 107–18 and accompanying text.
206. *See supra* notes 159–72 and accompanying text.
207. *See supra* subparts I(B)–(C) and Part III.
208. *See supra* subpart IV(B).
209. *See supra* Part V.

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