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Common Law Misappropriation in the Digital Era

Dale P. Olson*

I. INTRODUCTION

Information is often valuable and when publicly disclosed may be difficult to protect or control.1 Such information, whether in the form of data or a product configuration, unless it can be exploited while keeping it secret,2 is accordingly susceptible to copying by competitors absent legal protection. The law, however, has not provided a framework that supplements the armamentarium of federal intellectual property law3 because the protection authorized by federal constitutional limits also thrust works into the public domain. The evolving technological developments which permit the effectively instantaneous transmission of information, as well as the inexpensive copying of trade values in products, imposes an evolving challenge in providing a balance between protection of works and overprotection of works. The technologically evolving nature of intellectual property protection was the impetus for the Digital Millennium Copyright Act,4 dealing with a variety of issues that have become more pressing as a result of technological developments.5 Central to the overall


2. See infra notes 155-73 and accompanying text.

3. See infra notes 49-68 and accompanying text.


5. The DMCA also contains a partial and temporary resolution of the Supreme Court’s ruling in Bonito Boats, discussed infra note 374 and accompanying text.
equation concerning protection (and the denial of protection) is the fact that the issues arise in an ever-changing technological environment. Put simply, "[u]ses of computer technology—such as digitization—and communications technology—such as fiber optic cable—have had an enormous impact on the creation, reproduction and dissemination of copyrighted works."

A. The Value of Information

The value of information was recognized in early cases providing protection for information transmitted by wire and a judicial recognition that the collection and timely distribution of information had value. More recently, the United States Supreme Court's decision in Carpenter v. United States provides an illustration of the value of the control of information. In Carpenter, a reporter for the Wall Street Journal who wrote a column involving subjective evaluations

6. BRUCE A. LEHMAN, THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE 7 (1985) (hereinafter NII). Digital technology has played a significant role in this transformation as well since a "digitized" work—"i.e., [a work] translated into a digital code (usually a series of zeroes and ones) ... can then be stored and used in that digital form. This dramatically increases: the ease and speed with which a work can be reproduced; the quality of copies (both the first and the hundredth "generation" are virtually identical); ... and the speed with which copies (authorized and unauthorized) can be "delivered" to the public." Id. at 12.

7. The "ticker cases" are discussed infra notes 199-205 and accompanying text.

8. 484 U.S. 19 (1987). Carpenter involved both mail and wire fraud convictions, which were unanimously affirmed by the Court, and a separate securities law conviction of a Wall Street Journal reporter and a stockbroker on a "misappropriation" theory of liability for the reporter's breach of confidentiality owed to the Journal as his employer. The securities law conviction was affirmed by an equally divided court. The reporter's breach of confidentiality formed the basis for the charge of fraud in the purchase or sale of security in violation of the Securities and Exchange Act of 1934, § 10(b), 15 U.S.C. § 78j(b) (1994) and Rule 10b-5, 17 C.F.R. § 240.10b-5 (1988) of the Securities and Exchange Commission. A detailed discussion of the misappropriation theory is contained in United States v. Carpenter, 791 F.2d 1024 (2d Cir. 1986). See also FMC Corp. v. Boesky, 852 F.2d 981, 990 (7th Cir. 1988) (stating that "[c]onfidential business information, even though intangible in nature, is corporate property"); cf. United States v. O'Hagan, 521 U.S. 642 (1997). O'Hagan adopted the "misappropriation theory" for imposing insider trading liability in a case where a lawyer, with knowledge of an impending tender offer, used it to purchase securities which resulted, after the public announcement of tender offer, in a profit of $4.3 million. The Supreme Court held: Under [the misappropriation theory], a fiduciary's undisclosed, self-serving use of a principal's information to purchase or sell securities, in breach of a violation of a duty of loyalty and confidentiality, defrauds the principal of the exclusive use of that information." Id. at 652. The Court stated further that "the fiduciary's fraud is consummated ... when, without disclose to his principal, he used the information to purchase or sell securities." Id. at 655.

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of companies used his knowledge of the publication dates of columns he wrote to trade in the stocks of subject companies. This trading activity was in direct violation of a company policy that labeled all information obtained from reporting activities "company property." 9 The Supreme Court stated:

Confidential business information has long been recognized as property. . . . The [Wall Street] Journal had a property right in keeping confidential and making exclusive use, prior to publication, of the schedule and contents of the [reporter's] column[s]. . . . The confidential information was generated from the business, and the business had a right to decide how to use it prior to disclosing it to the public. Petitioners cannot successfully contend . . . that a scheme to defraud requires a monetary loss, such as giving the information to a competitor; it is sufficient that the Journal has been deprived of its right to exclusive use of the information, for exclusivity is an important aspect of confidential business information and most private property for that matter. 10

Property is properly understood as having a broad definition. As the Supreme Court recognized, there is no imposed link between economic value and the existence of a property right for purposes of defining property. In Phillips v. Washington Legal Foundation, 11 the Court identified the constellation of qualities that inhere in a property label:

We have never held that a physical item is not "property" simply because it lacks a positive economic or market value. . . . Our conclusion in this regard was premised on our longstanding recognition that property is more than economic value; it also consists of "the group of rights which the so-called owner exercises in his dominion of the physical thing" such "as the right to possess, use and dispose of it." While the interest income at issue here may have no

9. The corporate policy violated by Winans stated:
First and foremost, all material gleaned by you in the course of your work for Dow Jones is deemed to be strictly the Company's property. This includes not only the fruits of your own and your colleagues' work, but also information on plans for running items and articles on particular companies and industries and advertising schedules in future issues. Such material must never be disclosed to anyone outside the Company, including friends and relatives.


economically realizable value to its owner, possession, control, and disposition are nonetheless valuable rights that inhere in the property.\textsuperscript{12}

This expansive definition provides a background for approaching the disclosure of information and trade values and the conceptual framework within which the assessment concerning protection takes place.

B. An Introduction to the Misappropriation of Disclosed Trade Values

The value of information, whether framed in terms of business conditions, customers, facts, or a product configuration, is the basis for the two premises which underlie the protection of publicly disclosed trade values. The express premise inherent in the doctrine of misappropriation of publicly disclosed trade values is a branch of the law of unfair competition. Unfair competition, in turn, is better known for the branch containing the law of trademarks. The implied premise recognizes that misappropriation, as distinct from trademarks, involves the appropriation and use by the defendant\textsuperscript{13} of a unique pecuniary interest which has been created by the plaintiff through the expenditure of labor, skill, and money.\textsuperscript{14}

The doctrine of misappropriation has been variously defined. In \textit{United States Golf Association v. St. Andrews System},\textsuperscript{15} misappropriation was summarized as a doctrine which has been

\begin{quote}
[A]pplied to a variety of situations in which the courts have sensed that one party was dealing “unfairly” with another, but which were not covered by the three established statutory systems protecting intellectual property: copyright, patent, and trademark/deception as to origin.\textsuperscript{16}
\end{quote}

Misappropriation has also been defined as the “taking and use of another’s property for the sole purpose of capitalizing unfairly on the good will and

\begin{itemize}
\item \textsuperscript{12} \textit{Id.} at 1933 (internal citations omitted).
\item \textsuperscript{13} Some cases define the requirements of the cause of action to include the existence of actual competition between the plaintiff and the defendant.
\item \textsuperscript{14} See \textit{Universal City Studios, Inc. v. Kamar Indus., Inc.}, 217 U.S.P.Q. (BNA) 1162, 1168 (S.D. Tex. 1982).
\item \textsuperscript{15} 749 F.2d 1028, 1034-35 (3d Cir. 1984). Misappropriation has also been defined as “general intellectual property.” \textit{Scandia Down Corp. v. Euroquilt, Inc.}, 722 F.2d 1423, 1430 (7th Cir. 1985). This is a definition which indicates the difficulties inherent in providing a competent generalization in the form of a definition about a type of protection which is effectively appears in variant forms and has effectively been defined by the preemption of state attempts to provide protection rather than by its affirmative qualities.
\item \textsuperscript{16} \textit{United States Golf}, 749 F.2d at 1034-35.
\end{itemize}
reputation of the property owner." 17 Additionally, some cases define the cause of action to require the existence of actual competition between the plaintiff and the defendant.

The Supreme Court created the doctrine of misappropriation of publicly disclosed trade values in \textit{International News Service v. Associated Press}, 18 a case in which a news service misappropriated news generated by its competitor. But the fluid dimensions of misappropriation have made it—and continue to make it—an attractive doctrine for protecting intellectual property that qualifies neither for statutory protection based on copyright or patents, nor for traditional unfair competition protection based on confusion of source. 19

However, the same considerations which make misappropriation so attractive a doctrine for protecting publicly disclosed trade values also give rise to concerns about identifying the outer bounds of misappropriation. Further, these same considerations are present in a more direct manner in the doctrine of federal preemption of state laws concerning intellectual property. Such preemption ensures that restrictions imposed by state law do not interfere with the free use of material not protected by federal copyright or patent statutes.

II. AN OVERVIEW OF INTELLECTUAL PROPERTY PROTECTION

\textbf{A. An Introduction to Intellectual Property Protection}

Critical to an understanding of the operation of the system of federal protection is the public domain, in which a work receives no protection from either federal copyright and patent laws or state laws. "Patent laws function only to keep things out of the public domain temporarily. They have nothing to do with putting things in. They say nothing about right to copy or right to use, they speak only in terms of right to exclude." 520 This aspect of patent protection was emphasized in \textit{Leatherman Tool Group v. Cooper Industries, Inc.} 21 In \textit{Leatherman}, the Federal Circuit declined subject matter jurisdiction under the patent laws 22 on the ground that federal patent laws do not create an affirmative

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19. Increasingly, the expansive dimensions of Section 43(a) of the Lanham Act are being applied to situations of perceived commercial unfairness involving copying, in part as a result of the United States Supreme Court’s decision in \textit{Bonito Boats}, which codified the preemption doctrine in a manner foreclosing most, but not all, state protection.
21. 131 F.3d 1011 (Fed. Cir. 1997).
22. 28 U.S.C. § 1338(a) (1994) limits subject matter jurisdiction of the Federal Circuit to appeals which “arise under” the federal patent statute, which the Supreme
“right to copy” material in the public domain; rather, that “is a common law right.” The Supreme Court has emphasized that when a patent or copyright expires, the public’s right to practice the invention or publish the work is unrestricted, subject to protections against misrepresentations of the source of manufacture. No “special property” vests in the owner of the expired copyright or patent. A work may also enter the public domain through abandonment, which precludes the author from seeking independent state protection for the work. An important qualification recognizes that a work may be in the public domain for purposes of one type of federal protection, but enjoy concurrent protection under another federal law. In a recent copyright case disallowing protection for simple compilations, the Supreme Court observed that

It may seem unfair that much of the fruit of the compiler’s labor may be used by others without compensation [but] this is not “some unforeseen byproduct of a statutory scheme.” It is rather, “the essence of copyright,” and a constitutional requirement.

Court interpreted, in Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 807 (1988), to extend “only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.”

23. Leatherman, 131 F.3d at 1015.


25. See Merriam v. Holloway Pub. Co., 43 F. 450, 451 (E.D. Mo. 1890); see also Clemens v. Belford, Clark & Co., 14 F. 728, 732 (N.D. Ill. 1883) (holding that author of work in the public domain cannot claim additional rights to restrict publication by advocating his pen name as a trademark or tradename: “No pseudonym, however ingenious, novel, or quaint, can give an author any more rights than he would have under his own name.”).


From this expansive definition of the public domain has emerged a strong right to copy. Indeed, the right includes the right to copy in a commercially effective fashion, including the use of an originator’s trademark in a descriptive fashion to identify the value of copied products.28

B. The Federal Protection of Intellectual Property

1. Introduction

Copyright, like patents, is derived from authority granted in the United States Constitution. Article I, section 8, clause 8, provides:

[The Congress shall have power] [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Because this provision was deliberated in secret, and adopted without debate, the comment of James Madison in The Federalist is the best source of the reasoning reflecting the public policy interest in granting patents and copyrights:

The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjusted, in Great Britain, to be a right of common law. The right to useful inventions seems with equal

(internal citations omitted); see also Computer Assoc. Int’l, Inc. v. Altai, Inc., 982 F.2d 693, 696 (2d Cir. 1992) (observing the “delicate equilibrium” in copyright law between appropriate incentives and excessive protection, concluding that “courts must always keep this symmetry in mind”).

28. See Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376, 380 (7th Cir. 1996) (stating that “[b]ecause a trademark is an identifier rather than a property ‘right,’ the use of a competitor’s mark that does not cause confusion as to the source is permissible”); see also Saxony Prods., Inc. v. Guerlain, Inc., 513 F.2d 716, 722 (9th Cir. 1975) (allowing use of perfume name to identify equivalent fragrance so long as the comparison is accurate, and no confusion as to the source of the copied fragrance exists).

Early authorities in the field of unfair competition similarly held it was not unfair competition to compete effectively with an established product by copying the configuration of the product. See, e.g., Jessar Mfg. Corp. v. Berlin, 110 A.2d 396, 401 (Pa. 1955); De Long Hook & Eye Co. v. Hump Hairpin Mfg. Co., 130 N.E. 765, 767 (Ill. 1921). See also Diamond Expansion Bolt Co. v. United States Expansion Bolt Co., 164 N.Y.S. 433, 440 (App. Div. 1917) (stating that “[i]t is not the policy of the law to permit a manufacturer, under the guise of preventing unfair competition, to establish without any patent, a perpetual monopoly in the production of any article in common use; it certainly will not assist him to monopolize the most economical, sensible, and efficient form in which the devices themselves may be embodied and offered to the trade”).

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reason to belong to the inventors. The public good fully coincides in both cases with claims of individuals.29

The Supreme Court has stated the economic philosophy behind the empowerment of protection for copyrights and patents:

The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'Science and useful Arts.' Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.30

Finally, the constitutional provision authorizing patent and copyright protection has also directed the national scope of federal protection of patents and copyrights.31 This provision restricts states' right to limit access to materials that the federal scheme has left unprotected.

2. Copyright Protection

a. Common Law Copyright

Prior to the Copyright Act of 1976, common law or state copyright law accorded the copyright owner a right of first publication.32 A common law copyright arose upon the creation of a work and existed until the work was published.33 This was deemed, by operation of law, to serve as a public

31. See, e.g., Goldstein v. California, 412 U.S. 546, 555 (1973) ("The objective of the Copyright Clause was clearly to facilitate the granting of rights national in scope."); Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 231 n.7 (1964) (stating that the goal of the federal scheme of protection is "to have national uniformity in patent and copyright laws"). See also Mitchell Bros. Film Group v. Cinema Adult Theater, 604 F.2d 852, 858 (5th Cir. 1979). In Mitchell Bros., the national scope of copyright protection was used as a ground to foreclose a morality, or obscenity standard being imposed as a condition of copyright protection.
32. Harper & Row, 471 U.S. at 547 (holding that the Copyright Act of 1976 extends "copyright to all works from the time of their creation"). If the infringing act did not occur until after the effective date of the Copyright Act of 1976, the federal courts have exclusive subject matter jurisdiction of the action. 17 U.S.C. § 301(a) (1994). See, e.g., Van Dusen v. Southeast Fla. Nat'l Bank, 478 So. 2d 82 (Fla. Dist. Ct. App. 1985).
33. See, e.g., Caliga v. Inter Ocean Newspaper Co., 215 U.S. 182 (1909);
dedication of the work.\textsuperscript{34} However, the Copyright Act of 1976 changed the demarcation line between common law and statutory copyright law and significantly constricted common law copyright.

Even before the adoption of the Copyright Act of 1976, common law copyright was not unlimited; common law copyright did not provide protection against "idea snatching" from an unpublished manuscript.\textsuperscript{35} In \textit{Fendler v. Morosco},\textsuperscript{36} the New York Court of Appeals outlined the requirements for proving infringement of a common law copyright:

The literary larcenist must do more than filch ideas, imitate mannerisms, repeat information, borrow phrases, utilize quotations; you must be able to attribute to him the felonious intention of appropriating without independent labour a material part of a protected work.\textsuperscript{37}

b. Moral Rights

Although the accession by the United States to the Berne Convention\textsuperscript{38} required the protection of moral, or noneconomic rights, of authors, the minimalist approach to Berne accession relied upon the existing state protection of authors' rights, rights which are also recognized in Section 43(a) of the

\textsuperscript{34} In \textit{Estate of King v. CBS, Inc.}, 47 U.S.P.Q.2d (BNA) 1611 (N.D. Ga. 1993) a general publication was found from a combination of unrestricted broadcast rights with widespread dissemination of the speech: "I Have a Dream." This case was, however, recently reversed. \textit{See} Estate of King v. CBS, Inc., No. 98-9079, 1999 WL 1003629, *5 (11th Cir. Nov. 5, 1999).


\textsuperscript{36} 171 N.E. 60 (N.Y. 1930).

\textsuperscript{37} \textit{Id.} (quoting AUGUSTINE BIRRELL, HISTORY OF COPYRIGHT IN BOOKS 169-70 (1899)).

Lanham Act. The provision of the Copyright Act which provides an affirmative statement of moral rights, the Visual Arts Rights Act of 1990, provides for rights independent of the rights inherent in copyright and "because they are personal to the artist, moral rights exist independently of an artist's copyright in his or her work" and protect attribution and integrity.

In turn, state protection may supplement these federal protections. The importance of the New York Artist's Authorship Rights Act as an independent basis for relief, separate from the copyright laws, was illustrated in *Wojnarowicz v. American Family Association*, where the defendant, an opponent of continuing federal funding of the National Endowment of the Arts, prepared a pamphlet containing fragments of images taken from collage-like paintings, selecting some images with homoerotic themes. The defendant distributed six thousand of the pamphlets containing fourteen selections from the plaintiff's work, under the heading "Your Tax Dollars Helped Pay For These 'Works of Art.'" The plaintiff brought an action claiming copyright infringement as well as violation of the New York Artist's Authorship Rights Act.

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39. The history of this provision is outlined in *Carter v. Helmsley-Spear, Inc.*, 71 F.3d 77, 83 (2d Cir. 1995), in which the court stated:

Congress passed the Berne Convention Implementation Act of 1988 and sidestepped the difficult question of protecting moral rights. It declared the Berne Convention is not self-executing, existing law satisfied the United States' obligations in adhering to the Convention, its provisions are not enforceable through any action brought pursuant to the Convention itself, and neither adherence to the Convention nor the implementing legislation expands or reduces any rights under federal, state, or common law to claim authorship of a work or to object to any distortion, mutilation, or other modification of a work.

Id. (internal citation omitted).


41. In *Carter*, the court defined the right of the attribution as the right of the artist to be recognized as the creator of a work or to publish anonymously as well as the right to prevent false attributions, and defined the right of integrity to prevent "deforming or mutilating" changes to a work. *Carter*, 71 F.3d at 81. The Second Circuit did not apply a third right accorded to works of visual art of "recognized stature" to prevent destruction finding the work at issue to be a work for hire.


43. Id. at 133-34.

44. Id. at 134.

45. Id. at 132-33.
Although the court declined relief under an expansive view of fair use, relief was granted under the New York Artist’s Authorship Rights Act. Finding that the Act was not preempted by federal copyright law because the statute differed in its objectives, and that the requirements for stating a cause of action were separate from copyright law, the court granted a preliminary injunction preventing continued distribution of the pamphlet. The court stated that so long as a legend was included sufficient to warn viewers of the nature of the editing, “such pamphlets or materials [would] not suggest to reasonable readers that a fragment of one of plaintiff’s art works constitutes the complete work.”

c. Copyright Act of 1976

The subject matter of copyright is broad and the requirements for obtaining protection minimal. Copyright law grants a series of exclusive rights that last for an extended period of time. Those rights, delineated in Section 106 of the Copyright Act of 1976, allow the copyright owner to control the work. In turn, infringement occurs only when a copyrighted work is used “in one of the five ways set forth in the statute” and if original elements of the

46. Id. at 142-47. Fair use, provided for in 17 U.S.C. § 107 (1994), is a statutory codification of the fair use doctrine. See infra note 51. In this context, the court considered an expanded fair use defense justified by the plaintiff’s acceptance of public funding for his work, and the defendant’s motivation of defeating federal funding for the National Endowment for the Arts.

47. Id. at 134-41; N.Y. ARTS & CULT. AFF. LAW § 14.03 (Consol. 1990).


50. Under the Copyright Act of 1976, for example, computer programs are classified as “literary works” as are books. See, e.g., Atari Games Corp. v. Nintendo, Inc., 975 F.2d 832, 838 (Fed. Cir. 1992).

51. These exclusive rights are subject to a series of exceptions and compulsory licenses. 17 U.S.C. §§ 107-19 (1994). Perhaps the most significant is fair use, a “privilege in someone other than the owner of the a copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner.” Fair use is now codified in Section 107. See 17 U.S.C. § 107 (1994).

52. See Stewart v. Abend, 495 U.S. 207, 220 (1990). In Stewart, the Court stated: “An author holds a bundle of exclusive rights in the copyrighted work, among them the right to copy and the right to incorporate the work into derivative works.” The Court further stated that nothing in the copyright statutes would prevent an author from hoarding all of his works during the term of the copyright.” Id. at 228-29.

53. Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417, 433 (1984); see also Frasier v. Adams-Sandler, Inc., 94 F.3d 129 (4th Cir. 1996) (holding that the defendant who withheld photographic images from the plaintiff did not intrude on the rights
work are copied.\textsuperscript{54} Copyright law covers all original works fixed in a tangible medium of expression.\textsuperscript{55} The Copyright Act of 1976 also contains significant limitations on copyright protection. Importantly, ideas, as opposed to the expression in which ideas are embedded, receive no protection.\textsuperscript{56}

Copyright protection requires compliance with minimal requirements. While originality is the \textit{sine qua non} of copyright,\textsuperscript{57} the standard for originality is modest.\textsuperscript{58} Compilations of facts,\textsuperscript{59} including directories, caused courts applying the originality test problems. In \textit{Feist v. Rural Telephone},\textsuperscript{60} the Supreme Court solved these problems by holding that a simple investment of time and money is insufficient to satisfy the originality test.\textsuperscript{61} This decision has accorded a copyright owner and that the plaintiff’s claim was not actionable under the copyright statute).

\textsuperscript{54} See I.A.E., Inc. v. Shaver, 74 F.3d 768, 772 (7th Cir. 1996). To constitute infringement, copying must have occurred; in turn, that requires proof of access to the work which is claimed to have been copied and that the work was in fact copied; “if independent creation results in an identical work, the creator of that work is free to sell it.” Ty, Inc. v. GMA Accessories, Inc., 132 F.3d 1167, 1169 (7th Cir. 1997); accord Grubb v. KMS Patriots, L.P., 88 F.3d 1, 3 (1st Cir. 1996).

\textsuperscript{55} See Whelan Assocs. v. Jaslow Dental Lab., 797 F.2d 1222, 1233-34, 1239 (3d Cir. 1986) (computer program copyright includes structure of program as well as underlying code generating program); Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240 (3d Cir. 1983), cert. denied, 464 U.S. 1033 (1984) (computer operating system within subject matter of copyright); Building Officials & Code Adm. v. Code Tech., Inc., 628 F.2d 730, 734 (1st Cir. 1980) (rule of “free access” forecloses copyright in legal authorities).

\textsuperscript{56} 17 U.S.C. § 102(b) (1994) provides that “[i]n no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it described, explained, illustrated, or embodied in such work.” This provision, in turn, emanates from \textit{Baker v. Selden}, 101 U.S. 99 (1879), a case which has a continuing role in shaping the dimensions of copyright protection. See Dale P. Olson, \textit{The Uneasy Legacy of Baker v. Selden}, 43 S.D. L. REV. 604 (1998); see also Miller v. Universal Studios, Inc., 650 F.2d 1365, 1372 (5th Cir. 1981) (emphasizing that the idea/expression dichotomy “cannot be maintained if research is held to be copyrightable”).

\textsuperscript{57} Kamar Int’l, Inc. v. Russ Berrie & Co., 657 F.2d 1059, 1061 (9th Cir. 1981).

\textsuperscript{58} If the originality requirement is met, a work is entitled to copyright protection even if an identical work is in the public domain. See \textit{United States v. Hamilton}, 583 F.2d 448, 451 n.4 (9th Cir. 1978). If a copyright is claimed as a derivative work, based on an existing work including a work in the public domain, the test requires the work demonstrate “a distinguishable variation that is more than merely trivial.” Waldman Pub. Corp. v. Landoll, Inc., 43 F.3d 775, 782 (2d Cir. 1994).

\textsuperscript{59} A compilation may also exist in the assembly of text and visual elements, such as in a label. See \textit{Drop Dead Co. v. S.C. Johnson & Son}, Inc., 326 F.2d 87, 93 (9th Cir. 1963).

\textsuperscript{60} 499 U.S. 340 (1991).

\textsuperscript{61} See Mitchell Bros. Film Group v. Cinema Adult Theater, 604 F.2d 852, 860
effectively foreclosed protection for many compilations and other types of databases, as well as works that combine simple elements.

Copyright is not limited to infringement of the literal elements of the protected work but also extends to the "total concept and feel" of the work. This approach protects works in which literal infringement is avoided but the essence of a work is copied. The significance of this approach has been most apparent in cases involving greeting cards, and potentially has the most impact in computer applications programs. For example, in Hartford House, Ltd. v. Hallmark Cards, Inc., the Tenth Circuit utilized an expansive approach according copyright protection to a distinctive line of greeting cards. The court found that copyright laws were violated when the elements making the cards distinctive were copied. The effect of such a broad holding affords protection with significant commercial significance.

The depth of copyright protection, in practical terms, is also reflected in the remedy provisions of the Copyright Act. In addition to actual damages, the Copyright Act of 1976 provides for the recovery of minimum, statutory damages. Statutory damages range from a minimum of $250 per infringement to a maximum of $100,000 per infringement. In cases of multiple infringements, each infringement may constitute the basis for a separate damage award.

(5th Cir. 1979). In Mitchell Bros., the court, in declining to evaluate a work for obscene content, observed that "[t]he all-inclusive nature of the 1909 Act reflects the policy judgment that encouraging the product of wheat also requires the protection of a good deal of chaff." Id. at 860.

62. Compare Key Publications, Inc. v. Chinatown Today Publ'g Enters., Inc., 945 F.2d 509 (2d Cir. 1991) (permitting a differently organized second directory to be compiled from information in a source directory) with Eckes v. Card Prices Update, 736 F.2d 859 (2d Cir. 1984) (holding that copying a selection of information and an arrangement constituted copyright infringement).

63. See, e.g., Matthew Bender & Co. v. West Publ'g Co., 158 F.3d 674, 680-89 (2d Cir. 1998) (permitting publication of national reporter system cases if original editorial elements were excluded from competing publisher's products).

64. See, e.g., Matthews v. Freedman, 157 F.3d 25 (1st Cir. 1998) (holding T-shirt slogan with stock drawings not protected).

65. McCulloch v. Albert E. Price, Inc., 823 F.2d 316 (9th Cir. 1987); Roth Greeting Cards v. United Card Co., 429 F.2d 1106 (9th Cir. 1970).

66. 846 F.2d 1268 (10th Cir. 1988).


68. See Peer Int'l Corp. v. Pausa Records, Inc., 909 F.2d 1332, 1337 (9th Cir. 1990), cert. denied, 498 U.S. 1109 (1991) (affirming a district court award of $4 million in statutory damages, calculated by allowing the statutory maximum of $50,000 per infringement multiplied by the 80 wilful infringements found by the district court). The
3. Patents

Copyrights and patents, which share a common constitutional enabling provision, have both similarities and differences. To understand the federal scope of protection and its impact on common law misappropriation, the most appropriate starting point is Justice Holmes's statement that "[a] patent is property carried to the highest degree of abstraction—a right in rem to exclude, without physical object or content." Phrased differently, "patent rights are rights to 'exclude others'" from practicing the invention. Infringement of a patent occurs when:

Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor.

The subject matter of patents is expansive; the Supreme Court has described patent protection as extending to "anything under the sun that is made by man." Recently, the Federal Circuit ruled that no prohibition exists to prevent the patenting of business methods. The Supreme Court has identified the "law of nature, natural phenomena, and abstract ideas" as the only types of subject statutory maximum was increased to $100,000 per infringement effective March 1, 1989. See 17 U.S.C. § 504(c)(2) (1994). An innocent infringer, that is a defendant who demonstrates that no reason existed to believe that his or her acts constituted copyright infringement, is subject to a maximum statutory damage of $200. See D.C. Comics Inc. v. Mini Gift Shop, 912 F.2d 29, 35 (2d Cir. 1990).


70. 35 U.S.C. § 281 (1994) provides: "A patentee shall have remedy by civil action for infringement of his patent."


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matter that are unpatentable. A patent must be novel, useful, and nonobvious. In addition, a patent must be filed within "time bar" rules that foreclose an untimely application.

4. Trademarks

Trademarks protect the good will inherent in an identifiable source and represent the public's expectation of purchasing a product that is "a single thing coming from a single source." This secondary meaning, that the trademark identifies "not only goods, but also the source of the goods," may be proved by

74. See Diamond v. Diehr, 450 U.S. 175, 185 (1981). A mathematical algorithm standing alone is unpatentable as an abstract idea, until it is used to produce a "useful, concrete and tangible result." In re Alappat, 33 F.3d 1526, 1544 (Fed. Cir. 1994).

75. See 35 U.S.C. § 102(a) (1994). The United States Court of Appeals for the Federal Circuit stated: "Invalidity based upon lack of novelty (often called 'anticipation') requires that the same invention, including each element and limitation of the claims, was known or used by others before it was invented by the patentee." Hoover Group, Inc. v. Custom Metalcraft, Inc., 66 F.3d 299, 302 (Fed. Cir. 1995).


77. See 35 U.S.C. § 103 (1994). In the leading case of Graham v. John Deere Co., 383 U.S. 1, 6 (1966), the Supreme Court identified the test for nonobviousness as: Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.

78. See Pfaff v. Wells Elects., Inc., 119 S. Ct. 304, 311 (1998). In Pfaff, the on-sale bar condition was deemed met when the product that was the subject of the invention was offered commercially for sale was sufficiently developed that it could have been patented, as evidenced either by an actual reduction to practice or by a description of sufficient specific in its disclosure to permit "a person skilled in the art to practice the invention." Id. at 312.


[Competitors] have a right to tell the public what they are doing, and to get whatever share they can in the popularity [of a product] by advertising that they are trying to make the same article and think that they can succeed. . . . By doing so they are not trying to get the good will of the name, but the good will of the goods.

81. Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc., 58 F.3d 27, 34 (2d Cir.
extensive advertising.\textsuperscript{82} Trademarks enhance competition, as a report accompanying the federal trademark statute identified:

Trademarks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from another. Trademarks encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates. To protect trademarks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not.\textsuperscript{83}

There are several different kinds of marks. Generic marks are common descriptive names for products and receive no protection.\textsuperscript{84} The Supreme Court has defined generic marks as "[m]arks that constitute a common descriptive name . . . . [and refer] to the genus of which the particular product is a species."\textsuperscript{85} A descriptive mark is protected only if the mark has acquired secondary meaning,\textsuperscript{86} which permits it to identify a product or service. Suggestive marks\textsuperscript{87}

\textsuperscript{82} See, e.g., Burke-Parsons-Bowry, 871 F.2d at 596. See also William M. Borchard, Reverse Passing Off—Commercial Robbery Or Permissible Competition?, 67 TRADEMARK REP. 1 (1977).

\textsuperscript{83} S. REP. NO. 79-1333, at 4 (1946). In Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942), the Court stated:

The protection of trade-marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. . . . Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.

\textsuperscript{84} Harley-Davidson, Inc. v. Grottanelli, 164 F.3d 806, 810 (2d Cir. 1999) (stating that the term "hog" is deemed generic for large motorcycles; dictionary usage supports generic status of term).


\textsuperscript{86} "Secondary meaning" is "the consuming public's understanding that the mark, when used in context, refers not to what the descriptive word ordinarily describes, but to the particular business that the mark is meant to identify." Perini Corp. v. Perini Constr., Inc., 915 F.2d 121, 125 (4th Cir. 1990).

\textsuperscript{87} The distinction between suggestive and descriptive marks was outlined in Duluth News-Tribune v. Mesabi Publ'g Co., 84 F.3d 1093, 1096 (8th Cir. 1996). In Mesabi, the court stated:

A suggestive mark is one that requires some measure of imagination to reach a conclusion regarding the nature of the product. A descriptive mark, on the
and arbitrary marks are those selected without regard to the type of good which the marks identify. While a suggestive mark requires imagination to identify the good’s nature, an arbitrary mark “has no meaning at all” relative to the product. In the absence of confusion, use of a trademark is not prohibited. Infringement occurs when the owner of the mark demonstrates that “such use is likely to cause confusion, or to cause mistake, or to deceive.” Trademark law is designed to prevent confusion as to the origin or source of a product, and the degree of protection accorded a trademark is determined by whether the mark is generic, descriptive, suggestive, or arbitrary. Trade dress protection may also extend to the “look” of a clothing line. In the consistent copying of a line of children’s clothing was actionable, absent a defense providing another explanation. Intentional copying gives rise to a presumption that confusion is likely.

other hand, immediately conveys the nature of function of the product and is entitled to protection only if it has become distinctive by acquiring a second meaning.

Id. (citations omitted). A term which is self-laudatory and is “seeking to convey the impression that a product is excellent or of especially high quality, is generally deemed suggestive.” Estee Lauder, Inc. v. The Gap, Inc., 108 F.3d 1503, 1509 (2d Cir. 1997).

88. TBC Corp. v. Holsa, Inc., 126 F.3d 1470, 1471 (Fed. Cir. 1997).

89. In Prestonettes v. Coty, 264 U.S. 359, 368 (1924), the Supreme Court disapproved of an injunction which prohibited a repacker from using the original manufacturer’s mark on its package. The Court stated:

A trademark only gives the right to prohibit the use of it so far as to protect the owner’s goodwill against the sale of another’s product as . . . . When the mark is used in a way that does not deceive the public, we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.

Id.

90. 15 U.S.C. 1114(a)(1) (1994). Inherent in the nature of trademark protection is the necessity to be consistent; to use the asserted mark for a source-identifying function. In Rock & Roll Hall of Fame v. Gentile Productions, 134 F.3d 749, 755 (6th Cir. 1998), the Court held that a distinctive building design did not function as a trademark because the court could not “conclude that they create a consistent and distinct commercial impression as an indicator of a single source of origin or sponsorship . . . . Consistent and repetitive use of a designation as an indicator of source is the hallmark of a trademark.”

91. Reverse infringement, or reverse passing off, differs from the “forward” confusion case, although it is also a form of misattribution but it “occurs when a product is mislabeled to mask the creator’s contribution.” Cleary v. News Corp., 30 F.3d 1255, 1260 (9th Cir. 1994). In Dreamworks Prod. Group, Inc. v. SKG Studio, 142 F.3d 1127, 1130 n.5 (9th Cir. 1998), the focus of the possibility of confusion was measured by the famous mark “required to defend its very existence against a much lesser known mark.” Id. at 1131.

92. See WSM, Inc. v. Hilton, 724 F.2d 1320, 1325 (8th Cir. 1984).

93. 165 F.3d 120, 128 (2d Cir. 1998).

94. See Ferrari SPA Esercizio v. Roberts, 944 F.2d 1235, 1243 (6th Cir. 1991). The court further held that post-sale confusion by members of the public is to be
The Lanham Act also contains a provision that partially codifies unfair competition law, including a prohibition against false advertising.95 In Section 43(a), the Lanham Act provides expansive protection for unfair competition, for registered as well as unregistered marks. The expance of Section 43(a) is such that it has "been widely interpreted to create, in essence, a federal law of unfair competition."96 In 1988, Section 43(a) was amended to provide a statutory codification of original text which had been judicially expanded.97 A violation of the Section occurs when the defendant misrepresents its product: "This provision makes illegal a broad array of rather amorphous practices that are commonly arranged under the loose rubric of 'unfair competition.'"98 Section 43(a) has compelled the creation of a scheme separating the scope of protection according to the degree of distinctiveness.

Trade dress is defined as the "total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques."99 Trade dress is "an important ingredient in the commercial success of the product."100 As described by the Supreme Court in Two Pesos, Inc. v. Taco Cabana, Inc.,101 trade dress protects "essentially [a product’s] total image and overall appearance."102 The likelihood of confusion,103 however, requires consideration of the purportedly protected

considered in determining the existence of confusion and the potential effect on the first manufacturer’s reputation, rather than only on the potential confusion experienced by purchasers. Id. at 1245; see also Chrysler Corp. v. Sila, 118 F.3d 56 (1st Cir. 1997) (involving a distinctive automobile design and emphasizing the possibility of post-sale confusion and the first manufacturer’s reputation).

95. Lanham Act, § 43(b), 15 U.S.C. § 1125(a)(1)(B) (1994) (prohibiting "commercial advertising or promotion [that] misrepresents the nature, characteristics, qualities, or geographic origin of [the advertiser’s] or another person’s goods, services or commercial activities"). See, e.g., Rhone-Poulenc Rorer Pharm., Inc. v. Marion Merrell Dow, Inc., 93 F.3d 511, 516 (8th Cir. 1996) (surveying decisions on comparative advertising).


100. Id. at 983 n.27.


102. Id. at 770 (stating that “[t]here is no persuasive reason to apply [different analysis to trademarks and trade dress]”).

103. See A&H Sportswear Inc. v. Victoria’s Secret Stores Inc., 166 F.3d 197, 202 (3d Cir. 1999) (rejecting its “possibility of confusion” standard in trademark infringement cases for the “likelihood of confusion” standard, which was standard across the circuit
elements in a product; this requires consideration of the elements in which "protection is claimed in a context which takes into account the individual element of the entire trade dress."  

Protected trade dress may not be functional. Functional trade dress is "an important degree in the commercial success of the product" and the prohibition against the protection of a functional component serves to prevent exclusion from the market of competitors requiring the functional elements of a product to compete. The Supreme Court, in Qualitex Co. v. Jacobson Products Co., stated: "a product feature is functional,' and cannot serve as a trademark, 'if it essential to the use or purpose of the article or if it affects the cost or quality of the article,' that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage." The purpose of the functional limitation was elaborated upon in Vornado Air Circulation Systems Inc. v. Duracraft Corp. In Vornado, a spiral grill on a fan was deemed unprotected since it had been claimed in a utility patent. The court determined that "core patent principles [would] be significantly undermined" since the trade dress protection would continue after expiration of the patent, while only "peripheral courts).  

104. Nora Beverages Inc. v. Perrier Group, 164 F.3d 736, 744 (2d Cir. 1998).  
105. Kellogg, 305 U.S. at 122.  
106. See Restatement (Third) of Unfair Competition § 16 cmt. b (1995). "Rigorous application of the requirements of distinctiveness and nonfunctionality is essential in order to avoid undermining the carefully circumscribed statutory regimes . . . [of] federal patent and copyright law . . . ." Id. The Second Circuit, in LeSportsac v. K Mart Corp., 754 F.2d 71, 75 (2d Cir. 1985), defined functional elements as those which are "essential to a product's use as opposed to those which merely identify it." See also Fabrication Enter., Inc. v. Hygenic Corp., 64 F.3d 53, 55 (2d Cir. 1995) ("If trade dress protection of a product design goes too far, however, the public may be deprived of the benefits of robust competition by precluding use of utilitarian product features."). A 1998 amendment to the Lanham Act, §33(b), 15 U.S.C. § 1115(b)(1994), added a defense against infringement of a mark that has become incontestable: that the mark is functional. See Pub. L. No. 105-330, 112 Stat. 3064 (1998).  
107. 514 U.S. 159, 165 (1995) (quoting Inwood Lab., Inc. v. Ives Lab., Inc., 456 U.S. 844, 850 n.10 (1982)). Qualitex held that color alone, in the case at issue for a green-gold pressing pad used by dry cleaners, was not precluded form serving as a trademark. Because color is never inherently distinctive, trade dress for which color is claimed as an element requires secondary meaning to be protected as a trademark. See Forschner Group, Inc. v. Arrow Trading Co., 124 F.3d 402, 408 (2d Cir. 1997).  
Lanham Act protections [would] be denied” if the grill were copied by a competitor since other band identifiers were available to prevent confusion.109

In Two Pesos,110 the Supreme Court defined “inherently distinctive” trade dress as trade dress whose “intrinsic nature serves to identify a particular source of a product.”111 Trade dress may be inherently distinctive or may acquire distinctiveness.112 Permitting Lanham Act protection under Section 43(a) based on a determination of “inherent distinctiveness” facilitates the development of projected rights. As the Supreme Court has observed:

[A]dding a secondary meaning requirement could have anticompetitive effects, creating particular burdens on the startup of small companies. It would present special difficulties for [companies] . . . seek[ing] to start a new product in a limited area and then expand into new markets. Denying protection for inherently distinctive nonfunctional trade dress until after secondary meaning has been established would allow a competitor, which has not adopted a distinctive trade dress of its own, to appropriate the originator’s dress in other markets and to deter the originator from expanding into and competing in these areas.113

The test for infringement is amplified by a list of factors, or “digits of confusion” analysis,114 identified by the Second Circuit in Polaroid Corp. v. Polarad Electronics Corp.115 The Polaroid factors are (1) the strength of the plaintiff’s mark; (2) the degree of similarity between the two marks; (3) the competitive proximity of the products or services; (4) the existence of actual confusion; (5) the likelihood that the plaintiff will ‘bridge the gap’ between the two markets; (6) the defendants’ good faith in adopting its mark; (7) the quality

109. Vornado, 58 F.3d at 1509.
111. Id. at 771.
112. Id. at 769. As elaborated upon in Duraco Prods. v. Joy Plastic Enters., 40 F.3d 1431, 1439 (3d Cir. 1994), distinctiveness is accorded an expanded meaning: “[T]he Supreme Court in Two Pesos used ‘distinctive’ in a dual sense, meaning either inherently distinctive or having acquired distinctiveness through secondary meaning.”
113. Two Pesos, 505 U.S. at 775.
114. Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 543 (5th Cir. 1998).
of the defendant’s products; and (8) the sophistication of the purchasers. The factors have been construed skeptically in trade dress cases.\footnote{116}

A recent addition to the Lanham Act also provides against trademark dilution. The antidilution provision “protect[s] famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.”\footnote{117} Accordingly, it is a “narrow remedy [for situations] when the similarity between two marks is great enough that even a noncompeting, nonconfusing use is harmful to the senior user.” In \textit{I.P. Lund Trading ApS v. Kohler Co.},\footnote{118} the First Circuit, in assessing the requisite fame under the statute, deemed “national renown” to be “an important factor” in meeting the requirements for stating a claim under the dilution provision of the Lanham Act.

\footnote{116} Cf. \textit{I.P. Lund Trading ApS \& Kroin Inc. v. Kohler Co.}, 163 F.3d 27, 33 (1st Cir. 1998) (characterizing the Supreme Court’s treatment of \textit{Abercrombie \& Fitch Co. v. Hunting World, Inc.}, 537 F.2d 4 (2nd Cir. 1976), in \textit{Two Pesos} as being reflective of the specific case before it and accordingly not mandatory; the court did not perceive an analysis using factors different from \textit{Abercrombie} would result in a alteration of core holding in \textit{Two Pesos}); Stuart Hall Co. v. Ampad Corp., 51 F.3d 780, 788 (8th Cir. 1995) (interpreting \textit{Two Pesos’s} definition of trade dress as encompassing a single element, rather than separate elements of configuration and packaging).

\footnote{117} Federal Trademark Dilution Act of 1995, H.R. Rep. No. 104-374 (1995). The Act excludes specific uses from its coverage: fair use of a famous mark in comparative advertising when used to identify the goods or services of the famous mark; noncommercial use; and, news reporting and commentary. \textit{See}, e.g., \textit{Luigino’s Inc. v. Stouffer Corp.}, 170 F.3d 827 (8th Cir. 1999) (deeming “Lean Cuisine” trademark neither infringed nor diluted by “Michelina’s Lean ‘N Tasty” trademark); \textit{Ringling Bros.-Barnum \& Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.}, 170 F.3d 449 (4th Cir. 1999) (rejecting a dilution claim since dilution requires more than a showing that consumers would make a mental association between the famous mark “Greatest Show on Earth” and defendant’s mark “Greatest Show on Earth,” which was used to promote skiing); \textit{see also Panavision Int’l v. Toeppe}, 141 F.3d 1316, 1326 (9th Cir. 1998) (holding that a “commercial use” for purposes of the federal trademark dilution statute occurred when registrant attempted to sell to a trademark owner a domain name consisting of a registered trademark); \textit{cf.} \textit{Lucasfilm, Ltd. v. High Frontier}, 622 F. Supp. 931, 935 (D.D.C. 1985) (permitting use of the registered mark “Star Wars” for use in public commentary on the Strategic Defense Initiative).

\footnote{118} 163 F.3d 27, 36 (1st Cir. 1998) (observing that consumer surveys would be important evidence of the require level of fame but were not used in the case).
5. Publicity

a. Introduction to the Right of Publicity

'Although the right of publicity is often classified as an outgrowth of the right of privacy,' it deals with the commercial value of a personality interest and accordingly is more closely analogous to a property interest than a privacy interest. The right of publicity recognizes the commercial value of a likeness. The cause of action is confined to unconsented commercial use of the plaintiff's likeness. As the Sixth Circuit has stated, "a celebrity's legal right of publicity is invaded whenever his identity is intentionally appropriated for commercial purposes." In Matthews v. Wozencraft, creation of a

For the background of the evolution of the right of publicity from the right of privacy, see generally Melville B. Nimmer, The Right of Publicity, 19 LAW & CONTEMP. PROBS. 203 (1954).

120. A privacy interest is a recognition of the commercial value of a likeness and confines the cause of action to unconsented commercial use of the plaintiff's likeness. See Price v. Hal Roach Studios, Inc., 400 F. Supp. 836, 843-46 (S.D.N.Y. 1979). In Zacchini, the Supreme Court of the United States held that a state claim for compensation was not preempted when an unauthorized broadcast of the plaintiff's "human cannonball" act affected the commercial viability of the plaintiff's performance.

The RESTATEMENT (SECOND) OF TORTS, § 625A(2) (1977) provides four separate grounds for a cause of action for invasion of the right of privacy, including "appropriation of the other's name or likeness."

121. See Haelan Labs v. Topps Chewing Gum, 202 F.2d 866, 868 (2d Cir. 1953) ("[A] person has a right in the publicity value of his photograph. . . . Whether it be labeled a 'property' right is immaterial; for here, as often elsewhere, the tag 'property' simply symbolizes the fact that courts enforce a claim which has pecuniary worth."); cert. denied, 346 U.S. 816 (1953).

122. An unconsented use of a person's identity may also involve a violation of the law forbidding false endorsements. Publicity rights are, however, broader since use of an identity does not necessarily involve a misrepresentation. See Cardtoons v. Major League Baseball Players, 95 F.3d 959, 968 (10th Cir. 1996).

123. The publicity cause of action has been extended to the use of "look alikes" since it is the plaintiff's publicity interest which is being appropriated. See, e.g., Allen v. National Video, Inc., 610 F. Supp. 612 (S.D.N.Y. 1985); Onassis v. Christian-Dior-New York, Inc., 472 N.Y.S.2d 254 (1984). Or where the surroundings, such as a distinctive car, suggested the presence of the plaintiff. See Motschenbacher v. R.J. Reynolds Tobacco Co., 498 F.2d 821 (9th Cir. 1974). But not to situations where a distinct identification is not possible, even if there is a close resemblance. See Nurmi v. Peterson, 10 U.S.P.Q.2d (BNA) 1775, 1777 (C.D. Cal. 1989).

124. Carson v. Here's Johnny Portable Toilets, Inc., 698 F.2d 831, 837 (6th Cir. 1983). A number of other cases have contained similar holdings. See, e.g., Benavidez v. Anheuser Busch, Inc., 873 F.2d 102 (5th Cir. 1989); Titan Sports Inc. v. Comics
fictionalized biography did not provide a basis for a subject to prevail on a claim of violation of the right of publicity since "Texas law does not recognize a cause of action for appropriation of one's life story and because if it did, there would be an exception for biographies and 'fictionalized biographies.'" Nonetheless, the Fifth Circuit acknowledged the value of providing a right of publicity in appropriate contexts:

Protecting one's name or likeness from misappropriation is socially beneficial because it encourages people to develop special skills, which then can be used for commercial advantage. Associating one's good will with a product transmits valuable information to consumers. Without the artificial scarcity created by the protection of one's likeness, that likeness would be exploited commercially until the marginal value of its use is zero.

This right has been applied to look-alikes, including those in a mechanical form, when there is potential for confusion. Accordingly, use of a likeness for a newsworthy purpose is not actionable. Conversely, a commercial purpose may be an integral component of a cause of action for violation of the right of publicity. A commercial purpose did not defeat a First Amendment claim of


125. 15 F.3d 432, 437 (5th Cir. 1994).
126. Id. at 437.
127. Id. at 437-38.
128. See White v. Samsung Elects. Am., Inc., 971 F.2d 1395, 1397 (9th Cir.), cert. denied, 508 U.S. 951 (1993). "We agree that the robot ad did not make use of White's name or likeness. However, the common law right of publicity is not so confined." Id. at 1397. White received a jury verdict of $403,000. Ellen Joan Pollock, Vanna White Wins Suit, WALL. ST. J., Jan. 24, 1994, at B2.
129. See Groden v. Random House, Inc., 61 F.3d 1045, 1051 (2d Cir. 1995) ("[T]he New York courts have been vigilant in interpreting the right of privacy to permit the free flow of information."); see also Titan Sports, Inc., v. Comics World Corp., 870 F.2d 85, 88 (2d Cir. 1989); Leidholdt v. L.F.P. Inc., 860 F.2d 890, 895 (9th Cir. 1988); Ault v. Hustler Magazine, Inc., 860 F.2d 878, 883 (9th Cir. 1988). Use of a celebrity's name in an advertisement, as opposed to a news item, forecloses assertion of the "newsworthy" defense. See Abdul-Jabbar v. General Motors Corp., 85 F.3d 407, 416 (9th Cir. 1996); cf. Newton v. Thomason, 22 F.3d 1455, 1461 (9th Cir. 1994) (stating that absence of commercial advantage from use of a name identical to plaintiff's, a musician, for a fictional character in a television series forecloses publicity claim).
130. See McFarland v. Miller, 14 F.3d 912, 919 n.11 (3d Cir. 1994) (aplying New
parody in Cardtoons, L.C. v. Major League Baseball Players Association, where baseball trading cards featured caricatures of major league baseball players with satirical commentary; the players were "lampooned" on the trading cards. In addition, the Tenth Circuit stated parody cards do not meaningfully impact the property right represented by the identity interest in publicity since the interest normally would not be licensed.

Within this general approach, there are also variations among states on the issues of the continued existence of common law rights of action with statutorily created publicity rights and the viability of a cause of action after the death of the subject of the publicity.


131. 95 F.3d 959, 968-69 (10th Cir. 1996); see also Bettie Page v. Something Weird Video, 908 F. Supp. 714, 716 (C.D. Cal. 1995) (deeming the use of drawings of the plaintiff, used to market films made by her in the 1950s, to be protected by the First Amendment on the basis that the availability of the films was "newsworthy").

132. 95 F.3d at 962.

133. Id. at 964.


In contrast, the Utah statute, Utah CODE ANN. § 45-3-4 (1988) creates a cause of action for the unconsented use of a name or likeness in a manner suggested that the individual represented approves or endorses the subject matter of an advertisement but also preserves common law remedies. See, e.g., Nature's Way Prod., Inc. v. Nature-Pharma Inc., 736 F. Supp. 245, 251 (D. Utah 1990).

136. The Second Restatement of Torts provides that "[e]xcept for the appropriation of one's name or likeness, an action for invasion of privacy can be maintained only by a living individual whose privacy is invaded." RESTATEMENT (SECOND) OF TORTS § 652-I (1977). Compare Groucho Marx Prods., Inc. v. Day & Night Co., 689 F.2d 317, 320 (2d Cir. 1982) (publicity right not descendible under California law) with Acme Circus Operating Co. v. Kuperstock, 711 F.2d 1538, 1542-44 (11th Cir. 1983) (publicity right descendible under California law if exercised during the subject's lifetime) and Memphis Dev., Inc. v. Factors Etc., Inc., 616 F.2d 956, 957-59 (6th Cir. 1980), cert. denied, 449 U.S. 953 (1980) (holding that under Tennessee law the right of publicity is not descendible even though exercised during his lifetime). In State ex rel. Elvis Presley Int'l
The logic behind publicity actions has caused recovery to be extended to the analogous situation where a performer’s persona is appropriated through the use of his or her voice in a manner which deceives the public as to the actual identity of the performer. In *Midler v. Ford Motor Co.*, the court identified a basis for the plaintiff’s cause of action under California law when a noted performer with a distinctive voice and a distinctive performance style contended that her voice and style were duplicated in a commercial advertisement by a “sound alike” who was requested to duplicate the plaintiff’s style. The case, and similar cases, raise questions about claims to other aspects of a performance, including a style, a characterization, and a mood. Prior to *Midler*, duplication of performance was a widespread practice.

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*Mem'l Found. v. Crowell*, 733 S.W.2d 89, 97-99 (Tenn. Ct. App. 1987), the court considered the right of publicity no less an intangible property right after death and asserted that unjust enrichment principles precludes against permitting an advertiser to obtain a “windfall” from an identity it had not created while effectively diminishing the value of any licensed uses.

137. *See* Abdul-Jabbar v. General Motors Corp., 85 F.3d 407, 414 (9th Cir. 1996) (“The key issue [in a case asserting a right of publicity] is the appropriation of the plaintiff’s identity.”).

138. 849 F.2d 460 (9th Cir. 1988). In *Midler v. Young & Rubicam Inc.*, 944 F.2d 909 (9th Cir. 1991) (unpublished), a jury verdict was sustained and the Ninth Circuit affirmed the trial court’s denial of a directed verdict.

139. The defense of preemption, which would foreclose protection of federal law, was raised in *Midler*. The Ninth Circuit rejected the defense since the claim was not within the subject matter of copyright since a voice is not subject to copyright protection. *Id.* at 909. Similarly, in *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1101-02 (9th Cir. 1992), a jury instruction restricted liability to a determination that only the plaintiff’s voice was mimicked, not his style.


b. Ideas

Although ideas may be valuable, ideas are not protected by copyright and, ordinarily, become part of the public domain when disclosed. An exception to that general premise has occurred as the result of a set of equitable principles requiring payment for the disclosure of an idea submitted in circumstances reflecting an expectation of payment, even though an express contract covering the disclosure does not exist. Compensation for submission of ideas in these circumstances requires that the idea be novel and original.

143. Ideas are expressly excluded from the subject matter of copyright. See § 102(b) discussed supra note 56. Additionally, even where a work is protected by copyright, the scope of protection for the work may be narrow if the method of expressing the underlying ideas is “too inseparable from the idea itself to warrant protection.” Ring v. Estee Lauder, Inc., 874 F.2d 109, 110 (2d Cir. 1989). Because the scope of protection granted by the copyright will be severely limited, under the premise of “indispensable” expression which recognizes the limited number of ways of expressing the same idea, see Frybarger v. International Bus. Machs., 812 F.2d 525, 530 (9th Cir. 1987), the protection accorded by copyright precludes placing a limitation on the underlying idea.

144. See, e.g., Joyce v. General Motors Corp., 551 N.E.2d 172, 172 (Ohio 1990) (stating that “[i]deas are not the property of anyone unless they are expressed in a legally protected manner”). In Joyce, the court found that once an idea was “freely divulged to a third party . . . the ideas are not property, [and] they are not capable of conversion or appropriation.” Id. at 175.


146. See Miller v. Schloss, 113 N.E. 337, 338-39 (N.Y. 1916). Existence of an express contract will preclude the application of equitable principles and serve as the entire basis for the determining the right to, and the amount of, any recovery. See Buchwald v. Paramount Pictures Corp., 13 U.S.P.Q.2d (BNA) 1497, 1502 (Cal. App. Dep’t Super. Ct. 1990). In Buchwald, the contract between the parties required compensation to be paid to the plaintiff, if a motion picture was produced which was “based upon” a submission by the author. Id. The Buchwald case also reflects the value of credit for a successful work in enhancing an author’s marketability; Buchwald was awarded $150,000 after a bench trial. Bernard Weinraub, Art Buchwald Awarded $150,000 in Suit Over Film, N.Y. TIMES, March 17, 1992, at C1. See Aljean Harmetz, Buchwald Ruling: Film Writers vs. Star Power, N.Y. TIMES, Jan., 15, 1990, at D3; see also City of Yonkers v. Otis Elevator Co., 844 F.2d 42, 48 (2d Cir. 1988). See generally REPORT OF THE NEW YORK LAW REVISION COMMISSION, COMPENSATION FOR THE UNSOLICITED DISCLOSURE OF BUSINESS IDEAS 579 (1952). Cf. Osborn v. Boeing Airplane Co., 309 F.2d 99, 103 (9th Cir. 1962) (“Since it is conceded that Boeing solicited useful ideas whether or not they were original with the employee or new originality or novelty would not be a material issue as to the cause of action based upon an implied-in-fact contract.”)

147. In Downey v. General Foods Corp., 286 N.E.2d 257, 260 (N.Y. 1972), a leading case, the court states two requirements as absolute conditions for recovery of compensation for the submission of an idea: “[W]hen one submits an idea to another,
since ideas which are not novel are considered part of the public domain and unprotected. The idea must also be kept secret before disclosure and disclosed in circumstances reflecting an expectation of compensation upon disclosure. Additionally, the idea for which compensation is sought must be concrete, and communication of the idea must be made in circumstances justifying imposition of an obligation to make payment for the use of the disclosed idea.

Application of these principles is illustrated in Murray v. National Broadcasting Co., which resulted in the granting of summary judgment in favor of the defendant on the plaintiff's claim that he had developed the idea on which "The Cosby Show," a television program portraying "a nonstereotypical black family," was based. The Second Circuit affirmed the district court's grant of

no promise to pay for its use may be implied, and no asserted agreement enforced, if the elements of novelty and originality are absent, since the property right in an idea is based upon these two elements." See also Hudson Hotels Corp. v. Choice Hotels Int'l, Inc., 955 F.2d 1173, 1176 (2d Cir. 1993) (holding that lack of novelty in hotel concept forecloses recovery under any theory, including trade secret protection); Bram v. Damon Milk Prods., Inc., N.Y.S.2d 571, 571 (App. Div. 1970) ("Lack of novelty in an idea is fatal to any cause of action for its unlawful use."). But cf. Lehman v. Dow Jones & Co., 783 F.2d 285, 300 (2d Cir. 1986) (characterizing California law as not requiring novelty or originality in the context of information disclosed under confidential circumstances but declining to allow recovery for "mundane" information). In Reeves v. Alyseka Pipeline Serv. Co., 926 F.2d 1130, 1141 (Alaska 1996), the Alaska Supreme Court found California precedents persuasive in holding that an idea may be valuable to a recipient in the timing and manner of the manner in which an idea is disclosed.

Although the property approach to the law controlling the submission of ideas has been criticized, Margreth Barrett, The 'Law of Ideas' Reconsidered, 71 J. PAT. & TRADEMARK SOC'Y 691, 757 (1989), the property approach is generally the theory used to evaluate claims for recovery involving the submission of ideas. See, e.g., Murray v. National Broadcasting Co., 844 F.2d 988, 993 (2d Cir. 1988). Theories of recovery often blend in this area and may be asserted on a general equitable basis as well as on a contract implied-in-fact or quasi-contract basis. See Surplus Equip. Inc. v. Xerox Corp., 502 N.Y.S.2d 491, 492 (App. Div. 1986); Hoeltke v. C.M. Kemp Mfg. Co., 80 F.2d 912, 923 (4th Cir. 1936); Picard v. United Aircraft Corp., 128 F.2d 632, 637 (2d Cir. 1942).


149. See Ring v. Estee Lauder, Inc., 874 F.2d 109, 110 (2d Cir. 1989) ("This observation of the public use of the idea by a third party totally precludes plaintiff's claims.").


151. See, e.g., Hamilton Nat'l Bank v. Belt, 210 F.2d 706, 708-09 (D.C. Cir. 1953) (holding that an incomplete radio script met this requirement because it was useable even though incomplete).


153. 844 F.2d at 992.
summary judgment for the defendant on the ground that the plaintiff's idea was not novel and was therefore unprotected since it existed in the public domain. Consequently, a successful action for recovery of the submission of an idea will require the developer of the idea to anticipate the requirements under which it is disclosed.

c. Trade Secrets

Trade secret protection is premised on the relative secrecy of information valuable to a business and retained in secrecy through reasonable precautions. In order to qualify as a trade secret, the information for which protection is sought cannot be readily ascertainable or part of the general body of knowledge in an industry. Improperly obtaining the information contained in a trade secret will give rise to a claim for damages and other relief for the misappropriation of a trade secret.

155. Computer-based espionage, or "netspionage" is an emerging concern since information stored in a digital form on a computer network can be appropriated without leaving traces of the theft. See Rachel Emma Silverman, Stop, Thief!, WALL. ST. J., Jan. 11, 1999, at R50.
156. See, e.g., Public Sys., Inc. v. Towery, 21 U.S.P.Q.2d (BNA) 1220, 1222 (Ala. 1991) (sending customer list to prospective clients precluded trade secret protection). See also Tabor v. Hoffman, 23 N.E. 12, 13 (N.Y. 1889) (holding that a set of patterns, used to manufacture a machine which were made without pattern owners' permission; constituted an unfair means of procuring patterns which was not disclosed by the sale of the machine that was made from the patterns).
158. Compare Allen v. Johar, Inc., 823 S.W.2d 824, 827 (Ark. 1992) (trade secret protection accorded to customer list containing personalized information and requiring several years to create) with Hi-Line Elec. Co. v. Moore, 775 F.2d 996, 997 (8th Cir. 1985) (holding that customer list was not a trade secret, since it was readily ascertainable and had been developed by defendant when he was employed by the plaintiff). See also Buffets, Inc. v. Kline, 73 F.3d 965, 968 (9th Cir. 1996) (holding that simple recipes were readily ascertainable and accordingly did not qualify for trade secret protection).

A RICO claim requires that a plaintiff demonstrate injury to his business or

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The Economic Espionage Act of 1996 uses an expansive definition of "trade secret," which includes "all forms and types of financial, business, scientific, technical, economic, or engineering information . . ." A working definition of "trade secrets" was articulated by the Illinois Supreme Court when it defined a "trade secret" as "a plan or process, tool, mechanism, compound, or informational data utilized by a person in his business operations and known only to him and such limited other persons to whom it may be necessary to confide it." A trade secret is defined in the Restatement of Torts as:

[A]ny formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.

The Uniform Trade Secret Act contains a broader definition, including within the definition of "trade secret" information which has a negative value, such as the realization that a process is ineffective or a list of customers who do not purchase the compiler's products. Consistent with these expansive

property and that the injury was a result of the racketeering activity which constitutes the RICO violation. See, e.g., Brandenburg v. Seidel, 859 F.2d 1179, 1187 (4th Cir. 1988). The showings a plaintiff must make are defined in Section 1962. Section 1962(b) provides: "it shall be unlawful for any person through a pattern of racketeering activity . . . to acquire or maintain . . . any interest or control of any enterprise which is engaged in, or the activities of which affect, interstate commerce." 18 U.S.C. § 1962(b) (1994). The Supreme Court of the United States has expressly held RICO applicable to "legitimate" business. See H.J. Inc. v. Northwestern Bell Tel. Co., 492 U.S. 229 (1989). For a review of the criticism surrounding the application to situations not involving organized crime, and a proposal to restrict the reach of RICO, see S. REP. NO. 101-269 (1990).

163. Restatement (First) of Torts § 757 cmt. b (1939). Summarizing the Restatement's definition, the Supreme Court of New Jersey stated:
In sum, a trade secret need not be novel, inventive, or patentable, and may be a device that is clearly anticipated in the prior art or one that is merely a mechanical improvement that a good mechanic can make. However, it may not be part of the general knowledge or information of an industry or a matter of public knowledge.
164. See Hollingsworth Solderless Terminal Co. v. Turley, 622 F.2d 1324, 1333 (9th Cir. 1980).
definitions of "trade secret," a number of types of commercially valuable information have been classified as trade secrets.165

Trade secret protection, a protection accorded by state law, is premised on secrecy166 as a requirement of protection. Any disclosure by fair means, including reverse engineering or disassembly of an object,167 may defeat the continued existence of trade secret protection.168 Indeed, the practice of "benchmarking" a rival's product by disassembling it and attempting to beat the product on a component-by-component basis has become an important aspect of competitive intelligence efforts.169 As the Supreme Court has stated, "[t]he subject of a trade secret must be secret and must not be of public knowledge or of general knowledge in the trade or business."170 Importantly, the existence of a protected trade secret is conditioned on actual implementation of measures resulting in the information being treated as confidential; a failure to implement such measures will result in the information being deemed unprotected.171


Additionally, a business may implement "know how" which is the "accumulated skills, experience, processes, and procedures, not reaching the level of trade secrets." Jeffrey M. Wiesen, The Elements of a Domestic License of Intellectual Property, 9 ALI-ABA COURSE MATERIALS J. 55 (1984).

166. Information which is a matter of common public knowledge will not qualify as a trade secret. See Self Directed Placement Corp. v. Control Data Corp., 908 F.2d 462, 465 (9th Cir. 1990).

167. Johns-Manville Corp. v. Guardian Indus. Corp., 586 F. Supp. 1034, 1073 n.38 (E.D. Mich. 1983) (stating that reverse engineering "is the process by which a competitor's product is disassembled, and its components analyzed so that the product can be reproduced").

168. See, e.g., Kewanee Oil, 416 U.S. at 475; Fisher Stoves, Inc. v. All Nighter Stove Works, Inc., 626 F.2d 193, 196 (1st Cir. 1980). See also Toro Co. v. R & R Prods. Co., 787 F.2d 1208, 1216 (8th Cir. 1986) (holding that replacement parts numbering system was uncopyrightable and that competitor was permitted to use plaintiff's identifying parts numbers).

169. Brian Dumaine, Corporate Spies Snoop to Conquer, FORTUNE, Nov. 7, 1988, at 68.

170. Kewanee Oil, 416 U.S. at 475.

171. See Rockwell Graphic Sys. Inc. v. DEV Indus. Inc., 730 F. Supp. 171, 178-79 (N.D. Ill. 1990) (holding that although engineering drawings were marked "confidential" and vendors receiving confidential engineering drawings were required to sign a contract obligating the vendor to treat the drawings as the plaintiff's property and in confidence, but where the court found that secrecy requirements were routinely disregarded, negating a showing of secrecy requisite to the protection of business information as a trade secret),
A cause of action for misappropriation of a trade secret requires demonstrating the existence of a trade secret, breach of confidence or other fiduciary duty, and use of a trade secret.\textsuperscript{172} The Economic Espionage Act expansively defines theft of trade secrets to include unauthorized appropriations or obtaining protected trade secrets by concealment "or by fraud, artifice, or deception."\textsuperscript{173}

d. Design Protection

Although design protection was favored by the Copyright Office\textsuperscript{174} during the revision process resulting in the Copyright Act of 1976, the House identified two fundamental concerns, dealing with administration of design protection and protection for typefaces, which resulted in the proposed design protection’s deletion from the revision.\textsuperscript{175} Thus, in exploiting an unprotected design, a competitor may even use the original manufacturer’s name to identify its product as the equivalent of the original.\textsuperscript{176}

\textsuperscript{172} See, e.g., Smith v. Snap-On Tools Corp., 833 F.2d 578, 579 (5th Cir. 1987).


\textsuperscript{174} REGISTER OF COPYRIGHTS, 89TH CONG., SUPPLEMENTARY REPORT ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 4-24 (Comm. Print 1965).


\textsuperscript{176} See Tyco Indus. Inc. v. Lego Sys., Inc., 5 U.S.P.Q.2d (BNA) 1023, 1045 (D.N.J. 1987) (permitting a comparison to be made in advertisements, so long as an express disclaimer of association was included. Tyco advertised its toy blocks using the slogan, "If you can't tell the difference, why pay the difference?"); \textit{see also} Erik Bjerager, \textit{Denmark’s Lego Challenges Imitators of Its Famous Toy Blocks Across the Globe}, WALL ST. J., Aug. 5, 1987, at I-18. The origin of Lego’s interchangeable block system is described in Israel Shenker, \textit{Playing With Blocks Can Be A Fine Art At This Theme Park; Legoland Park, Denmark}, SMITHSONIAN, June, 1988, at 120.
III. MISAPPROPRIATION OF PUBLICLY DISCLOSED TRADE VALUES

A. Introduction to Unfair Competition

Unfair competition law begins with the recognition, even in the cases, of a right to engage in competitive conduct. The Federal Circuit has recognized this right, in the context of the reproduction of uncopyrighted or unpatented articles, as a right to compete effectively. The right to compete is consistent with the right to engage in business in good faith; 

177. Unfair competition and trademark law are closely related. The Senate Report which accompanied the federal trademark statute, the Lanham Act, identified the constituent nature of the two areas of law:

There is no essential difference between trade-mark infringement and what is loosely called unfair competition. Unfair competition is the genus of which trade-mark infringement is one of the species . . . . All trade-mark cases are cases of unfair competition and involve the same legal wrong.


178. See e.g., Victor Talking Mach. Co. v. Lucker, 150 N.W. 790, 792 (Minn. 1915). A cause of action was stated where competition was carried on exclusively for purposes of harming another, as opposed to generating profit. See, e.g., Boggs v. Duncan-Schell Furniture Co., 143 N.W. 482, 486 (Iowa 1913); Tuttle v. Buck, 119 N.W. 946, 947 (Minn. 1909).

179. See Juster Assocs. v. City of Rutland, 901 F.2d 266, 271 (2d Cir. 1990) ("There is nothing tortious about competition.").


In Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 122 (1938), Justice Holmes stated:

Sharing in the goodwill of an article unprotected by patent or trademark is the exercise of a right possessed by all — and in the free exercise of which the consuming public is deeply interested.

Intellectual property rights, in turn, encourage the production of works such to protection but slow their dissemination. See RICHARD A. POSNER, ECONOMIC ANALYSIS OF LAW § 28.2, at 632 (3d ed. 1986).

181. RESTATEMENT (FIRST) OF TORTS § 708 (1938). Comment c to this provision states that the "basic right to compete is a basic assumption in the law of unfair competition, as it is, in an even broader form, in the economics of free enterprise and in the politics of individualism." Id. Similarly, Comment d states: "The theory is that, in the long run, competition promotes efficiency and economic general welfare and that to subject a person to liability merely for competing would result in preventing competition." Id. See also Northern Pacific Ry. Co. v. United States, 356 U.S. 1, 4 (1958) (stating, in the context of the Sherman Act, that the antitrust laws rest "on the
conduct is conduct without legitimate business purpose that makes sense only because it eliminates competition."\(^{182}\)

Accordingly, consistent with the right to compete, conduct which constitutes effective competition is not actionable.\(^{183}\) While "[i]t is impossible to frame definitions which embrace all unfair practices [since] [t]here is no limit to human inventiveness in this field."\(^{184}\) unfair competition must constitute "objectionable conduct attain[ing] a level of rascality that would raise an eyebrow of someone inured to the rough and tumble of the world of commerce."\(^{185}\) "Unfair competition has also been defined to expansively include misuse of a position of trust, as when an employee obtains a competitive advantage from assignment of the employee to a business development project.\(^{186}\)

premise that the unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest quality and the greatest material progress, while at the same time providing an environment conductive to the preservation of our democratic political and social institutions”).


183. See, e.g., Vegelahm v. Gutner, 44 N.E. 1077, 1080-81 (Mass. 1896). In Vegelahm, Justice Holmes stated:

[T]he policy of allowing free competition justifies the intentional inflicting of temporal damage, including the damage of interference with a man’s business by some means, when the damage is done, not for its own sake, but as an instrumentality in reaching the end of victory in the battle of trade.

Id.


186. See Johns-Manville Corp. v. Guardian Indus. Corp., 586 F. Supp. 1034, 1074 (E.D. Mich. 1983). In Johns-Manville the court defined unfair competition in these terms: “The concept is designed to reach confidential matters and fiduciary relationships which do not fit within the formal categories of either trade secret or patent protection, yet nevertheless constitute an advantage wrongfully appropriated by defendant.” Id. Several states also recognize a cause of action, under the label prima facie tort, for unjustified injury to a business interest. The RESTATEMENT (SECOND) OF TORTS § 870 (1977) characterizes prima facie tort as “conduct [which] is generally culpable and not justified under the circumstances.” See, e.g., Merrick v. Northern Natural Gas Co., 911
B. Unfair Competition Preceding International News Service

1. Introduction

Unfair competition law in the United States as sketched by Judge Learned Hand, in *Ely-Norris Safe Co. v. Mosler Safe Co.*, 187 was characterized by its evolving nature. As Judge Hand stated, "[t]here is no part of the law which is more plastic than unfair competition, and what was not reckoned an actionable wrong 25 years ago may have become such today." Unfair competition law emerged as "a development of the law of fraud. Its aim was simply to prevent the deceitful sale or passing off of goods made by one person or firm for goods made by another."188 Unfair competition’s focus was on ensuring fair competition.189 Despite broad statements of equitable power to redress activity deemed unfair, the common denominator was generally the deception of the purchaser resulting in the capture of business from that deception.190


187. 7 F.2d 603, 604 (2d Cir. 1925), rev’d on other grounds, 273 U.S. 132 (1927).


189. Early authorities defining unfair competition emphasized a fluid view of unfair competition. See, e.g., R. Heinisch’s Sons Co. v. Boker, 86 F. 765, 768 (C.C.S.D.N.Y. 1898). In *Boker* the court stated:

It is clear that the devices adopted by defendants deceive ordinary purchasers. The law, firmly established by repeated decisions in this circuit, enjoins every artifice which promotes unfair trade. . . . A court of equity keeps pace with the rapid strides of the sharp competitors for the prize of public favor, and insists that it shall be won only by fair trade.


190. See, e.g., Yale & Towne Mfg. Co. v. Alder, 154 F. 37, 38 (2d Cir. 1907) (holding that deliberate appropriation of shape of lock resulting in deception of purchasers is actionable as unfair competition); Proctor & Gamble Co. v. Globe Refining Co., 92 F. 357, 361 (6th Cir. 1899). In *Globe Refining* the court stated:

The cardinal rule . . . is that no one shall, by imitation or any unfair device, induce the public to believe that the goods he offers for sale are the goods of

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However, early trademark cases also identified a right to copy items in the public domain, which is consistent with a fair course of dealing when the origin of the item is not misrepresented. A representative case is *Deering Harvester Co. v. Whitman Barnes Manufacturing Co.* The court held that the manufacturing of replacement parts which were identified by using the plaintiff's numbering system was a lawful means of facilitating sale of the defendant's parts. Since "their whole course of dealing, as shown by [the] evidence [regarding advertising and other representations] ha[d] been such as to mislead no one into buying their product[,]" by mistaking the defendant's products for the plaintiff's products, the defendant's right to use the numbering system was upheld.

Where relief was available, the holding typically rested on passing off or misrepresentation, although a line of cases also suggested that imitation alone would be actionable as unfair competition. A characteristic case is *Globe-

another, and thereby appropriate to himself the value of the reputation which
the other has acquired for his own products or merchandise.

*Id.* See also Weinstock, Lubin & Co. v. Marks, 42 P. 142, 146 (Cal. 1895) ("[W]hy should equity smile upon the one practice and frown upon the other? . . . Equity will not concern itself about the means by which fraud is done. It is the results arising from the means — it is the fraud itself — with which it deals; Globe-Wernicke v. Fred-Macey, 119 F. 696 (6th Cir. 1902); Saunders Sys. Atlanta Co. v. Drive It Yourself Co., 123 S.E. 132 (Ga. 1924); Sessinghaus Milling Co. v. Hanebrink, 152 S.W. 354 (Mo. 1912); Note, Is Deception A Necessary Ingredient of Unfair Competition?, 30 HARV. L. REV. 166, 168 (1916) (criticizing an extension to cases outside of those involving deception).

191. 91 F. 376 (6th Cir. 1898); see also Rathbone, Sard & Co. v. Champion Steel Range Co., 189 F. 26, 33 (6th Cir. 1911) (copying of overall heater design not actionable in absence of palming off); Magee Furnace Co. v. LeBarron, 127 Mass. 115, 120, 122 (1879) (no trademark violation in manufacturing unpatented replacement stove parts). Numbers could however, function as trademarks, in which case they were protected so long as the numbering system was arbitrary and not functional, such as designating a quality of the item. See, e.g., Humphreys' Specific Homeopathic Med. Co. v. Wenz, 14 F. 250 (E.D.N.J. 1882) (numbers in series of plaintiff's "Homeopathic Specifics" from 1 to 35 used by public as identifying factor in purchasing medication for specific condition); Kinney v. Allen, 14 F. Cas. 608, 611 (E.D. Va. 1877) (No. 7,826) (enforcing limited injunction to preclude defendant's use of "1/2" on cigarettes to foreclose confusion with plaintiff's trademark, but not to identify use of "1/2" in its original usage to reflect blend of two kinds of tobacco). Nor did advertising a product create any protected right to preclude a competitor from participating in the market created by the advertising absent deception. See Eisenstadt Mfg. Co. v. J.M. Fisher Co., 241 F. 241 (1st Cir. 1917).


193. *Id.* at 380.

194. The absence of an analytical style — and the breadth of dicta — of many early unfair competition cases makes characterization of a precise ground for the holding problematic. In *Rushmore v. Badger Brass Mfg. Co.*, 198 F. 379, 380-81 (2d Cir. 1912) and *Yale v. Towne Mfg. Co. v. Alder*, 154 F. 37, 38 (2d Cir. 1907), for example, the
Wernicke v. Macey, in which the plaintiff sold an interlocking system of bookcases in sections. The defendant copied the plaintiff's entire line of wood finishes, sizes, and styles, permitting purchasers to combine bookcases from the defendant with bookcases which had been purchased from the plaintiff. No cause of action was stated since the plaintiff had no exclusive right to any of the features incorporated into the system employed.

2. The “Ticker” Cases

Preceding International News Service, several cases acknowledged the value of business information and the particular value of the time of receipt of information. Justice Holmes, in Board of Trade v. Christie Grain & Stock Co., stated:

In the first place . . . , the plaintiff's collection of quotations is entitled to the protection of law. It stands like a trade secret. The plaintiff has the right to keep the work which it has done, or paid for doing, to itself. The fact that others might do similar work, if they holdings support an interpretation consistent with protection of an exterior product configuration from imitation, see Protection of Industrial Designs: Hearing Before the Sub-comm. on Courts, Civil Liberties, and the Administration of Justice, 100th Cong., 43 (1988) (statement of Ralph Oman, Register of Copyrights), but also contain statements suggesting an alternative holding premised on traditional passing off grounds. See also Enterprise Mfg. Co. v. Landers, Frary & Clark, 131 F. 240, 241 (2d Cir. 1904) (holding that an exact copy of a coffee mill was unfair competition, apparently relying on an assumption that exact copying of an item intends deception); Marvel Co. v. Pearl, 133 F. 160, 162 (2d Cir. 1904) (reiterating the traditional rule by allowing copying, absent an intent to deceive consumers, and characterizing the copying in Enterprise as "aggravated" and reflective of deceptive intent).

However, the Second Circuit, in Rushmore v. Manhattan Screw & Stamping Works, 163 F. 939, 942 (2d Cir. 1908), characterized the law of the circuit as extending to the reproduction of an automobile search light, even though clearly marked as to origin, but cautioned:

[that this line of cases] carries the doctrine of unfair competition to its utmost limit. If it be pushed much farther those engaged in trade will be encouraged to run to the courts with trivial complaints over the petty details of business and thus will grow up a judicial paternalism which in time may become intolerable.

Id.

195. 119 F. 696, 697 (6th Cir. 1902).
196. Id. at 700.
197. Id. at 703-04.
198. Id. at 704.
199. 198 U.S. 236, 250-51 (1905); see also Board of Trade v. Tucker, 221 F. 305 (2d Cir. 1915).
might, does not authorize them to steal the plaintiff’s. The plaintiff does not lose its rights by communicating the result to persons, even if many, in confidential relations to itself, under a contract not to make it public, and strangers to the trust will be restrained from getting at the knowledge by inducing a breach of trust, and using knowledge obtained by such a breach.

The publications insisted on in some of the arguments were publications in breach of contract, and do not affect the plaintiff’s rights. Time is of the essence in matters like this, and it fairly may be said that, if the contracts with the plaintiff are kept, the information will not become public property until the plaintiff has gained its reward. A priority of a few minutes probably is enough.\(^{200}\)

As reflected in Justice Holmes opinion in Board of Trade, and as appreciated in other “ticker” or business information cases,\(^{201}\) access to information is valuable. Critical, however, to the “ticker” cases was a traditional contract, or trade secret, basis for according protection. Illustrative of this line of cases is F.W. Dodge Co. v. Construction Information Co.,\(^{202}\) involving a subscription service which reported proposed construction projects.\(^{203}\) The contract between the publisher and its subscribers restricted use

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\(^{200}\) Id. at 250-51 (internal citations omitted).

\(^{201}\) A number of pre-International News Service cases held that trade news or “special news” constituted a protected form of property. See Dr. Miles Med. Co. v. Park, 220 U.S. 373, 403 (1910); Hunt v. New York Cotton Exch., 205 U.S. 322 (1906); Tucker, 221 F. 305 (2d Cir. 1915); Board of Trade v. Cella Comm’n Co., 145 F. 28 (8th Cir. 1906); Board of Trade v. L.A. Kinsey Co., 130 F. 507 (7th Cir. 1904); National Tel. News Co. v. Western Union Tel. Co., 119 F. 294 (7th Cir. 1902); Board of Trade v. McDearmott, 143 F. 188 (W.D. Mo. 1906); Board of Trade v. Haden-Krull Co., 109 F. 705 (E.D. Wis. 1901). The right to control information was also recognized in a number of early cases. See, e.g., Moore v. New York Cotton Exch., 270 U.S. 593, 605 (1926) (“In furnishing the quotations to one and refusing to furnish them to another, the exchange is but exercising the ordinary right of a private vendor of news or other property.”); Chamber of Commerce v. F.T.C., 13 F.2d 673, 687 (8th Cir. 1926) (daily market quotations “property”); Globe-Wernicke v. Fred-Macey Co., 119 F. 696 (6th Cir. 1902); F.W. Dodge v. Constr. Info. Co., 66 N.E. 204 (Mass. 1903); Gilmore v. Sammons, 269 S.W. 861 (Tex. Civ. App. 1925). E.P. Dutton & Co. v. Cupples, 102 N.Y.S. 309 (App. Div. 1907), was another early case with both elements of appropriation, since the distinctive cover of the plaintiff's book was reproduced by photoduplication, as well as misrepresentation, since the duplication included the distinctive elements of overall design and color, resulting in confusion. A case closer to the elements presented in International News Service is Fontopia Ltd. v. Bradley, 171 F. 951, 952 (E.D.N.Y. 1909), where the plaintiff's phonograph record was used as a mold from which the defendant produced and sold competing copies.

\(^{202}\) 66 N.E. 204 (Mass. 1903).

\(^{203}\) Id. at 205.
of the information to the subscriber's business and expressly imposed a confidentiality requirement upon its possession. In describing the publisher's rights in the information, the Massachusetts Supreme Court held:

The facts, before it has ascertained them, unless they are held for a special purpose confidentially, and as secrets, are not property; but when these facts have been discovered promptly by effort and at expense, and have been compiled and put in form, and are of commercial value by reason of the speedy use that can be made of them before they have obtained general publicity, they are property. They represent expensive effort and valuable service, and, in the form in which they are presented to subscribers, they may be used with a reasonable expectation of profit from the early possession of them. The information is not visible, tangible property, but there is a valuable right of property in it, which courts ought to protect in every reasonable way against those seeking to obtain it from the owner without right, to his damage. What the plaintiff has when the defendant seeks to obtain it from him is the possession of valuable information. This early possession is valuable in itself. The plaintiff has it and the defendant does not have it. If the defendant can obtain it legitimately, he becomes the owner of the same kind of property, and the two may become competitors in the market as vendors to those who are willing to pay for it. But if the defendant surreptitiously and against the plaintiff's will takes from the plaintiff and appropriates the form of expression which is the symbol of the plaintiff's possession, and thus, by direct attack, as it were, divides the plaintiff's possession, and shares it, this conduct is a violation of the plaintiff's right of property. . . . We are of opinion that one's possession of information which he has obtained, compiled, and put in form for a specific use is a right which ought to be protected against those who would share it with him without his consent.

Collectively, these early cases represented a recognition that information could possess value so that a compiler and publisher of the information had the right to control its disposition when the dissemination was undertaken pursuant to contractual provisions which provided for recognition of these rights. Although that requirement precluded a general application of the underpinnings of these precedents to published information, the reasoning inherent in recognizing the value of information would provide for the next step in the development of the misappropriation doctrine: protection of publicly-disclosed trade values outside of situations where an agreement of confidentiality existed between the parties.

204. Id.
205. Id.
C. The Genesis of Misappropriation: International News Service

1. Introduction

In International News Service, the Supreme Court rendered a decision that was narrow in its holding and potentially broad in its implications; International News Service took the early "ticker" cases beyond the clear holdings that information, and the timing of the possession of information was valuable, and within the confines of contract, entitled to legal protection. In International News Service, the Court's expansion of these holdings both embraced the basic premise—that possession of information was potentially valuable—and severed the restraint of a contractual, or confidential, relationship, to extend legal protection to information after publication occurred. Although the facts of International News Service conceptually confine the holding, its reasoning was attractive to plaintiffs in a variety of contexts removed from the protection of information. In turn, an expansive application of International News Service and the misappropriation doctrine would eventually bring the evolving doctrine into conflict with the federal definition of the public domain.

The International News Service case arose when International News Service was banned from cabling news stories from the front of World War I because of "sundry misdemeanors" the Service had committed.206 In an affidavit from its general manager, International News Service acknowledged that it had been barred from using cables from England to the United States for the transmission of news after the British government charged International News Service with changing or garbling reports.207 This charge was based on a comparison of censored material with stories published in several American newspapers credited to International News Service. The British government also charged International News Service with violation of censorship restrictions. International News Service's general manager acknowledged that the restrictions imposed by the British government had "inconvenienced [International News Service] . . . , and ha[d] compelled it on certain matters to use certain news after it had already been printed in other papers, which practice, however, [was] customary among all news services and among all newspapers, . . . ."208 International News Service compensated for this inability to report the warfront news by copying news obtained from Associated Press's papers on the East Coast and wiring the facts for rewriting and publication in the western papers served by International News Service.

206. BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 86 (1967).
208. Record at 125-27.
2. The Majority Opinion

Although the complaint that a defendant in an unfair competition case was "reaping where it ha[d] not sown" had been made shortly before International News Service, the Supreme Court framed the issue directly in International News Service:

The question here is not so much the rights of either party as against the public but their rights as between themselves. And, although we may and do assume that neither party has any remaining property interest as against the public in uncopyrighted news matter after the moment of its first publication, it by no means follows that there is no remaining property interest in it as between themselves. From this formulation, the Court deemed the value of the news collected and distributed "quasi-property," based upon the traditional "rule that a court of equity concerns itself only in the protection of property rights." However, the requirement of a "property right" was met by an expansive definition "treat[ing] any civil right of a pecuniary nature as a property right and the right to acquire property by honest labor or the conduct of a lawful business is as much entitled to protection as the right to guard property already acquired." This investment was placed at risk by International News Service's practices.

209. The phrase appears in Eisenstadt Mfg. Co. v. J.M. Fisher Co., 232 F. 957, 961 (D.R.I. 1916), where the plaintiff complained that the defendant was sharing in a market it had created, through advertising, for a distinctive type of friendship bracelet. But the court identified both an already established market, and the absence of any legal ground to protest the sharing of a market absent deception by the defendant as to the source of its bracelets.


211. Id. at 242.

212. Id. at 236.

213. Id. From this determination, the Court concluded that the news gathering process which "has all the attributes of property necessary for determining that a misappropriation of it by a competitor is unfair competition because contrary to good conscience." Id. at 240.

214. Id. at 242. The Court extrapolated a cause of action for unfair competition by equating the fraud in traditional passing off cases as being present in International News Service in a more direct form:

In the present case the fraud upon [AP's] rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money, and treating it, therefore, as quasi property for the purposes of their business because they are both selling it as such, defendants's conduct differs from the ordinary case of unfair competition in trade principally in this that, instead of selling its own goods...
[International News Service], by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and which is salable by complainant for money, and that defendant in appropriating it and selling it as its own is endeavoring to reap where it has not sown. . . The transaction speaks for itself, and a court of equity out not to hesitate long in characterizing it as unfair competition in business.215

3. Justice Holmes’s Concurrency

Justice Holmes had already addressed the issue of identical copying of an item, a zither, which was unpatented. Justice Holmes wrote:

Under such circumstances [of no patent protection for the zither] the defendant has the same right that the plaintiff has to manufacture instruments in the present form, to imitate the arrangement of the plaintiff’s strings or the shape of the body. In the absence of a patent the freedom of manufacture cannot be cut down under the name of preventing unfair competition. All that can be asked is that precautions shall be taken, so far as consistent with the defendant’s fundamental right to make and sell what it chooses, to prevent the deception which no doubt it desires to practice.216

Justice Holmes had earlier provided several other indications of his approach to intellectual property. In DuPont De Nemours Powder Co. v. Masland,217 he stated, “[t]he word property as applied to trademarks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith.” Earlier, writing privately about copyright, Justice Holmes said of copyright, “[i]t would be intolerable if not limited in time and I think it would be hard to state a basis for the notion which would not lead one far afield.”218

In International News Service, Justice Holmes proposed a remedy based on his assessment of the wrong committed, which he argued could have been

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as those of [AP], it substitutes misappropriation in the place of misrepresentation, and sells [AP’s] goods as its own.

Id. at 242 (emphasis added).

215. Id. at 239-40.


217. 244 U.S. 100, 102 (1917); see also American Waltham Watch Co. v. United States Watch Co., 53 N.E. 141, 142 (Mass. 1899).

corrected by proper labeling or by an injunction precluding publication of the
news obtained from AP sources, absent such an acknowledgment.219

D. The Continuing Development of Misappropriation

1. Introduction

As the genesis of misappropriation, *International News Service* formed—
and continues to form—the basic contours of the doctrine of misappropriation
of publicly disclosed trade values. Indeed, the admonition in *International News
Service* that the defendant was "endeavoring to reap where it ha[d] not sown"
has become a trope for the reasoning contained in *International News Service*.
*International News Service* has become an imposed link between the modern
case law assessing unfair competition and the limits of protection absent
copyright or patent protection.

*International News Service* marked, in the early stages of its development
and before the limits on misappropriation imposed by preemption in state unfair
competition cases, an abrupt departure from unfair competition law as a cause
of action founded exclusively on trademark concerns of misrepresentation.220 At
the same time, the absence of clear precedent limited the doctrine’s development.
As Professor Zachariah Chafee has stated, "[c]ertainly the cases before the
Associated Press case did not support [Justice] Pitney’s sweeping propositions."221 And, in the period following *International News Service*,
"[s]ubsequent cases exhibit[ed] a lack of judicial enthusiasm for a full extension
of this [International News Service] doctrine."222

Summarizing the law of unfair competition in 1935, Chief Justice Hughes
stated:

‘Unfair competition,’ as known to the common law, is a limited
concept. Primarily, and strictly, it relates to the palming off of one’s

(Holmes, J., dissenting).

220. See Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40
Harv. L. Rev. 813, 813 (1927). Schechter observed:
These vigorous judicial expressions of impatience with the old theories of
trademark protection are indicative of a desire to keep abreast of and to serve
the needs of modern business. They reflect a consciousness of the need for
breadth and liberality in copying with the progressive ingenuity of
commercial depravity.

*Id.* at 813 (citing *International News Service* and other cases).

221. Zachariah Chafee Jr., *Unfair Competition*, 53 Harv. L. Rev. 1289, 1311
(1940).

222. PIC Design Corp. v. Sterling Precision Corp., 231 F. Supp. 106, 113
(S.D.N.Y. 1964).
goods as those of a rival trader. In recent years, its scope has been extended. It has been held to apply to misappropriation as well as misrepresentation, to the selling of another's goods as one's own—to misappropriation of what equitably belongs to a competitor.223

Despite the definite nature of that statement, misappropriation was a disorderly cause of action at the time Chief Justice Hughes wrote his opinion; the clear implication of the holding was that it permitted a finding of unfair competition without a requirement that "passing off" be part of the claim.224 Efforts to identify a common thread in the case law creating, restricting, or applying the doctrine of misappropriation of publicly disclosed trade values carry with them the unsatisfactory realization that International News Service is less of a template defining misappropriation than it is a comfortable225 and accessible starting point. However, it is self-limiting since it was decided as a matter of general federal common law and accordingly did not have to meet a preemption test.

2. The "Free Ride" Analysis of Misappropriation

Free riding "is the diversion of value from a business rival's efforts without payment." Free riding was dismissed as a justification in Cheney Bros. v. Doris Silk Corp., where Judge Learned Hand effectively rejected International News Service as having precedent. Judge Hand wrote: "While it is of course true that the law ordinarily speaks in general terms, there are cases where the occasion is at once the justification for, and the limit of, what is decided. [International News Service] appears to us such an instance; we think that no more was covered than situations substantially similar to those then at bar."226

In Gotham Music Service v. D. & H. Music Publishing Co.,227 the plaintiff renamed "Gambler's Blues," a composition in the public domain, calling the song, "St. James Infirmary."228 The composition was advertised under this title,

224. See Mercury Record Prod., Inc. v. Economic Consultants, Inc., 218 N.W.2d 705, 709 (Wis. 1974).
226. 35 F.2d 279, 280 (2d Cir. 1929); see also Pagliero v. Wallace China Co., 198 F.2d 339, 343 (9th Cir. 1952) ("[T]he logic of the [International News Service] rationale has not been extended to the design situation.").
227. 181 N.E. 57, 58 (N.Y. 1932).
228. Id. at 57.
referring to a hospital unnamed in the original composition. The defendant published the same composition, also using the title "St. James Infirmary." The plaintiff sought to enjoin the use of the title, thereby acknowledging the right of the defendant to use a public domain work but arguing for protection of its advertising expenditures inherent in the title it had created. The New York Court of Appeals declined to protect trade values created by the advertising, emphasizing the public domain status of the work. The immediate effect of the decision was to clarify that when a plaintiff elected to promote and invest in a work in the public domain, it did so without any assurance that it would be able to capitalize on its entire expenditure.

In discussing Gotham Music, a survey of unfair competition concluded: "The 'free ride' doctrine implicit in the Associated Press case has been extended but seldom to the unconscionable appropriation of a competitor's advertising and the decision in the present case is likely to make such an extension even more difficult in the future."

Free riding was accepted as a justification for a finding of misappropriation based on the recognition that if a required investment were captured by a competitor, the first mover would not make the investment on a continued basis. A paradox arises in the misappropriation context because absent protection copying of publicly disclosed trade values is deemed essential to free and vigorous competition. Because International News Service was supported with a limited conceptual analysis, the attraction of the free ride approach is that it has provided a means of separating actionable misappropriation, often involving systematic copying, from cases involving permissible copying. The Wisconsin Supreme Court, for example, did not find misappropriation in a case involving the use of customer lists because it considered the use distinguishable from the copying of news or sound recordings, where the copying involved the "fruit of the final product," and "[t]he effect of these cases upon the original

229. Id. at 58.
230. Id.
231. Id.
234. The "free-rider" argument is accepted as a justification for imposing restrictions in a vertical distribution relationship because "without restrictions a manufacturer would not be able to induce competent and aggressive retailers to make the kind of investment of capital and labor necessary to distribute the product." Eastman Kodak Co. v. Image Technical Servs., Inc., 504 U.S. 451, 485 (1992).
235. See Metro Assoc. Servs., Inc. v. Webster City Graphic, Inc., 117 F. Supp 224, 236 (N.D. Iowa 1953) (holding that for the copying of uncopyrighted advertisements to be actionable as misappropriation it must be "regular, systematic, and deliberate" in character).
creator of the product was immediate and direct. The defendant took things of
great value from the organization that created the product."\footnote{International News Service has been considered a codification of the free ride doctrine in cases when the copied property is deemed to be of an "exceptional nature" so that recovery is permitted in this limited circumstance.}

In \textit{H.L. Hayden Co. of N.Y. v. Siemens Medical Systems}\footnote{Traditionally, misappropriation was a creation of equity not dependent on a statutory formula for its existence. However, statutes prohibiting misappropriation, which ordinarily supplement rather than supersede cases defining misappropriation, provide statutory guidance on prohibited activities, as well as defined remedies.} the Second Circuit declined to interpret New York law\footnote{For example, California's statute prohibiting plug molding\footnote{Statutes prohibiting plug molding, considered \textit{infra} note 244 and accompanying text, have been adopted by a number of states, and may prohibit plug molding in either all products, or specific products, such as boat hulls.} forbids the creation of production molds from an existing product; several other states} to create a "free ride" tort where a mail order firm referred prospective customers to retailer's showrooms to view equipment.\footnote{In \textit{Roy Export Co. Establishment v. CBS, Inc.}, 672 F.2d 1095 (2d Cir.), \textit{cert. denied}, 459 U.S. 826 (1982), the Second Circuit observed that the New York law of unfair competition is a "tort [which] is adaptable and capacious" but warned that "such an amorphous cause of action is capable of mischievous application." \textit{Id.} at 1005.} The court held that such an expansion of New York law was inappropriate for a federal court ruling in diversity.\footnote{Id. at 1025.} However, in recent years, common law misappropriation has been supplemented by statutory protection which often incorporates common law elements.

\section*{E. Statutory Misappropriation}

\subsection*{1. Introduction}

Traditionally, misappropriation was a creation of equity not dependent on a statutory formula for its existence. However, statutes prohibiting misappropriation, which ordinarily supplement rather than supersede cases defining misappropriation, provide statutory guidance on prohibited activities, as well as defined remedies.

For example, California's statute prohibiting plug molding forbids the creation of production molds from an existing product; several other states
have adopted a similar approach but have limited application of the statute to boat hulls. Plug molding, a process in which the existing product is used to create a production mold, saves the copyist not only the actual cost of the design, but also the cost of translating the design into a production mold through a sculpting process.

2. Economic Analysis of Misappropriation

At the heart of the economic dimension of misappropriation is the degree of appropriability a product represents, which is a function of how quickly and how completely the product can be copied. This calculation identifies the value of investing in innovative or labor intensive efforts which can be copied. Because copying is less expensive than innovating or originating a product, a high degree of appropriability will lead to less activity in products which are easily copied, thereby preventing the investment in their creation from being effectively recaptured.

There is also the element of economic analysis involving the efficient allocation of resources. As the court in Cardtoons v. Major League Baseball Players observed, "[w]ithout the artificial scarcity created by publicity rights, identities would be commercially exploited until the marginal value of each use is zero." Accordingly, the legal protection of publicity is the means by which the publicity value of an identity is preserved and its value captured by the rationing process inherent in limiting the use of a valuable identity.

F. The Evolution of Misappropriation

Misappropriation evolved out of a series of opinions, often revolving around New York law. For example, in Grove Press v. Collectors Publications, Inc., the court was presented with a publication reproduced on a public domain work given minor editorial modifications and reset in new type. Because the

nor the plaintiff's boat used as a plug in the fabrication of the defendant's boat. Id. at 3.

244. Florida and Tennessee have boat hull molding statutes. However, the Florida statute was held unconstitutional by both the Florida Supreme Court and the Supreme Court of the United States in Bonito Boats v. Thunder Craft Boats, 489 U.S. 141 (1989).

245. See Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 515 So. 2d 220, 223 (Fla. 1987), aff'd, 489 U.S. 141 (1989); see also Gladstone v. Hillel, 250 Cal. Rptr. 372, 379 (Cal. Ct. App. 1988) (involving jewelry maker's molds in which the court approved the introduction of an expansive record supporting the plaintiff's contentions that his molds were misappropriated).


247. 95 F.3d 959, 974 (10th Cir. 1996).


249. Id. at 605.
work was in the public domain, the relief granted was restricted to a prohibition from reproducing the work through a photographic reproduction of the Grove Press edition but "[s]ince the Grove edition [was] not copyrightable, [d]efendants [were] free to copy the same so long as the method of copying [did] not constitute unfair competition." The misappropriation present in Grove involved an actual displacement of sales since a sale by Collector's Publications was, at least in terms of the text of the work, a sale potentially made by Grove Press.

In National Football League v. Governor of Delaware, a lottery based upon NFL games was deemed an insufficient basis for misappropriation relief. The court concluded that since the lottery used only publicly disseminated game schedules and scores, "[t]his fact distinguishes the situation in International News Service." To prevent a "forced association with gambling[.]") the lottery was required to use a disclaimer.

A more direct application of the misappropriation doctrine was presented by the use of the venerable Dow Jones Industrial Index by an exchange which proposed to base an index on it. The index was the subject of several law suits, including one which asserted misappropriation as a basis for recovery. Dow Jones brought a copyright action against the Chicago Board of Trade in federal district court in New York. The district court denied Dow Jones's motion for a preliminary injunction, holding that the copying of the index's list of component stocks had not resulted in irreparable harm.

A similar action was brought by the compiler of the Standard and Poor's 500 Stock Index against an exchange which sought to trade a futures contract based on the index, a "broad-based, weighted compilation of 500 common stocks which is calculated by S&P and is designed to measure the overall performance of the stock market." The index had already been licensed to the Chicago

250. Id. at 607 (emphasis added). Misappropriation would not be present if the copying of the public domain work were not photographic. See H.W. Wilson Co. v. National Library Service Co., 402 F. Supp. 456, 459 (S.D.N.Y. 1975). This "copying-misappropriation" distinction has importance in the development of federal preemption of misappropriation, and is discussed infra notes 292-93.
252. Id. at 1377.
253. Id. A federal statute has since banned a lottery or other forms of gambling based upon sporting events, subject to an exception for certain gambling activities existing at the time of enactment. 28 U.S.C. §§ 3702, 3704 (1994).
255. Id. at 123. The court expressly noted that the unfair competition issues were pending before the Illinois courts. Id.
Mercantile Exchange, a use for which Standard and Poor's received a licensing fee. 257

Although the Exchange argued that its use of the index as the settlement price was similar to an individual's use of the index to assess performance of a personal portfolio, the Second Circuit disagreed and sustained a preliminary injunction against its use by the Exchange. 258 The grounds for the injunction included a claim for misappropriation. 259 The Second Circuit stated: "We simply note that at a minimum S&P's claim of misappropriation presents sufficiently serious questions going to the merits to make them a fair ground for litigation." 260 A misappropriation claim requires an assessment of what is being misappropriated. One conclusion is that "[b]y using the S&P 500, the Commodity Exchange could free ride on the good will and reputation for independence that the index has in the minds of the investing public." 261

Further development of the misappropriation doctrine occurred in the context of architectural designs and plans. Federal preemption of state protection, however, precludes granting protection for the copying of building designs because a state may not grant protection against the mere copying of a design. 262

Major development of the misappropriation doctrine occurred in the context of sound recordings, which were not protected by federal law until 1972. 263 Indeed, one of the earliest misappropriation cases involved gramophone disks but the court, while considering the question novel, based resolution of the case on the copying of labels and marks. 264 F.T.C. v. Orient Music Roll Co., 265 decided shortly after International News Service, is perhaps the earliest application of the misappropriation doctrine to a situation where the duplication of a sound recording was deemed to constitute misappropriation.

Misappropriation of sound recordings represents the most comprehensive body of case law in the misappropriation area 266 and one which, given the limits

257. Id. at 710.
258. Id. at 711.
259. Id.
260. Id.
262. See, e.g., M.G.B. Homes, Inc. v. Ameron Homes, Inc., 903 F.2d 1486, 1494 (11th Cir. 1990). Copying of a building design is ordinarily the essence of the originating designer's or builder's complaint.
263. This protection is only for works fixed in a master after February 15, 1972. See 17 U.S.C. § 301(c) (1994).
265. 2 F.T.C. 176 (1919).
on preemption of sound recordings by federal statute, provides the most analytical assessment of the development of the misappropriation doctrine apart from the "hot news" context. In Metropolitan Opera Association v. Wagner-Nichols Recorder Corp., New York law was applied to the reproduction of opera broadcasts that had been recorded without authorization.267 The court stated:

[T]he law of unfair competition does not rest solely on the ground of direct competitive injury, but on the broader principle that property rights of commercial value are to be and will be protected from any form of unfair invasion or infringement and from any form of commercial immorality, and a court of equity will penetrate and restrain every guise resorted to by the wrongdoer.268

A further elaboration of this reasoning was contained in CBS, Inc. v. Melody Recordings, Inc.,269 wherein the court held:

The commercial injury ensues because defendants have accomplished this [creation of a marketable sound recording] at a minimal cost and then sold their 'original' duplicates for a substantial profit. The actionable unfairness of this practice inheres in a combination of factors—the substantial investment of time, labor, money and creative resources in the product by plaintiff, the utilization of the actual product by defendant, the misappropriation or use of the appropriated


268. 101 N.Y.S.2d at 492.

product by defendant in competition with plaintiff, and commercial
damage to plaintiff. 270

Record piracy cases recognize that the appropriation being committed occurs at
the point where profit would be made, not at an intermediate step in the process
of developing a product. 271 Thus, record piracy captures the expenditures in the
artistic development process as well as the marketing and promotion process. 272

These cases also recognized the limits of the misappropriation doctrine in the
context of sound recordings and confined the misappropriation doctrine to
duplication of the arrangement of a composition. 273 However, the rerecording
of well known recordings using public domain arrangements is not actionable,
so long as representations made in comparing the original records and the
rerecordings are accurate. 274

Misappropriation’s reach, independent of considerations of the product
involved, was the basis for the decision in Toho v. Sears, Roebuck & Co. 275 In
Toho, the court recognized that to permit a cause of action for misappropriation
of a trademark would result in the conversion of the trademark infringement
cause of action from one based on confusion to one based on use, a dramatic
expansion of the trademark protection.

G. Misappropriation and Choice of Law

Because International News Service was a diversity suit brought in federal
court, the law applied, prior to the landmark decision in Erie Railroad v.
Tompkins,276 was general federal common law.277 This approach had been mandated since 1842 when, in Swift v Tyson,278 the Supreme Court directed application of "the general principles and doctrines of commercial jurisprudence" in diversity actions in lieu of state decisional law. The Supreme Court summarized the governing approach in identifying applicable law shortly after Swift:

The questions under our consideration are questions of general commercial law, and depend upon the construction of a contract of insurance, which is by no means local in its character, or regulated by any local policy or customs. Whatever respect, therefore, the decisions of State tribunals may have on such a subject, and they certainly are entitled to great respect, they cannot conclude the judgment of this court. On the contrary, we are bound to interpret this instrument according to our own opinion of its true intent and objects, aided by all the lights which can be obtained from all external sources whatsoever; and if the result to which we have arrived differs from that of these learned State courts, we may regret it, but it cannot be permitted to alter our judgment.279

276. 304 U.S. 64 (1938).
277. In International News Service, the Supreme Court did not cite any authority or source for its admonition that a competitor may not "reap where it has not sown." International News Serv. v. Associated Press, 248 U.S. 215, 239 (1918); see also J.I. Case Plow Works v. J.I. Case Threshing Mach. Co., 155 N.W. 128, 134 (Wis. 1915) ("The legal principles which are controlling here are simply the principles of old fashion honesty. One man may not reap where another has sown, nor gather where another has sown.").

Earlier, on circuit, Justice Story had expressed his position on the determination of applicable law. See Gordon v. Hobart, 10 F. Cas. 795, 797 (C.C.D.Me. 1836) (No. 5609); Flagg v. Mann, 9 F. Cas. 202, 223 (C.C.D. Mass. 1837) (No. 4847).
Erie changed this by requiring federal courts to apply state decisional law in diversity actions, as well as to claims decided under pendent jurisdiction.

280. While a state supreme court’s most recent decision constitutes primary authority, Southwest Forest Indus., Inc. v. Sutton, 868 F.2d 352, 354 (10th Cir. 1989), the sources of state law include intermediate appellate courts since “it is clear that ‘[i]n the absence of a state supreme court ruling, a federal court must follow an intermediate state court decision unless other authority convinces the federal court that the state supreme court would decide otherwise.’” Jordan v. Shattuck Nat’l Bank, 868 F.2d 383, 386 (10th Cir. 1989) (quoting Delano v. Kitch, 663 F.2d 990, 996 (10th Cir. 1981)).


Erie also requires the application of state conflict of law rules as well. See Day & Zimmermann, Inc. v. Challoner, 423 U.S. 3 (1975); Klaxon Co. v. Stentor Elect. Mfg. Co., 313 U.S. 487 (1941). However, the parties have the burden of asserting this rule and “[w]hen the parties fail to consider the choice of law in a diversity case, the substantive law of the forum is presumed to control.” Baltimore Orioles, Inc. v. Major League Baseball Players Ass’n, 805 F.2d 663, 681 n.33 (7th Cir. 1986); accord National Ass’n of Sporting Goods Wholesalers, Inc. v. F.T.L. Marketing Corp., 779 F.2d 1281, 1285 (7th Cir. 1985). On appeal, a failure to raise objections to the choice of law issue results in the issue being waived. See Kritikos v. Palmer Johnson, Inc., 821 F.2d 418, 421 (7th Cir. 1987). The similarity of authorities may result in the application of general principles without applying choice of law rules. See Ameritech, Inc. v. American Info. Techs. Corp., 811 F.2d 960, 963 (6th Cir. 1987); Kentucky Fried Chicken Corp. v. Diversified Packaging Corp., 549 F.2d 368, 382 n.14 (5th Cir. 1977); American Heritage Life Ins. Co. v. Heritage Life Ins. Co., 494 F.2d 3, 15 (5th Cir. 1974).

Consistent with the limited role of a federal court in applying state law, a federal court will be generally reluctant to expand the applicable case law, and an innovative theory, not grounded in applicable state precedents, will ordinarily be declined to be adopted. For example, in Weinstein v. University of Illinois, 811 F.2d 1091, 1095 n.3, 1097 (7th Cir. 1987), the plaintiff urged adoption of droit moral as a matter of Illinois law. Noting that droit moral has not been adopted in the United States, the court rejected the invitation, stating that “[a] federal court is not about to foist so novel a principle on Illinois . . . [where there is] no reason to suspect that the courts of Illinois are just about to adopt an approach that no American jurisdiction follows as a general matter.” Similarly, in H.L. Hayden Co. v. Siemens Med. Sys., Inc., 879 F.2d 1005, 1025 (2d Cir. 1989), the court declined to extend New York’s unfair competition law to create a “free rider” tort in an action seeking damages for alleged referrals by a discounter of customers to a plaintiff’s retail showroom to view equipment before purchasing from discounter by mail. Accord Unidisco, Inc. v. Schattner, 824 F.2d 965 (Fed. Cir. 1987); Shaw v. Republic Drill Corp., 810 F.2d 149 (7th Cir. 1987); Anderson v. Marathon Petroleum Co., 801 F.2d 936, 942 (7th Cir. 1986).

282. Supplemental jurisdiction permits the assertion of state unfair competition claims when joined with a “substantial and related claim” under copyright, patent or trademark laws. 28 U.S.C. § 1338 (b) (1994). A federal district court has substantial discretion to dismiss state law claims when the federal claims are dismissed prior to trial. See Enercomp, Inc. v. McCorhill Pub., Inc., 873 F.2d 536, 545 (2d Cir. 1989); Dovenmuehle v. Gilldorn Mortgage Midwest Corp., 871 F.2d 697, 699 n.2 (7th Cir. 1989).
when state law claims are joined with a federal cause of action under patent, copyright, or federal trademark. In United Mine Workers v. Gibbs, the Supreme Court stated that if the claims "derive from a common nucleus of operative fact" and are sufficiently similar that a plaintiff "would ordinarily be expected to try them all in one judicial proceeding[,]" the claims may be joined. Pendent jurisdiction under Gibbs, however, is discretionary and the district court is directed to apply a series of criteria in determining whether to retain state law claims. Alternatively, except in the area of copyright and patent infringement actions where the federal courts have exclusive jurisdiction, an action may be filed in state court.

The application of the law of specific states in misappropriation actions has, however, been frustrated by the fact that state law is often nonexistent and federal precedents continue to define the elements of an unfair competition claim. The paucity of state precedent has resulted in the development of a

1989); Graf v. Elgin, Joliet & Eastern Ry. Co., 790 F.2d 1341, 1348 (7th Cir. 1986). Accordingly, summary judgment on federal claims will permit dismissal of pendent state claims. See U.S. v. King Features Entertainment, Inc., 843 F.2d 394, 400 (9th Cir. 1988); Jason v. Fonda, 698 F.2d 966 (9th Cir. 1982).

283. 28 U.S.C. § 1338(a) (199). Judge Friendly wrote that a cause of action under Federal copyright law arises:

if and only if the complaint is for a remedy expressly granted by the Act... or asserts a claim requiring construction of the Act... or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim.

T.B. Harms Co. v. Eliscu, 339 F.2d 823, 828 (2d Cir. 1964) (Friendly, J.), cert. denied, 381 U.S. 915 (1965); accord Vestron, Inc. v. Home Box Office, Inc., 839 F.2d 1380, 1381 (9th Cir. 1988); Effects Assocs., Inc. v. Cohen, 817 F.2d 72, 73 (9th Cir. 1987).


Recently, the United States Supreme Court disapproved the extension of the Gibbs doctrine to pendent parties, "that is, jurisdiction over parties not named in any claim that is independently cognizable by the federal court." Finley v. United States, 490 U.S. 545, 549 (1989). In turn, supplemental jurisdiction is controlled by 28 U.S.C. § 1367 (1994).


288. See Kellogg Co. v. National Biscuit Co., 305 U.S. 111 n.1 (1938) (stating that "[m]ost of the issues in this case involve questions of common law and hence are within the scope of [Erie]. But no claim has been made that the local law is any different from the general law on the subject, and both parties have relied almost entirely on federal precedents"). Because unfair competition claims involving trademarks or trademark-
common set of precedents that frequently defines the major elements of misappropriation,290 although there may also be statutory aspects of a claim.291

H. Remedies in Copying Cases

Ordinarily, relief must be carefully structured to permit copying except in the most carefully tailored confines "[s]ince a prohibition on copying even a nonfunctional feature of an article may impede competition or engender added marketing costs."292

In the context of confusion, full labeling—thereby eliminating the confusion—is a sufficient remedy and one which avoids the federal preemption of state protection of intellectual property.293

related issues are premised on confusion, see, e.g., Academy of Motion Picture Arts v. Creative House Promotions, 13 U.S.P.Q.2d (BNA) 1435, 1433 (C.D. Cal. 1989), rev'd on other grounds, 944 F.2d 1446 (9th Cir. 1991), the applicable statutory or case law authorities share a strong common denominator. See, e.g., International Order of Job's Daughters v. Lindeburg & Co., 633 F.2d 912, 916 (9th Cir. 1980) (stating that the Lanham Act and California law of unfair competition "are substantially congruent"). Accord SK&F, Co. v. Premo Pharm. Labs., Inc., 625 F.2d 155, 1058 (3d Cir. 1980) (stating that New Jersey and federal law of unfair competition similar); Emilio Pucci Societa a Responsibilita v. Pucci Corp., 10 U.S.P.Q.2d 1542, 1543 n.2 (N.D. Ill. 1988) (stating that the Lanham Act and New York law of unfair competition are "similar").

The enactment of statutory prohibitions against so-called plug molding was nullified in 1989. See infra notes 367-73 and accompanying text.


290. Another approach would be to pass a federal unfair competition statute; that approach was proposed and would have, in part, created a uniform authority to address the "patchwork of conflicting views" resulting from Erie had the effort been successful. Unfair Commercial Activities: Hearings Before the Subcomm. on Commerce and Finance of the House Committee on Interstate and Foreign Commerce, 88th Cong., 21 (1964).


IV. LIMITATIONS ON MISAPPROPRIATION: FEDERAL PREEMPTION OF STATE PROTECTION OF INTELLECTUAL PROPERTY

A. Introduction

The Supremacy Clause of the United States Constitution limits the ability of states to enact laws inconsistent with federally determined objectives through express preemption, through an implicit signal that Congress intends to occupy an area, or through the actual conflict of state laws with federal laws.294

B. The Learned Hand Opinions

Judge Learned Hand, in a series of influential opinions, shaped a significant limitation on misappropriation that would provide the conceptual foundation of the Sears-Compco doctrine,295 the continuing development of federal constitutional limitations on state protection of intellectual property, and the doctrine of misappropriation protection for publicly disclosed trade values.296

In RCA Manufacturing Co. v. Whiteman,297 Judge Hand, commenting on International News Service, stated:

[W]e see no reason why the same acts that unconditionally dedicate the common-law copyright in works copyrightable under the act, should not do the same in the case of works not copyrightable. Otherwise it would be possible, at least pro tanto, to have the advantage of dissemination of the work at large, and to retain a perpetual though partial, monopoly in it.

...[As to International News Service,] [t]hat much discussed decision really held no more than that a western newspaper might not take advantage of the fact that it was published some hours later than

297. 114 F.2d 86 (2d Cir. 1940), cert. denied, 311 U.S. 712 (1940).
papers in the east, to copy the news which the plaintiff had collected at its own expense. In spite of some general language it must be confined to that situation.298

Similarly, Judge Hand characterized International News Service as a case which "[b]ecause of the complexity of the facts the case is sui generis. Even there the decision was based largely upon fraud."299 Judge Hand’s most definitive statement of the effect of applying federal preemption principles to misappropriation is in his dissent in Capitol Records, Inc. v. Mercury Records Corp.300 Judge Hand, observing that sound recordings were tangible objects, said that "there should be no doubt that this is within the Copyright Clause of the Constitution" and accordingly foreclosed from state protection the recordings since they were within the subject matter of the copyright act.301 Judge Hand reasoned: "[u]niformity was one of the principal interests to be gained by devolving upon the Nation the regulation of this subject."302 Further, given the absence of copyright protection, "the alternative [pursuant to misappropriation] is a monopoly unlimited both in time and in user."303 The reasoning anticipated the underpinnings that would be the basis for the Supreme Court’s decisions a decade later.304

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298. Id. at 89-90.
299. See also G. Ricordi & Co. v. Haendler, 194 F.2d 914, 916 (2d Cir. 1982) (stating that International News Service “is to be strictly confined to the facts then at bar”); National Comics Publication v. Fawcett Publications, 191 F.2d 594, 603 (2d Cir. 1951) (stating that International News Service “is authority only for the situation there at bar, as has been over and over decided”); Cheney Bros. v. Doris Silk Corp., 35 F.2d 279, 280 (2d Cir. 1929) (stating that International News Service covered “no more . . . than situations substantially similar to those then at bar. The difficulties of understanding it otherwise are insuperable.”), cert. denied, 281 U.S. 728 (1930). See also Speedy Prods., Inc. v. Dri Mark Prods., Inc., 271 F.2d 646, 649 (2d Cir. 1959) (“Because of the complexity of the facts the case is sui generis. Even there the decision was based largely upon fraud.”).
300. 221 F.2d 657, 664 (2d Cir. 1955) (Hand, C.J., dissenting).
301. Id.
302. Id. at 667.
303. Further, the effect of a State scheme of protection within the federal subject matter area would interfere with a consistent national rule: "Uniformity was one of the principal interests to be gained by devolving upon the Nation the regulation of this subject." Id. at 667.
304. The Supreme Court would agree with the majority in the Capitol Records case, however, and permit state statutory protection for sound recordings. See Goldstein v. California, 412 U.S. 546, 568 n.27 (1973). Recently, “hybrid rights” have been accorded to live, unfixed recordings under an “anti-bootlegging” statute. See 18 U.S.C. § 2319A (Supp. III 1997); United States v. Moghadam, 175 F.2d 1269, 1272 (11th Cir. 1999).
From these decisions emerged a right to copy a product's exterior configuration once the design of the product has been made public.  

C. Sears-Compco

Two Supreme Court opinions demarcate the limits of allowable state protection and identify the permissible boundaries, as elaborated by later Supreme Court cases, of misappropriation, which in contemporary law has become a precedential authority more strongly marked by its limits than by its affirmative requirements.

In Sears, Roebuck & Co. v. Stiffel Co., Sears copied a pole lamp which had originally been covered by both design and utility patents by Stiffel. Sears's retail price was approximately Stiffel's wholesale price. Although the patents were invalidated by the district court, protection was still granted against reproduction of the pole lamp design, despite an attempt by Sears to pass off its lamps as Stiffel products. The Supreme Court reversed:

Sears has been held liable here for unfair competition because of a finding of likelihood of confusion based only on the fact that Sears' lamp was copied from Stiffel's unpatented lamp and that consequently the two looked exactly alike. Of course there could be 'confusion' as to who had manufactured these nearly identical articles. But mere inability of the public to tell two identical articles apart is not enough to support an injunction against copying or an award of damages for copying that which which the federal patent laws permit to be copied.

305. See, e.g., Swanson Mfg. Co. v. Feinberg-Henry Mfg. Co., 147 F.2d 500, 503 (2d Cir. 1945) (holding that it is not actionable unfair competition to copy plaintiff's purses and sell duplicates, absent secondary meaning); A.C. Gilbert Co., v. Shemitz, 45 F.2d 98, 100 (2d Cir. 1930) (holding that unfair competition not present since the defendants have "the right to copy the . . . design slavishly so long as they [do] not represent that the goods sold" were manufactured by the plaintiff).

306. See Cheney Bros. v. Doris Silk Corp., 35 F.2d 279, 280 (2d Cir. 1929), cert. denied, 281 U.S. 728 (1930). The Court in Cheney, stated that International News Service:

[C]overed [no more] than situations substantially similar to those then at bar. The difficulties of understanding it otherwise are insuperable. We are to suppose that the court meant to create a sort of common-law patent or copyright for reasons of justice. Either would flagrantly conflict with the scheme which Congress has for more than a century devised to cover the subject-matter.

Id.

308. Id. at 226.
309. Id.
310. Id. at 226-27.
Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source, just as it may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods. But because of the federal patent laws a State may not, when the article is unpatented and uncopyrighted, prohibit the copying of the article itself or award damages for such copying.311

A similar situation was presented in *Compco Corp. v. Day-Brite Lighting, Inc.*,312 where protection under Illinois law had been accorded against the reproduction of a fluorescent lighting fixture:

As we have said in *Sears*, while the federal patent laws prevent a State from prohibiting the copying and selling of unpatented articles, they do not stand in the way of state law, statutory or decisional, which requires those who make and sell copies to take precautions to identify the products as their own. A State of course has power to impose liability upon those who, knowing that the public is relying upon an original manufacturers’ reputation for quality and integrity, deceive the public by palming off their copies as the original. That an article copied from an unpatented article could be made in some other way, that the design is ‘nonfunctional’ and not essential to the use of either article, that the configuration of the article copied may have a ‘secondary meaning’ which identifies the maker to the trade, or that there may be ‘confusion’ among purchasers as to which article is which or as to who is the maker, may be relevant evidence in applying a State’s law requiring such precautions as labeling; however, and regardless of the copier’s motives, neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling.313

311. *Id.* at 232-33 (footnote omitted).
313. *Id.* at 234, 238.

https://scholarship.law.missouri.edu/mlr/vol64/iss4/3
Sears-Compco had a sweeping impact in the misappropriation context and was initially perceived as having impeded the development of the misappropriation doctrine, a barrier from which the Court retreated in later cases, providing a "maze for practitioners to meander in." 

'D. Copyright Act of 1976

1. Introduction

Section 301(b) of the Copyright Act of 1976 is critical to federal limitations on misappropriation. This provision, which helps to effectuate the elimination of the dual system of copyright, only allows states to grant relief for "activities violating legal or equitable rights which are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106." Section 301(b) is, when read in conjunction with its companion provisions, a prohibition against state protection which would result in the same remedy as federal copyright law and accordingly protect rights identical to those protected by federal copyright law. The reach of Section 301(b), limited by a confused legislative history, has provided uncertain guidance to a basic premise underpinning the Copyright Act of 1976.

314. CBS, Inc. v. DeCosta, 377 F.2d 315, 318 (1st Cir. 1967) (asserting that International News Service "has been clearly overruled" by Sears-Compco). A later opinion, DeCosta v. CBS, Inc., 520 F.2d 499, 510 (1st Cir. 1975), cert. denied, 423 U.S. 1073 (1976), observed that its first opinion had been characterized as according "an expansive reading to Sears and Compco" and "Goldstein tells us that we were, in our interpretation of the preemptive reach of the Copyright Clause, over-inclusive."


316. The RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 38 cmt. e (1995). The Reporter's Note, provides that "[s]tate protection that interferes with the balance struck by federal copyright law is presumably subject to preemption even if not specifically prohibited under § 301." Id.

The Copyright Act of 1909 expressly preserved common law copyright for unpublished works. 17 U.S.C. § 2 provided:

Nothing in this title shall be construed to annul or limit the limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work without his consent, and to obtain damages therefor.


319. See infra notes 320-21 and accompanying text.
2. The Legislative History of Section 301

An earlier version of Section 301\(^{320}\) provided examples of state unfair competition actions which would not be preempted, "including rights against misappropriation not equivalent to any of such exclusive rights, breaches of contract, breaches of trust, trespass, conversion, invasion of privacy, defamation and deception [sic] trade practices such as passing off and false representations."\(^{321}\) The House Judiciary Committee Report\(^{322}\) stated:

'Misappropriation' is not necessarily synonymous with copyright infringement and thus a cause of action labeled as 'misappropriation' is not preempted if it is in fact based neither on a right within the general scope of copyright section 106 [delineating the rights of the copyright owner] nor on a right equivalent thereto. For example, state law should have the flexibility to afford a remedy (under traditional principles of equity) against a consistent pattern of unauthorized appropriation by a competitor of the facts (i.e. not the literary expression) constituting 'hot' news, whether in the traditional mold of International News Service v. Associated Press, 248 U.S. 215 (1918), or in the newer form of data updates from scientific, business, or financial data bases. Likewise, a person having no trust or other relationship with the proprietor of a computerized data base should not be immunized from sanctions against electronically or cryptographically breaching the proprietor's security arrangements and accessing the proprietor's data. The unauthorized data access which should be remediable might also be achieved by the intentional interception of data transmissions by wire, microwave or laser transmissions, or by the common unintentional means of 'crossed' telephone lines occasioned by errors in switching. The proprietor of data displayed on the cathode ray tube of a computer terminal should be afforded protection against printouts by third parties (with or without improper access), even if the data are not copyrightable. For example, the data may not be copyrighted because they are not fixed in a tangible medium of expression.

\(^{320}\) See S. REP. NO. 94-473 (1975).

\(^{321}\) 122 CONG. REC. H32,015 (1976). See Howard Abrams, Copyright, Misappropriation, and Preemption Constitutional and Statutory Limits of State Law Protection, 11 SUPREME CT. REV. 509, 546-48 (1983) (concluding, after comprehensively reviewing the evolution of this provision that "[t]o say that this leaves the legislative history of preemption of the misappropriation doctrine in a state of confusion is an understatement").

3. The Application of Section 301

The direct language of Section 301, combined with its legislative history, has resulted in a two-part test for determining preemption of state causes of action. The two-part test, as stated in Del Madera Properties v. Rhodes & Gardner, Inc.,\(^3\) establishes that in order to be preempted and denied state protection, a work must be within the subject matter of copyright\(^4\) and the "rights granted under state law must be 'equivalent to any of the exclusive rights within the general scope of copyright as specified by Section 106 [of the Copyright Act]."\(^5\) Accordingly, a misappropriation claim which is a "reformulated" copyright claim will be preempted.\(^6\) Thus, "[t]o survive preemption, the state cause of action must protect rights which are qualitatively different from copyright rights . . . . The state claim must have an 'extra element' which changes the nature of the action."\(^7\)

The "extra element" text was applied in Mayer v. Josiah Wedgewood\(^8\) to evaluate whether a claim of "commercial immorality" in a misappropriation action was enough to avoid preemption. "Commercial immorality" in the district court's characterization was:

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323. 820 F.2d 973 (9th Cir. 1987) (quoting Harper & Row, Publishers, Inc. v. Nation Enters., 501 F. Supp. 848, 850 (S.D.N.Y. 1980), aff'd, 723 F.2d 195 (2d Cir. 1983), rev'd on other grounds, 471 U.S. 539 (1985); see also Kregos v. Associated Press, 3 F.3d 656 (2d Cir. 1993), cert. denied, 510 U.S. 1112 (1994) ("In contrast [to misappropriation claims], unfair-competition claims based upon breaches of confidential relationships, breaches of fiduciary duties and trade secrets have been held to satisfy the extra-element test and avoid § 301 preemption.").

324. The subject matter of copyright is expansive, since it applies to any work "fixed in a tangible medium of expression." 17 U.S.C. § 102(a) (1994). That there are portions of a work which consist of uncopyrightable material does not preclude the work from being within the subject matter of copyright. See, e.g., Harper & Row, 723 F.2d at 195; Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n, 805 F.2d 663, 675 (7th Cir. 1986), cert. denied, 480 U.S. 941 (1987). Live sports programming which is recorded is "fixed" within the meaning of the Copyright Act. Cable News Network, Inc. v. Video Monitoring Servs., 940 F.2d 1471, 1480 n.16 (11th Cir. 1991).

325. Del Madera Properties, 820 F.2d at 976 (quoting Harper & Row, 501 F. Supp. at 850); Baltimore Orioles, 805 F.2d at 674.


[A]n extra element in the same sense that awareness and intent are: it alters the scope of the action but not its nature. That is, it would permit the action to go forward when the infringing conduct is immoral, but not when it is not immoral. The basic act which constitutes the infringement of plaintiff's rights, however, is the same as that of copyright.\footnote{329}

The "extra element" text was deemed incomplete by the Seventh Circuit in an action involving a claim of publicity. In \textit{Baltimore Orioles v. Major League Baseball Players},\footnote{330} the court emphasized that "the right of publicity is closely analogous to the goals of patent and copyright law."\footnote{331} Because the broadcast baseball games were copyrighted, and the players had assigned their copyrights to the teams which employed them, the court held that any publicity claims were preempted based on the premise that the right asserted was within the subject matter of federal copyright.

The divergence between the "extra element" test of \textit{Mayer} and the identification of state law goals under \textit{Baltimore Orioles} was addressed in \textit{Nash v. CBS, Inc.},\footnote{332} in which the plaintiff author claimed that his theory on the famous gangster, John Dillinger, was appropriated. Nash's theory contended that another man, instead of Dillinger, was killed outside the Biograph Theater in 1934.\footnote{333} The district court found that the television episode and Nash's theory, as expressed in four books, were not "substantially similar" and granted summary judgment on the copyright claim.\footnote{334}

\footnote{329}{\textit{Id.} at 1535.}
\footnote{330}{805 F.2d 663 (7th Cir. 1986), \textit{cert. denied}, 480 U.S. 941 (1987).}
\footnote{331}{\textit{Id.} at 678-79. In applying this analysis, the court held that a right of privacy would not be preempted while a right of publicity would be preempted. The court explained:

It is true that rights of publicity and of privacy evolved from similar origins; however, whereas the right of privacy protects against intrusions on seclusion, public disclosure of private facts, and casting an individual in a false light in the public eye, the right of publicity protects against the unauthorized exploitation of names, likenesses, personalities, and performances that have acquired value for the very reason that they are known to the public.

\textit{Id.}}
\footnote{332}{704 F. Supp. 823 (N.D. Ill. 1989). An earlier opinion, 691 F. Supp. 140 (N.D. Ill. 1988), held that Nash's books on John Dillinger contained a copyrightable story. Nash alleged that an episode of a television program broadcast by CBS had copied his theory that John Dillinger was alive and brought both a copyright claim and a misappropriation claim.}
\footnote{333}{704 F. Supp. at 827.}
\footnote{334}{\textit{Id.} at 831.}
Nash contended that CBS practiced deception\textsuperscript{335} in using his Dillinger stories, and that this deception supported both unfair competition and misappropriation causes of action.\textsuperscript{336} In the context of preemption of the misappropriation claim, the district court concluded that "commercial immorality" was not sufficiently different to separate a misappropriation claim from a copyright claim.\textsuperscript{337} Similarly, the district court ruled that the analysis applied by the Seventh Circuit in *Baltimore Orioles* compelled the same conclusion since the "goal" underlying copyright law is the same as that driving the tort of misappropriation: balancing the need to provide economic incentives for authorship against the preservation of the freedom to imitate."\textsuperscript{338} A further element was involved, however, in reaching this conclusion. The House Report accompanying Section 301\textsuperscript{339} caused the district court to conclude that only the "systematic" appropriation of 'hot news' or valuable stored information" or the existence of a special relationship between the parties" would preclude preemption of the misappropriation claim.

Clearly, when deception is involved, as in an action for fraud, the cause of action is not preempted.\textsuperscript{340} The existence of an element of deception causes a difference in "kind from copyright infringement."\textsuperscript{341} Phrased differently, federal "copyright law governs only copying."\textsuperscript{342} Accordingly, "if violation of the state

\textsuperscript{335} Nash styled his claim "unfair competition" but identified Illinois's Uniform Deceptive Trade Practices Act in a supporting memorandum, a statute which contains a "likelihood of confusion" requirement as an element of a cause of action. In turn, the district court considered the confusion requirement an unnecessary element for a copyright claim which only required proof of copying. Nash, 704 F. Supp. at 832.


\textsuperscript{337} 704 F. Supp. at 834.

\textsuperscript{338} Id.

\textsuperscript{339} The House Report is considered *supra* note 322.

\textsuperscript{340} See Valente-Kritzer Vdeo v. Pinckney, 881 F.2d 772 (9th Cir. 1989) (fraud claim not preempted as requires misrepresentation claim).

\textsuperscript{341} Meyers v. Waverly Fabrics, 479 N.E.2d 236, 238 (N.Y. 1985); see also Editorial Photocolor Archives, Inc. v. Granger Collection, 463 N.E.2d 365 (N.Y. 1984). *But see* H20 Swimwear, Ltd. v. Lomas, 560 N.Y.S.2d 19, 21 (App. Div. 1990), where a state claim based upon alleged copying of a swimsuit design was held not preempted because clothing designs are not included within the subject matter of the Copyright Act of 1976; the court distinguished *Meyers* on the basis that the design involved was a design printed on fabric, and within the subject matter of the Copyright Act of 1976, as opposed to a clothing design.

\textsuperscript{342} G.S. Rasmussen & Assoc., Inc. v. Kalitta Flying Serv., Inc., 958 F.2d 896, 904 (9th Cir. 1992), *cert. denied*, 508 U.S. 959 (1993). *Compare* Miles, Inc. v. Scripps Clinic & Research Found., 810 F. Supp. 1091, 1095 (S.D. Cal. 1993) (declining to recognize, under California law, an action for conversion based on the right to commercialize a cell line) *with* Moore v. Regents of Univ. of Cal., 793 P.2d 479, 497 (Cal. 1990) (denying individual conversion claim in cell line derived from his spleen,
right is predicated upon an act incorporating elements beyond mere reproduction or the like, there is no preemption."343 Similarly, trade secret protection was deemed "uniquely valuable" for protecting computer programs, and the nature of protection accorded qualitatively different from copyright, thereby constituting an "extra element" that foreclosed preemption.344 Central to the operation of the preemptive statute is the protection provided by the Copyright Act as contrasted with the preemption required by the statute. As the Fourth Circuit has stated, "scope and protection are not synonyms. Moreover, the shadow actually cast by the Act's preemption is notably broader than the wing of its protection."345

This two-part assessment requires that after the determination is made that the subject matter of work sought to be protected falls within copyright, the court must then assess, under the second part of the analysis, whether "a right defined by state law may be abridged by an act which, in and of itself, would infringe one of the exclusive rights,"346

This second factor supported a finding of no preemption in Wojnarowicz v. American Family Association,347 in which a preemption challenge was made to the New York Artists' Authorship Rights Act.348 In finding the challenge unsustainable under the "extra element" test, the district court stated:

Although the rights to reproduce and to produce derivative work are protected by the Copyright Act, section 14.03 of the New York Artists' Authorship Rights Act as amended is indeed qualitatively different than federal copyright law in both its aim and its elements. The state Act endeavors to protect an artist's reputation from the attribution to him of altered, defaced, mutilated or modified works of


343. Oddo v. Ries, 743 F.2d 630, 635 (9th Cir. 1984).


347. 745 F. Supp. 130 (S.D.N.Y. 1990). This case is described in the section on moral rights, see supra notes 38-48 and accompanying text.

art. Moreover, a claim under this statute requires proof of elements not required to prove copyright infringement, namely (a) the artwork must be altered, defaced, mutilated or modified; (b) the altered, defaced, mutilated or modified artwork must be attributed to the artist, or displayed in such circumstances as to be reasonably understood to be his work; and (c) this attribution must be reasonably likely to damage the artist’s reputation. While both plaintiff’s state law and copyright claims are based upon the same cropped reproductions contained in the AFA pamphlet, they are qualitatively different and hence there is no preemption.349

_Sears-Compco_ gave rise to a sweeping determination by the First Circuit, which held that _International News Service_ “is no longer authoritative” having “clearly been overruled” by _Sears-Compco_350 and to the more restrained conclusion that _Sears-Compco_ precluded misappropriation actions for “mere copying” of works in the public domain.351 In _Goldstein v. California_,352 the Court, in refusing to preempt a California statute which prohibited the duplication of sound records, considered the situation dissimilar to _Sears-Compco_: “No restraint has been placed on the use of an idea or concept; rather, petitioners and other individuals remain free to record the same composition in precisely the same manner and with the same personnel as appeared on the original recording.”353 As framed in _Goldstein_, “a conflict would develop if a State attempted to protect that which Congress intended to free from restraint or to free that which Congress had protected.”354 _Goldstein_ accordingly permitted concurrent protection of the subject matter of sound recordings so long as state protection did not interfere with the federal statutory scheme.

349. _Wojnarowicz_, 745 F. Supp. at 135-36 (internal citations omitted).
353. 412 U.S. at 571.
354. _Id._ at 559.
After Sears-Compco, the effect of the federal preemption doctrine on the status of trade secrets protected under state law was uncertain until the Supreme Court's decision in Kewanee Oil Co. v. Bicron Corp. In Kewanee Oil, the Court perceived trade secrets as providing complimentary protection, as providing protection for inventions which patent law may not protect.

Trade secret law provides far weaker protection in many respects than the patent law. While trade secret law does not forbid the discovery of the trade secret by fair and honest means, e.g., independent creation or reverse engineering, patent law operates 'against the world,' forbidding any use of the invention for whatever purpose for a significant length of time. The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible of discovery or proof. Where patent law acts as a barrier, trade secret law functions relatively as a sieve.

The Supreme Court, in approving trade secret protection, concluded: "Certainly the patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention." The Supreme Court cited with approval the Ninth Circuit's opinion in Winston Research Corp. v. Minnesota Mining & Manufacturing Co., which distinguished between intrusion into information available from reverse engineering of a product and violation of the fiduciary dimension of confidential employer-employee relationships. The remedy imposed by the district court, which was affirmed by the Ninth Circuit, was to forbid the marketing of the defendant's tape player for two years, representing the estimated time required to legitimately reverse engineer the plaintiff's device.

357. Id. at 487.
358. Id. at 489-90 (footnote and internal citations omitted).
359. Id. at 484.
360. 350 F.2d 134 (9th Cir. 1965).
361. A separate line of cases within Sears-Compco deals with limitations by agreement of the right to copy items in the public domain. See, e.g., Lear, Inc. v. Adkins, 395 U.S. 653, 668 (1969) (stating that "federal law requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent"). A conceptually related issue was presented by Brulotte v. Thys Co., 379 U.S. 29 (1964). In Aronson v. Quick Point Pencil Co., 440 U.S. 257, 262-63 (1979), the court permitted enforcement of a royalty agreement for an unpatentable invention since it furthered the federal objectives of providing an incentive to invent and to make a public disclosure of the invention.

Collectively, these cases demonstrate that parties are free to contract away the right...
Although Goldstein and Kewanee have been characterized as intending no departure from Sears-Compco, the acknowledgment in Goldstein that states possess concurrent authority almost necessarily carried with it a suggestion that the case was intended as a moderation of the fullest applications of Sears-Compco. 362

The evolution of the preemption doctrine also involved the development of the copying/misappropriation distinction. An early challenge to the comprehensiveness of the Sears-Compco doctrine was Truck Equipment Service Co. v. Fruehauf Corp., 363 in which the Eighth Circuit declared the statement in Compco involving secondary meaning and “nonfunctional” elements 364 of a truck exterior “dictum” since the discussion of those doctrines was not essential to the holdings of the cases.

The law of trademark and the issues of functionality and secondary meaning were not before the Court. The issue before the Court was whether state law could extend the effective term of patent

to copy works in the public domain since “[t]he Sears/Compco doctrine nullifies a private contract only if enforcement of the contract would conflict with the patent law.” Universal Gym Equip., Inc. v. ERWA Exercise Equip. Ltd., 827 F.2d 1542, 1550 (Fed. Cir. 1987).

362. See, e.g., H.W. Wilson Co. v. National Library Serv. Co., 402 F. Supp. 456, 459 (S.D.N.Y. 1975) in which a protective legend, purporting to restrict duplication of a published reference work, was held ineffective and state protection was held unavailable to prevent duplication of a cumulative index compiled using information in the plaintiff’s publications. Sears and Compco were held to preclude state protection of such a cumulative compilation. Further, the court characterized Goldstein as identifying a distinction between allowable copying and unlawful misappropriation was deemed inapplicable since the cumulative index which was the subject matter of the dispute was not a mechanical copy of the existing publications. Id.

363. 536 F.2d 1210 (8th Cir. 1976), cert. denied, 429 U.S. 861 (1976); see also Edgar H. Wood Assocs., Inc. v. Skene, 197 N.E.2d 886, (1964) (holding that common law copyright was unaffected by Sears-Compco since common law copyright did not extend to works in the public domain nor to those which were published).

364. The statement the Eighth Circuit was responding to was in Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 238 (1964), where the Supreme Court said:

That an article copied from an unpatented article could be made in some other way, that the design is ‘nonfunctional’ and not essential to the use of either article, that the configuration of the article copied may have a ‘secondary meaning’ which identifies the maker to the trade, or that there may be ‘confusion’ among purchasers as to which article is which or as to who is the maker, may be relevant evidence in applying a State’s law requiring such precautions as labeling; however, and regardless of the copier’s motives, neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling. Accord Ideal Toy Corp. v. Plawner Toy Mfg. Corp., 685 F.2d 78, 81 (3d Cir. 1982).

365. Fruehauf, 536 F.2d at 1214.
protection granted by the federal statutes. The focus of the Court was the Supremacy Clause of the Constitution.

The protection accorded by the law of trademark and unfair competition is greater than that accorded by the law of patents because each is directed at a different purpose. The latter protects inventive activity which, after a term of years, is dedicated to the public domain. The former protects commercial activity which, in our society, is essentially private. . . . Free competition is served in both cases.

Full and fair competition requires that those who invest time, money and energy into the development of goodwill and a favorable reputation be allowed to reap the advantages of their investment.

To protect TESCO against the misappropriation of the exterior design [of its truck], portions of which are nonfunctional and which is possessed of a secondary meaning, will be in furtherance of this Congressional purpose. Contrary to the situation in Sears and Compco, there is in the instant controversy no conflict with federal statutory policy. Fruehauf's contention that it is privileged to copy the exterior design of the [truck] must fail. 366

_Bonito Boats, Inc. v. Thunder Craft Boats, Inc._ 367 resulted in the Supreme Court revisiting the contours of the _Sears-Compco_ doctrine. The Court reviewed a Florida statute 368 which prohibited copying a boat hull by means of a direct molding process; the copier of the hull was spared the expense of copying the hull by other means permitted under the Florida statute. The Supreme Court, after reviewing _Sears-Compco_, observed:

The pre-emptive sweep of our decisions in _Sears_ and _Compco_ has been the subject of heated scholarly and judicial debate. Read at their highest level of generality, the two decisions could be taken to stand for the proposition that the States are completely disabled from offering any form of protection to articles or processes which fall within the broad scope of patentable subject matter. 369

The Supreme Court rejected that reading of its cases:

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366. _Fruehauf_, 536 F.2d at 1214-15 (footnotes and internal citations omitted).
368. Twelve states had antidirect molding statutes; nine states applied it only to vessels or vessel components while California, Michigan and Tennessee applied it to any item copied by a molding process. See David W. Carstens, _Preemption of Direct Molding Statutes_: _Bonito Boats v. Thunder Craft Boats_, 3 HARV. J.L. & TECH. 167, 192 (1990).
369. _Bonito Boats_, 489 U.S. at 154 (internal citations omitted).

https://scholarship.law.missouri.edu/mlr/vol64/iss4/3
That the extrapolation of such a broad pre-emptive principle from \textit{Sears} is inappropriate is clear from the balance struck in \textit{Sears} itself. . . . [W]hile \textit{Sears} speaks in absolutist terms, its conclusion that the States may place some conditions on the use of trade dress indicates an implicit recognition that all state regulation of potentially patentable but unpatented subject matter is not ipso facto pre-empted by the federal patent laws.\textsuperscript{370}

From this statement of the governing principles, the Court’s conclusion that the antidirect molding statute was unconstitutional is a natural progression in reasoning:

It is difficult to conceive of a more effective method of creating substantial property rights in an intellectual creation than to eliminate the most efficient method for its exploitation. \textit{Sears} and \textit{Compco} protect more than the right of the public to contemplate the abstract beauty of an otherwise unprotected intellectual creation—they assure its efficient reduction to practice and sale in the marketplace.\textsuperscript{371}

Although the reasoning in \textit{Bonito Boats} may be “frail and incomplete,”\textsuperscript{372} the unanimous opinion defines the contours of the preemptive sweep of federal law as applied to the misappropriation doctrine. Nonetheless, within the limits of the permissible scope exist viable causes of action.\textsuperscript{373}

Perhaps the surest approach to avoiding preemption is to employ Section 43(a) of the Lanham Act since \textit{Sears-Compco} addressed preemption of state protection and both that line of cases and Section 301 exempt federal protection.\textsuperscript{374}

\textsuperscript{370} Id. The Court reviewed its subsequent decisions in \textit{Kewanee}, noting that the common nature of the subject matter of patents and trade secrets was not deemed in conflict. \textit{Bonito Boats}, 489 U.S. at 155.

\textsuperscript{371} Id. at 164. The Court reiterated its holding in \textit{Sears} permitting states to require labeling that prevents source confusion. Id. at 985.


\textsuperscript{373} These principles, as well as a statutory provision, 17 U.S.C. § 301 (1994), provide for the same result under copyright law. See, e.g., Pro CD, Inc. v. Zeidenberg, 86 F.3d 1447, 1453 (7th Cir. 1996).


The DMCA, \textit{see supra} note 4, contains, in Title V, the Vessel Hull Design Protection Act (hereinafter VHDPA) which is to be codified in 17 U.S.C. §§ 1301-32. The VHDPA provides for a ten year period of protection for eligible designs and accords to the owner of a protected design a set of exclusive rights, including the right of manufacture or sale. \textit{See} Pub. L. No. 105-304, 112 Stat. 2905 (1998).
V. COMMON LAW MISAPPROPRIATION IN THE DIGITAL ERA

A. Introduction

Misappropriation in the digital era is divisible into two sets of issues: the technological dimension and the legal response to evolving technology.

In turn, these responses have begun to shape business models in this rapidly evolving environment. The informational function served by the patent system, for example, is also an element requiring consideration in the evolution of misappropriation law.

375. The technological dimension revolves around the rapid dissemination of works and, in turn, has led to different perceptions of the appropriateness of protection. As the NII Report reflected: "Others assert that technological advances justify reduced protection. Since computer networks now make unauthorized . . . uses of protected works so incredibly easy, it is argued, the law should legitimize those uses or face widespread flouting. This argument is not valid. Technology makes many things possible . . . [including unlawful acts.] Simply because a thing is possible does not mean that it should be condoned." NII, supra note 6, at 14-15.

376. See Recording Indus. Ass'n, Inc. v. Diamond Multimedia Sys., Inc., 29 F. Supp. 2d 624 (C.D. Cal. 1998). These two elements were present in this recent case in which the recording industry challenged the sale of a device for storing and replaying sound recordings downloaded from a computer hard drive using a storage compression technology; the compression technology, MPEG 1 Layer 3, or MP3, compresses files by a 10:1 ratio. Id. at 625. The device has provisions for a removable memory card which permits additional storage, or transfer of the recordings stored on the card to another identical device. Id. In denying a preliminary injunction, the district court found no irreparable harm under the Audio Home Recording Act, 17 U.S.C. §§ 1001-1010 (1994).

Importantly, the court found that "because the [device] is capable of recording legitimate digital music, an injunction would deprive the public of a device with significant beneficial uses." Id. at 633. In affirming the denial of a preliminary injunction, the Ninth Circuit observed that "the Rio's operation is entirely consistent with the Act's main purpose—the facilitation of personal use." Recording Indus. Ass'n, Inc. v. Diamond Multimedia Sys., Inc., 180 F.3d 1072, 1079 (9th Cir. 1999).

377. See NII, supra note 6, at 15. See generally Michael J. Madison, Legal-Ware: Contract and Copyright in the Digital Age, 67 FORDHAM L. REV. 1025 (1998). The complexity presented by attempting to identify the nature of Internet companies borders on chaotic; any perception is necessarily incomplete but one characterization, based online bookseller, Amazon.com emphasized intangibles: "In fact, the more you look at an Internet phenomenon like Amazon.com, the more central the stock price seems to the whole enterprise. It's as if the stock price is the business model. . . . It is also an enormous branding and P.R. engine, and it's central to the long-term strategy. By the same token, it seems that if the stock were to crater, it would unravel in a heartbeat." Peter de Jonge, Riding the Wild, Perilous Water of Amazon.com, N.Y. TIMES, March 14, 1999, § 6 (Magazine), at 36.
Only a good analysis of the philosophies underlying these two economic functions [in patent and trademark law], and their confrontation in the law against slavish imitation, can help to dissolve the uncertainties surrounding the legal standpoints on this important part of the law of unfair competition.\(^{378}\)

The *Restatement of Unfair Competition*\(^{379}\) perceived misappropriation as an unwise doctrine: "[t]he better approach, and the one most likely to achieve an appropriate balance between competing interests, does not recognize a residual common law tort of misappropriation."\(^{380}\)

**B. The Digital Era**

A Commerce Department study on the digital era, "The Emerging Digital Economy,"\(^ {381}\) observed that the accelerating nature of the adoption of digital technology is such that the "digital revolution is happening much more quickly [than the adoption of the key technologies which marked the Industrial Revolution]. The harnessing of light for nearly instantaneous communications and the ability to use microscopic circuits to process and store huge amounts of information are enabling this current economic transformation." The Copyright Office's study on the future of the Internet, "Project Looking Forward: Sketching the Future of Copyright in a Networked World[,]"\(^ {382}\) cautioned against forecasting the importance of copyright protection: "We should not be optimistic, however, about our ability to foresee the future evolution of either technology or new business models, especially those that relate to the Internet: we were not too good about predicting the rise of the Internet and the World Wide Web in the first place."\(^ {383}\)

The digital era presents a special challenge for intellectual property protection, for the adaptation of commercial dimensions of products particularly vulnerable to appropriation because of their digital nature, and for the legal framework which protects such digitally embedded products. Central to the

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382. I. Trotter Hardy, *Project Looking Forward* § 5.1, at 155 (1998) ("A legal rule may be implicitly based on assumptions about some underlying facts or circumstances, even though those facts are nowhere mentioned or referred to in the rule. When those facts or circumstances change because of technological evolution, an argument arises that the rule should change as well.").
383. *Id.* at 27.
complexity of analyzing these issues is the impact of legal protection for new technologies. As Judge Frank Easterbrook has observed:

I've come as a skeptic about the idea that new developments in technology imply the need for new laws or new rules... [since] we know so little about the effects of current laws of intellectual property that it is quite unrealistic to think that we would be able to know and choose intelligently for new technology, [and] it is easier to design legal rules that hurt the process of the development of intellectual property than it is to design legal rules that help it.384

This observation has particular importance for misappropriation since, as a doctrine of uncertain dimensions and unpredictable application, misappropriation as applied to the digital era has a high degree of uncertainty associated with its application. From a commercial standpoint, digitally embedded works may become a means of delivering merchandise to customers replacing a physical medium such as a compact disc. In turn, this has presented opportunities for more immediate and inexpensive fulfillment, while at the same time possibly facilitating copying.385 Several cases have particular application to misappropriation in the digital era. In a principal case, National Basketball Ass'n v. Motorola, Inc.,386 the Second Circuit revisited the misappropriation doctrine in the context of evolving information technology. Motorola sold a pager device, known as "SportsTrax," which provided information about live basketball games.387 The information about the games came from reporters who watched or listened to broadcasts of the games.388 The district court upheld a misappropriation claim, holding that "[b]y disseminating to fans the changing


386. 105 F.3d 841 (2d Cir. 1997).

387. Id. at 843.

388. Id. "What is at stake [involving the application of the misappropriation doctrine] is nothing less than the ability of these ‘new media’ to fulfill their much anticipated role in providing the modern public with a faster, broader array of information products and technology than has ever previously been deemed possible.” Note, Nothing But Internet, 110 HARV. L. REV. 1143, 1158 (1997).
scores and leads and other information on a real-time basis, defendants have appropriated the essence of NBA’s most valuable property—the excitement and entertainment of a game in progress.  

The “hot news” exception, which the Second Circuit identified as surviving preemption, requires that:

(i) the plaintiff generates or collects information at some cost or expense; (ii) the value of the information is highly time-sensitive; (iii) the defendant’s use of the information constitutes free-riding on the plaintiff’s costly efforts to generate or collect it; (iv) the defendant’s use of the information is in direct competition with a product or service offered by the plaintiff; (v) the ability of other parties to free-ride on the efforts of the plaintiff would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.

Separately, the claim required an “extra-element” to survive preemption. In its analysis of the application of these requirements to Motorola’s pager service, the Second Circuit was unable to demonstrate that free riding occurred since the gathering of game information, and its transmission, did not equal free riding on the NBA’s own reporting service. Central to the Second Circuit’s reasoning was the realization that the NBA’s primary products and revenue sources stem from live attendance at basketball games and licensing broadcasts, neither of


390. The “hot news” doctrine originated in International News Serv. v. Associated Press, 248 U.S. 215, 245-46 (1918). The holding of International News Service authorized protection until Associated Press was able to conduct its normal distribution of news stories; that right to commercialize its product was the “quasi-property” protected by the Court. Id. at 242. More contemporary cases frame the “hot news” doctrine in a similar manner. See, e.g., Financial Info., Inc. v. Moody’s Investors Serv., 808 F.2d 204, 209 (2d Cir. 1986) (stating that “[t]he ‘hot’ news doctrine is concerned with the copying and publication of information gathered by another before he has been able to utilize his competitive edge”), cert. denied, 484 U.S. 820 (1987).

391. National Basketball Ass’n, 105 F.3d at 845 (internal citations omitted).

392. See supra notes 330-35 and accompanying text (discussing preemption and the “extra element” text). In National Basketball Ass’n the Second Circuit found that the time sensitive value of the information, the defendant’s free riding, and the potential threat to the “very existence” of the service produced by the plaintiff provided the requisite “extra elements.” National Basketball Ass’n, 105 F.3d at 853.

393. An enhanced version of the NBA’s reporting service, called “Gamestats” would directly compete with the Motorola service. Id. at 853. Such a service may also enjoy enhanced cost savings by being shared across a variety of products. Id. at 854 n.9.
which were being appropriated by the Motorola service. While Motorola did transmit data about live games, the Second Circuit perceived a significant difference in that

The collection and retransmission of strictly factual material about the games is a different product: e.g., box-scores in newspapers, summaries of statistics on television sports news, and real-time facts to be transmitted to pagers. In our view, the NBA has failed to show any competitive effect whatsoever from SportsTrax on [live attendance or broadcasts] and a lack of any free-riding by SportsTrax on the third [product, involving factual transmissions].

This formulation of the misappropriation doctrine is at odds with the expansive development of the doctrine in earlier cases. The Second Circuit found no compelling authority for permitting misappropriation beyond "hot news": "INS [International News Service] is not about ethics; it is about the protection of property rights in time-sensitive information so that the information will be made available to the public by profit seeking entrepreneurs." While National Basketball Ass'n arose in a factually specific context involving the real-time distribution of sports scores from on-going NBA games, the case raises issues that will recur in other contexts as the distribution of information having value becomes increasingly common. As such, National Basketball Ass'n provides a means of predicting the future protection of intellectual property in an era of rapidly evolving technology. The case gives insight into what degree of legal protection will provide inducements to create, while at the same time providing public access to information. National Basketball Ass'n further provides a limited revival of a doctrine battered nearly from its inception: common law misappropriation of publicly-disclosed trade values.

394. Id. at 853-54.
395. Id. at 853.
396. This aspect of National Basketball Ass'n is important because "it goes further than any other previously reported case by indicating that intellectual property law will not protect a plaintiff's remuneration if the plaintiff's incentives are not thereby protected." Monica Y. Youn, Note, Neither Intellectual Nor Property, 107 YALE L.J. 267, 268 (1997).
397. National Basketball Ass'n, 105 F.3d at 853.
398. See infra notes 386-97 and accompanying text.
399. Several other cases are more expansive in defining the evolving dimensions of misappropriation. In United States Sporting Prods., Inc. v. Johnny Stewart Game Call, Inc., 865 S.W.2d 214 (Tex. Ct. App. 1993), animal sounds recorded prior to 1972 when federal protection became available, that were used by hunters to attract game into range were the basis for a misappropriation claim under Texas law. The Texas Court of Appeals, deemed that the misappropriation claim was both the basis for relief and an
VI. CONCLUSION

Misappropriation has been, for more than three quarters of a century, an intriguing doctrine of unfair competition law and one which caused the particular concerns of state law to confront the overriding dictates of federal law. As a doctrine arising from business conduct resulting from special circumstances, and facilitated by the technology of the era, misappropriation, as defined by its common law development and by its statutory analogs, is a cause of action with particular appeal in defining issues already being confronted due to the rapid adoption of digital ("Congress may not authorize the issuance of patents whose effects are to remove existing knowledge from the public domain, or to restrict free access to materials already available."); technology.

The Second Circuit’s decision in National Basketball Ass’n represents only the beginning of what will be a long evolution of common law doctrines supporting constitutional restrictions on the common law doctrine of misappropriation, while at the same time supporting the objectives embedded in the doctrine. The narrow limits imposed by the case suggest that its reasoning will be followed only to the extent that subsequent courts believe that overriding concerns of federal preemption require a narrowing of this enduring common law response to the inherent tensions of the competitive process.

award which included punitive damages. The Court expressly rejected a contention that Texas law limited misappropriation relief to matters which contained “time value.” Id. at 216-17. See also U.S. Golf Ass’n v. Arroyo Software Corp., 81 Cal. Rptr. 2d 708, 716 (App. 1999) (holding a misappropriation claim based on the use of a golf handicapping formula was not preempted because a formula is not within the subject matter of copyright, 17 U.S.C. § 102(b) (1994), and is accordingly not preempted by 17 U.S.C. § 301(b) (1994) which preserves common law claims for works “not within the subject matter of copyright”). Nor did the U.S. Golf court find the holding in U.S. Golf Ass’n v. St. Andrews Sys., 749 F.2d 1028, 1038 (3d Cir. 1984), persuasive, in part because California law, unlike New Jersey law, does not require proof of direct competition. Id. at 717. The Third Circuit had declined to extend misappropriation protection to the handicapping formula because it deemed it “inconceivable” that the plaintiff would not have sufficient incentive to maintain its handicapping formula. Id.