How Uniform Laws & Restatements Guide Federal Common Law

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After the decision in Pfaff v. Wells Elecs., Inc., 525 U.S. 55 (1998), I was surprised that the Federal Circuit said, with only passing reference to the Restatement of Contracts: "[W]e will look to the Uniform Commercial Code ("UCC") to define whether… a communication or series of communications rises to the level of a commercial offer for sale." Group One, Ltd. v. Hallmark Cards, Inc., 254 F.3d 1041, 1047 (Fed. Cir. 2001). That seemed to be at odds with an apparent Supreme Court preference for restatements as starting points for addressing novel issues of federal common law.

For example, the Court held that "employee" as used in the 1976 Copyright Act should have a uniform meaning guided by "the general common law of agency." Community for Creative Non-Violence v. Reid, 490 U.S. 730, 740-41 (1989). It went on to say, at 752 n.31: "In determining whether a hired party is an employee under the general common law of agency, we have traditionally looked for guidance to the Restatement of Agency."

Yet, it is one thing to be guided and another to be bound. When an issue arose under the Federal Employers' Liability Act, the Court held that, with regard to federal common law, "it is for the Court to develop and administer a fair and workable rule of decision… bound only by the terms of FELA and its own precedent giving meaning to the Act. Within those constraints, the Court must endeavor to arrive at the correct rule — a rule that is just and practical — rather than the [state] majority rule or the rule of the Restatement." Norfolk & Western Ry. Co. v. Ayers, 538 U.S. 135, 177 (2003) (citations omitted).

Despite its initial emphasis on the UCC as a guide to federal common law, *Group One* cites no particular section — the precedent noted at that point having addressed

whether delivery is needed to have a “sale”, not what constitutes an “offer”. Instead, after seeming to dismiss the Restatement, the opinion later turns to two sections of the Restatement (Second) of Contracts for guidance. The necessity is explained in Linear Technology Corp. v. Micrel, Inc., 275 F.3d 1040, 1050 (Fed. Cir. 2001): “The UCC does not define ‘offer’….” Following that, the UCC seems to have been referenced only once in opinions dealing with offers for sale. Indeed, Enzo Biochem, Inc. v. Gen-Probe Inc., 424 F.3d 1276, 1282 (Fed. Cir. 2005), cites *Group One* but mentions only the Restatement.

It is possible that definitions in UCC § 2-106 might sometimes address issues not mentioned in the Restatement (Second) of Contracts, but it seems inappropriate otherwise to turn to the UCC. A major consideration, as noted, for example, at Cornell’s Legal Information Institute, www.law.cornell.edu/uniform/uniform.html, is that “uniform” is misleading when applied to various laws bearing that name. By way of explanation, that page mentions that less than half of over 200 laws approved by the National Conference on Uniform State Laws have been adopted by even one state. It also mentions that some widely adopted laws are revised every few years. In such circumstances, should courts look to the version most recently proposed, the one most widely adopted, or all versions as potential guides to federal common law?

It is understandable that, despite problems of that kind, many lawyers would turn to uniform laws rather than to restatements as guides. Law schools universally offer courses featuring the UCC and other uniform laws. They are, however, unlikely to offer courses based on restatements.

Attempting to counter the overwhelming dominance of statutes in intellectual property, I once based a seminar on the Restatement (Third) of Unfair Competition (1993). Although a query to other professors suggested that it was unique, after a few years I dropped it for lack of student interest.

Unlike uniform laws, restatements have no apparent function other than to guide

development of a wide range of novel issues. Comments and extensive annotations, perhaps more than black letter rules, seem particularly helpful — not as the final word but, as in Norfolk & Western Ry. Co. v. Ayers, a starting point.

One telling use was reported by William E. Hilton in *What Sort of Improper Conduct Constitutes Misappropriation of a Trade Secret?* 30 Idea 287 (1990). As he recounts at 288, even after states adopted the Uniform Trade Secret Act, their courts continued to rely on the Restatement of Torts § 757 (1939). Continuing that tradition, courts since 1993 tend to rely instead on trade secret provisions in the Restatement (Third) of Unfair Competition; Religious Technology Ctr. v. Netcom On-Line Comm. Servs., Inc., 923 F.Supp. 123, 1250 n.21 (N.D. Cal. 1995).

As in Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 474 (1974) or Moseley v. V Secret Catalogue, Inc., 537 U.S. 418, 430 (2003), federal courts may cite restatements for reasons unrelated to federal common law. It would be tedious to exclude such uses by federal courts, but, since its adoption, the Restatement of Unfair Competition has been cited over fifteen times by the TTAB, generally if not exclusively — as in Zanella Ltd. v. Saroyan Lumber Co., 2005 WL 1787248, *8 — to fill statutory gaps.

It is difficult to imagine circumstances where, if a restatement bears on a question, a uniform law could offer a preferred guide to federal common law. State courts may find other jurisdictions' experience under the same or very similar statutes useful. That seems unlikely, however, when federal courts and agencies face issues left unresolved by Congress.