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## News on the Internet

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# News on the Internet

Robert Denicola\*

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## INTRODUCTION

Newspapers are in trouble. Circulation and advertising are down as readers shift from print to online media.<sup>1</sup> Their future looks even worse.<sup>2</sup> Although changing reader preferences and the

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<sup>1</sup> Newspaper circulation has dropped 30% over the past two decades and advertising revenues are now less than half of their 2006 total. Rick Edmonds et al., *Newspapers: By the Numbers*, THE STATE OF THE NEWS MEDIA 2012, <http://stateofthemediamedia.org/2012/newspapers-building-digital-revenues-proves-painfully-slow/newspapers-by-the-numbers>. Forty percent of Americans now get most of their news from the Internet, while only 20% said the same for newspapers. Kenny Olmstead et al., *Digital: News Gains Audience but Loses Ground in Chase for Revenue*, THE STATE OF THE NEWS MEDIA 2012, <http://stateofthemediamedia.org/2012/digital-news-gains-audience-but-loses-more-ground-in-chase-for-revenue>.

<sup>2</sup> Among 18–34 year-olds, less than 25% said they had read a newspaper the previous day. Edmonds et al., *supra* note 1. Only financial newspapers such as the *Wall Street Journal* have so far succeeded in enticing online readers to pay in significant numbers,

loss of lucrative classified advertising to online sources are major worries, the news media seems preoccupied with news aggregators and bloggers who distribute news content on the Internet without permission.<sup>3</sup> Newspapers are not the only parties worried about the unauthorized distribution of “their” news on the Internet. Financial services companies are unhappy about the distribution of their “hot” stock recommendations and analysis,<sup>4</sup> while other content providers seek to control online news ranging from movie schedules<sup>5</sup> to business ratings.<sup>6</sup>

Traditional copyright doctrine offers varying degrees of protection for the literary format of the news—broad in scope for the text of news stories, narrower and more uncertain for smaller expressions like news headlines and leads (sometimes spelled “ledes”).<sup>7</sup> Content providers want more.<sup>8</sup> They increasingly seek to control the online distribution of not only their literary forms, but also the very facts that constitute the news itself.<sup>9</sup> Major media

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but early results for *The New York Times* as it moves to limit free online access look promising. *Id.* It is still unclear whether that strategy will succeed for more modest publications.

<sup>3</sup> Executives working for Rupert Murdoch, chairman of News Corp., have called news aggregator Google a “tech tapeworm” and a “parasite.” Ian Burrell, *Google Caves in to Murdoch after Attack on “Parasites,”* INDEPENDENT (UK), Dec. 3, 2009, at 18. Murdoch himself is quoted as saying, “[t]o aggregate stories is not fair use. To be impolite, it is theft.” *Id.* The chairman of Associated Press has said, “[w]e can no longer stand by and watch others walk off with our work under misguided legal theories.” Staci D. Kramer, *AP Launching News Industry Campaign to “Protect” News Content,* WASHINGTON POST (Apr. 6, 2009, 4:07 PM), <http://www.washingtonpost.com/wp-dyn/content/article/2009/04/06/AR2009040601970.html>.

<sup>4</sup> See, e.g., *Barclays Capital Inc. v. Theflyonthewall.com, Inc. (Barclays II)*, 650 F.3d 876 (2d Cir. 2011); *Agora Fin., LLC, v. Samler*, 725 F. Supp. 2d 491 (D. Md. 2010).

<sup>5</sup> See, e.g., *Fred Wehrenberg Circuit of Theatres, Inc. v. Moviefone, Inc.*, 73 F. Supp. 2d 1044 (E.D. Mo. 1999).

<sup>6</sup> See, e.g., *Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp. Inc.*, 634 F. Supp. 2d 1226 (D. Colo. 2009).

<sup>7</sup> See generally Andrew Mirsky, *Fair Use and Online Publishing: Legal and Practical Guidance for Publishers*, 78 PA. B.A. Q. 171, 172–74 (2007) (describing copyright and fair use in the context of “reporting and uses of headlines, stories and other publisher content by . . . web portals”).

<sup>8</sup> See, e.g., Bruce W. Sanford, Bruce D. Brown & Laurie A. Babinski, *Saving Journalism with Copyright Reform and the Doctrine of Hot News*, 26 COMM. LAW. 8, 8–9 (2009).

<sup>9</sup> Brief for Amicus Curiae the Sec. Indus. and Fin. Markets Ass’n (Sifma) in Support of Affirmance at 1–3, *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (No. 10-1372-cv), 2010

companies and giant online news distributors are now engaged in a struggle over the rules that will govern access to factual information on the Internet.<sup>10</sup> The battle to control facts is being waged on two fronts. One involves an attempt to extend the traditional scope of copyright beyond the protection of expression into the previously forbidden realm of facts, as plaintiffs claim copyright in everything from car and coin prices to financial data.<sup>11</sup> The second front involves efforts by content providers to enlist the century-old common law tort of misappropriation, previously repudiated by the likes of Louis Brandeis, Oliver Wendell Holmes, Learned Hand, Richard Posner, and the American Law Institute.<sup>12</sup>

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WL 3032824; First Amended Complaint for Preliminary and Permanent Injunction and Copyright Infringement, *Agence France-Presse v. Google Inc.*, No. 1:05 Civ. 00546 (D.D.C. filed Apr. 26, 2005), 2005 WL 5834897.

<sup>10</sup> *Agence France-Presse, Associated Press, Gannett Co., N.Y. Times Co., Washington Post, the publisher Reed Elsevier, the Securities Industry and Financial Markets Association, Google, Twitter, and the Electronic Frontier Foundation* all were among the businesses and interest groups who filed amici curiae briefs in *Barclays II*, 650 F.3d 876 (2d Cir. 2011), the latest battle over the use of facts on the Internet. *See, e.g.*, Brief for Amicus Curiae Sifma, *supra* note 9.

<sup>11</sup> *See, e.g.*, *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (financial data); *N.Y. Mercantile Exch., Inc. v. Intercontinental Exch., Inc.*, 497 F.3d 109 (2d Cir. 2007) (car prices); *CDN Inc. v. Kapes*, 197 F.3d 1256 (9th Cir. 1999) (coin prices).

<sup>12</sup> Justices Holmes and Brandeis both filed dissents in the case that gave birth to the misappropriation doctrine. *See Int'l News Serv. v. Associated Press (INS)*, 248 U.S. 215, 246–67 (1918). Learned Hand, writing for the Second Circuit, attempted to confine the doctrine to news-gathering organizations operating during the First World War. Responding to a plaintiff's reliance on the misappropriation doctrine as articulated in *INS*, Judge Hand wrote in *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279 (2d Cir. 1929), *cert. denied*, 281 U.S. 728 (1930):

Although that concerned another subject-matter—printed news dispatches—we agree that, if it meant to lay down a general doctrine, it would cover this case; at least, the language of the majority opinion goes so far. We do not believe that it did. While it is of course true that 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. This appears to us such an instance; we think that no more was covered than situations substantially similar to those then at bar.

The difficulties of understanding it otherwise are insuperable.

*Id.* at 280. Judge Richard Posner, in *Misappropriation: A Dirge*, said, “[c]larity of analysis would be enhanced if the doctrine and the very word were banished from discussions of intellectual property law.” 40 HOUS. L. REV. 621, 641 (2003). The American Law Institute also tried to put an end to the misappropriation tort. “The better approach, and the one most likely to achieve an appropriate balance between the competing interests, does not recognize a residual common law tort of misappropriation.”

A major decision by the Second Circuit in *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*<sup>13</sup> only postponed the ultimate reckoning with a narrow holding that denied relief against the unauthorized distribution of the plaintiffs' stock recommendations. The reemergence of the misappropriation tort from the shadow of federal copyright law is somewhat improbable, resting as it does on a single paragraph of legislative history, extracted from an ABA Committee Report directed at a portion of the copyright revision bill that was never actually enacted.<sup>14</sup> Nevertheless, the tort's application to news on the Internet has been cheered by numerous commentators.<sup>15</sup> The outcome of these disputes over the appropriate boundaries of copyright and the viability of misappropriation tort will determine whether facts can be freely disseminated on the Internet. After a short review of the current state of copyright protection for news, this article examines the recent attempts by content providers to gain control over facts through federal copyright law and the common law tort of misappropriation.

## I. COPYRIGHT IN NEWS REPORTS

### A. News Stories

News providers already enjoy significant legal protection for their work. The text of news stories has long been entitled to protection under copyright law.<sup>16</sup> In the latest eruption over the copying of news content on the Internet, Barclays Capital and

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Restatement (Third) of Unfair Competition (1995) § 38, cmt. b. As co-reporter for the Restatement, I authored the text counseling elimination of the tort.

<sup>13</sup> 650 F.3d 876 (2d Cir. 2011).

<sup>14</sup> See *infra* text accompanying notes 303–37.

<sup>15</sup> See *infra* notes 238–39.

<sup>16</sup> “No doubt news articles often possess a literary quality, and are the subject of literary property at the common law; nor do we question that such an article, as a literary production, is the subject of copyright by the terms of the act as it now stands.” *INS*, 248 U.S. at 234. The history of copyright in news stories is explored in Robert Brauneis, *The Transformation of Originality in the Progressive-Era Debate Over Copyright in News*, 27 *CARDOZO ARTS & ENT. L.J.* 321 (2009). Not everyone believes that copyright is appropriate for news stories. See, e.g., Eric B. Easton, *Who Owns “The First Rough Draft of History?”: Reconsidering Copyright in News*, 27 *COLUM. J.L. & ARTS* 521 (2004).

other major financial firms sued a news service that distributed information from the plaintiffs' research reports to paying customers via an online newsfeed.<sup>17</sup> The litigation focused mainly on the plaintiffs' efforts to utilize the misappropriation doctrine to prevent the defendant from reporting on their market recommendations.<sup>18</sup> In a few instances, however, the defendant had also distributed summaries containing verbatim copying of key excerpts from the plaintiffs' research reports.<sup>19</sup> That particular conduct posed few legal difficulties. After abandoning an almost certainly futile fair use defense, the defendant was held liable for copyright infringement.<sup>20</sup> Remedies included statutory damages, prejudgment interest, attorney's fees, and a permanent injunction.<sup>21</sup>

Systematic republication of news stories and excerpts is consistently held to be copyright infringement. In *Nihon Keizai Shimbun, Inc. v. Comline Business Data, Inc.*,<sup>22</sup> for example, a defendant was held liable for distributing to its customers "abstracts"—actually "rough translations"—of news articles from the plaintiff's financial newspapers.<sup>23</sup> The Second Circuit reaffirmed the defendant's right to republish the "facts" contained in the articles, but tracking an average of two-thirds of each article sentence by sentence was a *prima facie* infringement.<sup>24</sup> Predictably, the defendant raised a fair use defense under section 107 of the Copyright Act.<sup>25</sup> "News reporting," after all, is listed in the preamble to section 107 as a use that may be amenable to fair

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<sup>17</sup> *Barclays II*, 650 F.3d 876.

<sup>18</sup> See *infra* text accompanying notes 180–216.

<sup>19</sup> *Barclays II*, 650 F.3d at 883–84.

<sup>20</sup> *Id.* at 886.

<sup>21</sup> See *Barclays Capital Inc. v. Theflyonthewall.com, Inc. (Barclays I)*, 700 F. Supp. 2d 310, 328–31, *rev'd on other grounds*, 650 F.3d 876 (2d Cir. 2011). The defendant did not appeal the judgment in favor of the plaintiffs on their copyright claims. See *Barclays II*, 650 F.3d at 880.

<sup>22</sup> 166 F.3d 65 (2d Cir. 1999).

<sup>23</sup> *Id.* at 69.

<sup>24</sup> *Id.* at 71. Although a "close call," the Second Circuit found insufficient quantitative similarity with respect to one excerpt that copied only the first paragraph of a six-paragraph article. *Id.*

<sup>25</sup> 17 U.S.C. § 107 (2006). The fair use inquiry focuses on four factors: the purpose of the use, the nature of the copyrighted work, the amount used by the defendant, and the effect on the potential market for the copyrighted work. See *id.*

use.<sup>26</sup> The court in *Nihon* rejected the fair use defense, emphasizing that the use was not “transformative” because the defendant added nothing to the pre-existing works and its use served the same purpose as the originals.<sup>27</sup> The market effect factor also “weighed strongly against fair use because Comline’s abstracts competed directly with the Nikkei articles.”<sup>28</sup>

A similar result had been reached earlier by the same court in *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*,<sup>29</sup> when a weekly financial newspaper included abstracts of the plaintiff’s market research reports as a regular feature of its publication.<sup>30</sup> The fair use defense was rejected on the grounds that the copying was substantial in quantity and quality and reduced the economic value of the plaintiff’s reports.<sup>31</sup>

A fair use argument is less easily dismissed when the copying of news stories provides a forum for criticism or commentary. *Los Angeles Times v. Free Republic*<sup>32</sup> thus seems a more difficult case than *Nihon* or *Wainwright*. Free Republic was a website that allowed registered users to post current news articles.<sup>33</sup> Users of the site could then comment on the posted articles.<sup>34</sup> The *Los Angeles Times* and *Washington Post* claimed infringement.<sup>35</sup> Free Republic argued that the postings were fair use, but the defense was rejected on summary judgment.<sup>36</sup> Although conceding that

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<sup>26</sup> *Id.*

<sup>27</sup> *Nihon*, 166 F.3d at 72.

<sup>28</sup> *Id.* at 73.

<sup>29</sup> 558 F.2d 91 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014 (1978).

<sup>30</sup> *Id.* at 94.

<sup>31</sup> The court attempted a summary of the scope of copyright in news reports. “What is protected is the manner of expression, the author’s analysis or interpretation of events, the way he structures his material and marshals facts, his choice of words, and the emphasis he gives to particular developments.” *Id.* at 95–96. Inclusion of “the author’s analysis or interpretation of events” may go too far. *See Harper & Row Publishers v. Nation Enters.*, 471 U.S. 539, 548 (1985) (“Especially in the realm of factual narrative, the law is currently unsettled regarding the ways in which uncopyrightable elements combine with the author’s original contributions to form protected expression.”).

<sup>32</sup> 54 U.S.P.Q.2d (BNA) 1453 (C.D. Cal. 2000).

<sup>33</sup> *Id.* at 1555; *see also* FREE REPUBLIC, <http://www.freerepublic.com> (last visited Oct. 4, 2012).

<sup>34</sup> *See L.A. Times*, 54 U.S.P.Q.2d at 1454.

<sup>35</sup> *See id.*

<sup>36</sup> *See id.*

commentary was a legitimate basis for fair use, the court said that the use reduced traffic to the plaintiffs' own websites, resulting in lost advertising revenue and interfering with their ability to charge for online access.<sup>37</sup>

The court's chief concern, however, seemed to be whether the extent of the defendant's use exceeded any legitimate justification.<sup>38</sup> The court concluded that the defendant's purpose of promoting public discussion could be served using only summaries of the news articles, or by using links to the articles themselves, which were hosted on the plaintiffs' websites.<sup>39</sup>

The court's analysis of economic harm and the amount of the defendant's use in *Los Angeles Times v. Free Republic* is potentially applicable to copying by bloggers and other commentators. But perhaps a site like Free Republic that posts news on all subjects is a greater competitive threat to newspapers than are blogs limited to specific topics, and the court also stressed that the initial postings on Free Republic often consisted simply of copied news articles, with commentary added only by other users.<sup>40</sup>

A series of infringement actions brought by Righthaven LLC against copiers of news articles in the *Las Vegas Review-Journal* indicates that the typical blogger may fare better than Free Republic.<sup>41</sup> When a realtor posted an excerpt from a news story about housing sales on his Internet blog, along with a link to the full text, an infringement claim was dismissed on the basis of fair

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<sup>37</sup> See *id.* at 1471.

<sup>38</sup> See *id.* at 1468.

<sup>39</sup> *Id.* at 1464.

<sup>40</sup> See *id.* at 1461.

<sup>41</sup> Righthaven LLC, a law firm funded in part by the parent company of the *Las Vegas Review-Journal* for the purpose of controlling the use of its news material on the internet, has filed at least 250 copyright infringement suits after obtaining assignments of the posted materials from copyright owners. See Marc John Randazza, *Copyrights/Infringement: Defense Arguments Against Righthaven Copyright Suits Multiply But Remain Untested*, 81 PAT., TRADEMARK & COPYRIGHT J. (BNA) 729, 729 (Apr. 1, 2011). Many of the cases have been settled, presumably due to the leverage provided by the statutory damages provision of the Copyright Act. See 17 U.S.C. § 504(c)(2) (2006) (damages up to \$150,000 per infringed work for willful infringements).



use.<sup>42</sup> The purpose of the use was educational, only eight of thirty sentences had been reproduced, and the court found that the use was unlikely to affect the market for the news article.<sup>43</sup>

Similarly, an Internet user who posted the entire text of a news article about public employee pensions on a website discussion forum won summary judgment on a fair use defense.<sup>44</sup> Since the user's non-commercial posting furthered discussion of state budget issues, the court found that even "wholesale" copying did not preclude a finding of fair use.<sup>45</sup>

In yet another case brought by Righthaven, a non-profit organization dedicated to helping immigrants won a summary judgment when it posted the entire text of a news article on its website.<sup>46</sup> The defendant's burden on the fair use issue was eased since Righthaven could not show any harm to the limited interest in the copyright that had been assigned to it by the originating newspaper.<sup>47</sup> The court also found that use of the entire article was reasonable given the educational purpose of the use and in order "to give the full flavor of the information."<sup>48</sup>

Thus, for whole articles and substantial excerpts, copyright generally provides reliable protection to news originators against competitive uses and, for better or for worse, imposes risks on even non-commercial copiers that may discourage wholesale and systematic redistribution.

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<sup>42</sup> Righthaven LLC v. Realty One Grp., Inc., 96 U.S.P.Q.2d (BNA) 1516, 1518 (D. Nev. 2010).

<sup>43</sup> *Id.*

<sup>44</sup> Righthaven LLC v. Hoehn, 792 F. Supp. 2d 1138, 1145 (D. Nev. 2011). The court also ordered dismissal of the action on the ground that Righthaven lacked standing to bring suit, finding that the assignment from the copyright owner did not grant Righthaven "ownership of any exclusive rights" in the work. *Id.* at 1146-47. See 17 U.S.C. § 501(b) ("[L]egal or beneficial owner of an exclusive right under copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it."). *Accord, e.g.*, Righthaven LLC v. Democratic Underground, LLC, 791 F. Supp. 2d 968, 976 (D. Nev. 2011); Righthaven LLC v. Wolf, 813 F. Supp. 2d 1265, 1271-72 (D. Colo. 2011).

<sup>45</sup> *Hoehn*, 792 F. Supp. 2d. at 1149-50.

<sup>46</sup> Righthaven LLC v. Jama, 2011 WL 1541613, at \*1, \*5 (D. Nev. 2011).

<sup>47</sup> *See id.* at \*4.

<sup>48</sup> *Id.* at \*3.

### B. *Headlines and Leads*

The most common “use” of news content on the web may be the ubiquitous links that take users from an aggregation, blog, or other referring web site to news content on an originator’s own site. The link itself is not problematic under copyright law. Links are merely instructions that direct a user’s browser to a different web site—content is then reproduced, displayed, and distributed by the originator’s own site.<sup>49</sup> To be useful, however, the link must be labeled, and in the case of news content, the most tempting and obvious label is the headline of the news story being linked. If headlines are copyrightable, their use to label links is a potential infringement. Some linking aggregators and bloggers take more, however, offering users not only a link labeled with a news headline but also a portion of the article’s lead paragraph, written to give readers the main idea of the story, usually with an emphasis on attention-grabbing facts.

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<sup>49</sup> See *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1161–62 (9th Cir. 2007) (holding that a link to copyrighted material does not violate the display or distribution right granted copyright owners in 17 U.S.C. § 106(3), (5)). One type of link might be more problematic. In an early online news case, several news companies sued a web site that provided links to news content located on the plaintiffs’ sites. See Complaint at 8, *Washington Post Co. v. Total News, Inc.*, No. 97 Civ. 1190 (S.D.N.Y. filed Feb. 20, 1997). The “in-line” links displayed the linked content within a frame on the defendant’s web site that covered advertising on the content owners’ sites with advertising from the defendant’s own web site. *Id.* The complaint relied primarily on the common law misappropriation tort and the case was settled on terms that allowed the defendant to link to the plaintiffs’ content with non-framing links. Bruce P. Keller, *Condemned to Repeat the Past: The Reemergence of Misappropriation and Other Common Law Theories of Protection for Intellectual Property*, 11 HARV. J.L. & TECH. 410, 419–23 (1998). Content owners might argue that even if “in-line” links do not infringe their reproduction, display, or distribution rights under the holdings of cases such as *Perfect 10*, the user has in effect created a new version of the copyrighted content in violation of the owner’s exclusive right to prepare derivative works under 17 U.S.C. § 106(2). See *FutureDontics Inc. v. Applied Anagramics Inc.*, 45 U.S.P.Q.2d (BNA) 2005, 2006–07 (C.D. Cal.), *aff’d*, 152 F.3d 925 (9th Cir. 1998) (declining to dismiss a count alleging violation of the derivative right through a framing link). However, the most appropriate response may have been given by Judge Batts in *1-800 Contacts, Inc. v. When-U.com*, who said that “pop-up” ads that covered a portion of the plaintiff’s web site did not “recast, transform or adapt” (paraphrasing the definition of “derivative work” in 17 U.S.C. § 101) the plaintiff’s web site and thus did not create infringing derivative works. 309 F. Supp. 2d 467, 487 (S.D.N.Y. 2003), *rev’d on other grounds*, 414 F.3d 400 (2d Cir.), *cert. denied*, 546 U.S. 1033 (2005).

No court has ruled on the copyrightability of news headlines under U.S. law, although one case came tantalizingly close.<sup>50</sup> In 2005, the French news organization Agence France-Presse filed a suit claiming that Google's use of the agency's headlines, leads, and photos on its news aggregation site infringed the agency's copyrights.<sup>51</sup> The parties filed cross motions for partial summary judgment on the issue of whether the headlines used as links by Google were copyrightable subject matter.<sup>52</sup> The court heard oral arguments on the motions, but the case settled when the parties reached a licensing agreement.<sup>53</sup>

In support of its summary judgment motion, Google offered three reasons why news headlines should not be copyrightable.<sup>54</sup> The first argument rested on the fact that headlines are small works—in this case never exceeding ten words, according to the plaintiff's style book.<sup>55</sup> Only "original works of authorship" are eligible for copyright.<sup>56</sup> The Supreme Court has interpreted that standard to require "only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity."<sup>57</sup> Short works like headlines are unlikely to exhibit the requisite creativity.<sup>58</sup> The regulations of the Copyright Office reflect this

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<sup>50</sup> A decision by the Court of Appeal in the United Kingdom recently held that newspaper headlines could qualify as original literary works and their use as links could be an infringement of copyright. *Newspaper Licensing Agency v. Meltwater Holding BV* [2011] EWCA (Civ) 890, [16].

<sup>51</sup> First Amended Complaint, *supra* note 9, at 28.

<sup>52</sup> See Michael Warnecke, *Copyrights/Infringement: In Battle Over Use of News Headlines, Court Focuses on Policy Implications for Web*, 71 PAT., TRADEMARK & COPYRIGHT J. (BNA) 269 (2006).

<sup>53</sup> See *Copyright/Infringement: Agence France-Presse, Google Inc. Settle Copyright Infringement Dispute*, 73 PAT., TRADEMARK & COPYRIGHT J. (BNA) 706 (2007).

<sup>54</sup> Google's Motion and Memorandum for Partial Summary Judgment Dismissing Count II for Lack of Protectable Subject Matter, *Agence France-Presse v. Google Inc.*, No. 1:05 Civ. 00546 (D.D.C. filed Mar. 17, 2005), 2005 WL 3174401.

<sup>55</sup> See *id.*

<sup>56</sup> 17 U.S.C. § 102(a) (2006).

<sup>57</sup> *Feist Publ'ns., Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991).

<sup>58</sup> See, e.g., *Hutchins v. Zoll Med. Corp.*, 492 F.3d 1377, 1385 (Fed. Cir. 2007) (phrases such as "Call for help" and "Check breathing" in CPR software are not copyrightable); *CMM Cable Rep, Inc. v. Ocean Coast Props., Inc.* 97 F.3d 1504, 1520 (1st Cir. 1996) (phrases such as "call in, clock in, and win" not copyrightable); *Magic Mktg., Inc. v. Mailing Serv. of Pittsburgh, Inc.*, 634 F. Supp. 769, 772 (W.D. Pa. 1986)

view, excluding from copyright registration “[w]ords and short phrases such as names, titles, and slogans; familiar symbols or designs; mere variations of typographic ornamentation, lettering or coloring; mere listing of ingredients or contents.”<sup>59</sup>

Admittedly, however, it may be possible for even a “small” work to exceed the necessary threshold of creativity, which the Supreme Court has characterized as “extremely low.”<sup>60</sup> As the leading treatise on copyright puts it, “it would seem (notwithstanding the above quoted Copyright Office Regulation) that even a short phrase may command copyright protection if it exhibits sufficient creativity.”<sup>61</sup> Thus, especially clever headlines might sometimes make the grade, although apparently not those of Agence France-Presse, which admitted that its headlines are not “hardened” or “jazzed up” to be more eye-catching.<sup>62</sup> Even creative headlines, however, face other obstacles to protection.

Google’s memorandum in support of its motion for summary judgment also made the point that headlines are factual statements about the news.<sup>63</sup> Facts are not eligible for copyright protection.<sup>64</sup> Protection is limited to the way the facts are expressed.<sup>65</sup> However, in some circumstances protection for even the literary expression of facts may effectively prevent others from communicating the underlying information. As Google put it, the law should withhold copyright from expressions of facts when necessary “to keep the ‘basic building blocks’ of public discourse

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(phrases such as “Priority Message,” “Contents Require Immediate Attention” and “Gift Check Enclosed” are not copyrightable); 1 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 2.7.3 (2d ed. 2011) (“The shorter a phrase is, the less likely it is to be original and the more likely it is to constitute an idea rather than an expression.”); 1 MELVIN B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 2.01[B] (“The smaller the effort (*e.g.*, two words) the greater must be the degree of creativity in order to claim copyright protection.”).

<sup>59</sup> 37 C.F.R. § 202.1(a) (2010).

<sup>60</sup> *See* Feist Publ’ns., Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 345 (1991).

<sup>61</sup> 1 NIMMER, *supra* note 58, at 9.

<sup>62</sup> Google’s Motion and Mem., *supra* note 54, at 2.

<sup>63</sup> *See id.* at 3.

<sup>64</sup> *See infra* Part II.

<sup>65</sup> *See infra* text accompanying note 157.

freely available.”<sup>66</sup> This is in essence an appeal to the copyright doctrine of merger. As explained by one court:

Under the copyright law doctrine of merger, a close cousin to the idea/expression dichotomy, copyright protection will be denied to even some *expressions* of ideas if the idea behind the expression is such that it can be expressed only in a very limited number of ways. The doctrine is designed to prevent an author from monopolizing an idea merely by copyrighting a few expressions of it.<sup>67</sup>

If copyright protection were freely extended to headlines, the possible non-infringing headline variations for a particular news story might well be used up, leaving subsequent writers with no choice but to risk infringement of a previously copyrighted version.<sup>68</sup>

Google offered an additional argument against copyright in headlines, even creative ones. As the Copyright Office regulation illustrates, titles have traditionally been excluded from copyright protection.<sup>69</sup> Agence France-Presse responded that “headlines are parts of stories, not identifiers like titles,”<sup>70</sup> but the distinction between “headlines” and “titles” is unconvincing. A book or movie title is as much a part of that work as a news headline, and—more to the point—the headline is often the only practical way of identifying a particular news article. For example, *The Bluebook* citation form for news articles includes the “title”—

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<sup>66</sup> Google’s Motion and Mem., *supra* note 54, at 3(a).

<sup>67</sup> *Toro Co. v. R & R Prods. Co.*, 787 F.2d 1208, 1212 (8th Cir. 1986).

<sup>68</sup> Professor Alfred Yen has drawn a similar conclusion: “Courts would therefore probably deny copyright to many headlines under the principle of merger.” Alfred C. Yen, *A Preliminary First Amendment Analysis of Legislation Treating News Aggregation as Copyright Infringement*, 12 VAND. J. ENT. & TECH. L. 947, 956 (2010).

<sup>69</sup> *See, e.g.*, 1 GOLDSTEIN, *supra* note 58, at 2:101 (“Courts have universally held that titles of works are not copyrightable.”); 1 NIMMER, *supra* note 58, § 2.16 (“It is nevertheless clear, as a matter of statutory construction by the courts (as well as Copyright Office Regulations), that titles may not claim statutory copyright.”).

<sup>70</sup> Response in Opposition to Google, Inc.’s Motion for Partial Summary Judgment at 5, *Agence France-Presse v. Google Inc.*, No. 1:05 Civ. 00546 (D.D.C. Oct. 26, 2005) 2002WL 3174409 [hereinafter Response in Opposition].

presumably the headline—of the article.<sup>71</sup> If headlines—serving as titles and distinguishing one news story from another—are copyrightable, every subsequent reference to the news story would become a *prima facie* infringement. A *per se* rule excluding headlines from copyright would also avoid a headline-by-headline evaluation of creativity and merger, thus creating a safe harbor for headline links.

Although not included within the scope of the summary judgment motions, Agence France-Presse had also complained about Google’s use of leads from the agency’s news articles.<sup>72</sup> Lead paragraphs afford more space for the creative intellectual effort necessary for copyright,<sup>73</sup> thus presenting a stronger case for copyright than headlines. Protection for leads is also less likely to present problems of merger since the possible variations in expression expand with the increased size of a work. Perhaps more importantly the use of leads, unlike headlines, is not necessary to identify a particular news story. Whether copying all or a portion of a lead paragraph is an infringement can only be determined case by case. In one such case, the Second Circuit held that copying the first paragraph of a six-paragraph news article did not produce the “substantial similarity” necessary for infringement.<sup>74</sup>

Even if a newspaper succeeds in arguing that the headlines or leads copied by an aggregator are copyrighted, it will still likely face the inevitable fair use defense. The extent to which the defendant’s use is “transformative” plays a key role in assessing “the purpose and character of the use” under the first statutory fair use factor.<sup>75</sup> Two Ninth Circuit cases involving image search

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<sup>71</sup> THE BLUEBOOK: A UNIFORM SYSTEM OF CITATION R. 16.6, at 151 (Columbia Law Review Ass’n et al. eds., 19th ed. 2010).

<sup>72</sup> See Response in Opposition, *supra* note 70, at 6.

<sup>73</sup> See generally Melvin Mencher, *The Lead*, NEWS REPORTING AND WRITING, [http://www.columbia.edu/itc/journalism/isaacs/client\\_edit/Mencher.html](http://www.columbia.edu/itc/journalism/isaacs/client_edit/Mencher.html) (last visited Oct. 25, 2012) (explaining the different ways in which to write a lead).

<sup>74</sup> See *Nihon Keizai Shimbun, Inc. v. Comline Bus. Data, Inc.*, 166 F.3d 65, 71 (2d Cir. 1999) (“a close call”).

<sup>75</sup> See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994) (explaining that the first fair use factor “asks . . . whether and to what extent the new work is ‘transformative.’” Although such transformative use is not absolutely necessary for a

engines concluded that the use of thumbnail images by search engines is a transformative, rather than a superseding, use of the original images, since such use serves a different purpose than the original expression by transforming the images into pointers that assist in accessing information.<sup>76</sup> The same could be said about headline links. Newspapers might argue that unlike the low-resolution thumbnail images in the search engine cases, the use of headlines as links can be a superseding use since the headline may be sufficient in itself to satisfy the reader's desire for information. However, characterizing a headline link as a superseding use is problematic even when readers choose not to click through to the original content. Rather than using the headline as a substitute for the original content, it may be more accurate to say that those readers have simply decided that they are not interested in the original content.

The "purpose and character of the use" factor also directs courts to consider whether the "use is of a commercial nature."<sup>77</sup> If money is made by exploiting a copyrighted work, the copyright owner has a natural claim to the proceeds. Many news aggregation sites, and even many blogs, are commercial enterprises supported by advertising or subscription fees.<sup>78</sup> However, unlike traditional commercial uses, the exploitation here is more attenuated since the linking site is not directly selling copies of the copyrighted works.<sup>79</sup> In addition, the more transformative the use, the weaker the copyright owner's claim to any proceeds generated by the

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finding of fair use, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works.") (citations and footnote omitted).

<sup>76</sup> See *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1165 (9th Cir. 2007); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818–19 (9th Cir. 2003).

<sup>77</sup> 17 U.S.C. § 107(1) (2006).

<sup>78</sup> See, e.g., *Kelly*, 336 F.3d at 818 ("Arriba operates its web site for commercial purposes.").

<sup>79</sup> See *id.* (reasoning that although the image search engine's use was commercial, "it was more incidental and less exploitative in nature than more traditional types of use" since the defendant "was neither using [plaintiff's] images to directly promote its web site nor trying to profit by selling [plaintiff's] images"); cf. *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 921–22 (2d Cir. 1994), *cert. dismissed*, 516 U.S. 1005 (1995) (finding the link between the defendant photocopier's business profits and the copying "somewhat attenuated" and not "commercial exploitation" although acknowledging "at least some indirect economic advantage" from the copying).

use.<sup>80</sup> Both factors may help to neutralize the commercial nature of an aggregator's use. In the end, the public benefit in improving access to information on the Internet may suffice to tilt the balance of the first fair use factor toward the defendants.<sup>81</sup>

Little is usually made of the second fair use factor—"the nature of the copyrighted work"<sup>82</sup>—unless the work is unpublished or is, as in the news context, a factual work.<sup>83</sup> The latter circumstance typically elicits a statement that the scope of fair use is broader for factual works in light of the heightened public interest in dissemination.<sup>84</sup>

The third factor in section 107—the "amount and substantiality of the use"<sup>85</sup>—includes a qualitative as well as a quantitative assessment of the defendant's use.<sup>86</sup> Although headlines and leads are quantitatively small, newspapers can be expected to argue that they are the heart of a news story and that their reproduction thus weighs heavily against a fair use defense. Courts have held that the amount of use, however, should not be evaluated in the abstract, but instead in relation to the amount that is necessary to effectuate the defendant's legitimate fair use purposes.<sup>87</sup> The use

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<sup>80</sup> See *Acuff-Rose*, 510 U.S. at 579 ("[T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use."); *Perfect 10*, 508 F.3d at 1166–67 (finding Google's transformative use of images as thumbnails outweighed the fact that the use was commercial); *Kelly*, 336 F.3d at 818.

<sup>81</sup> See *Perfect 10*, 508 F.3d at 1165 (noting the "social benefit" of electronic reference tools); *Kelly*, 336 F.3d at 820 (noting that the use of the thumbnail images "benefit the public by enhancing information-gathering techniques on the internet").

<sup>82</sup> 17 U.S.C. § 107(2).

<sup>83</sup> See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 553–56 (1985).

<sup>84</sup> See *id.* at 563 ("The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy.").

<sup>85</sup> 17 U.S.C. § 107(1).

<sup>86</sup> See *Harper*, 471 U.S. at 564–65.

<sup>87</sup> See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586–87 (1994) ("[W]e recognize that the extent of permissible copying varies with the purpose and character of the use."); *Chicago Bd. of Ed. v. Substance, Inc.*, 354 F.3d 624, 629 (7th Cir. 2003), *cert. denied*, 543 U.S. 816 (2004) ("[T]he fair use copier must copy no more than is reasonably necessary (not strictly necessary—room must be allowed for judgment, and judges must not police criticism with a heavy hand) to enable him to pursue an aim that the law recognizes as proper . . . ."); *Kelly*, 336 F.3d at 820–21 ("[T]he extent of permissible copying varies with the purpose and character of the use. If the secondary user only



of headlines seems indispensable to the links that assist users to access desired news content. Leads, however, are less directly related to that purpose, and come closer instead to substituting for the copyrighted content. Copying leads may tilt this factor toward copyright owners.

The final fair use factor considers the effect of the use on the potential market for or value of the copyrighted work.<sup>88</sup> Typically, it will be impossible for content owners to tie a decrease in the market for print versions of their works to an aggregator's or blogger's use of headlines or leads taken from the owner's online site.<sup>89</sup> Content owners are more likely to claim that the use affects revenues related specifically to their online sites, primarily lost advertising revenue caused by a drop in traffic to their sites.<sup>90</sup>

However, the impact of aggregation on web site traffic is unclear. One study found that 44% of Google News users failed to click through to any of the original content after scanning the headlines,<sup>91</sup> but there was no estimate of how many of those users would have otherwise visited the originating sites. Some of the many who did follow links to originating web sites might not have otherwise visited those sites.<sup>92</sup> Net gains or losses are difficult to estimate.<sup>93</sup> Some anecdotal evidence suggests that aggregation sites and blogs may increase traffic and potential advertising revenues for news sites.<sup>94</sup> Moreover, there are now technical means to prevent search engines and aggregators from

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copies as much as is necessary for his or her intended use, then this factor will not weigh against him or her.") (footnote omitted).

<sup>88</sup> 17 U.S.C. § 107(4).

<sup>89</sup> See Erick Schonfeld, *The Media Bundle is Dead, Long Live The News Aggregators*, (in small caps) TECHCRUNCH (Aug. 16, 2009), <http://techcrunch.com/2009/08/16/the-media-bundle-is-dead-long-live-the-news-aggregators>.

<sup>90</sup> See *id.*

<sup>91</sup> See Robin Wauters, *Report: 44% of Google News Visitors Scan Headlines, Don't Click Through*, TechCrunch (Jan. 19, 2010), <http://techcrunch.com/2010/01/19/outsell-google-news> (reporting on the research firm Outsell's News Users' report).

<sup>92</sup> See Lesley Chiou & Catherine Tucker, *Copyright, Digitization, and Aggregation*, 1, 3 (Dec. 17, 2011), [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1864203](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1864203).

<sup>93</sup> See *id.*

<sup>94</sup> See *id.* at 2–3.

automatically crawling a web site to index or extract its content.<sup>95</sup> The fact that most news sites do not block such web crawling may indicate that the sites have at least tentatively concluded that they are better off being aggregated than not.<sup>96</sup> Similarly, when *The New York Times* announced that it was limiting the number of articles that readers could read each month for free on its web site, the policy specifically excluded articles reached by readers through search engines and other links.<sup>97</sup>

Another source of potential economic harm that owners might attribute to aggregation and blogging is the loss of revenue from licensing those uses of their content. There is an obvious problem with taking lost licensing revenue into account in evaluating fair use, since copyright owners can always claim that any unauthorized use deprived them of the revenue they would otherwise have received for licensing the use. With that in mind, courts have considered lost licensing revenues only when a traditional derivative market already exists or is likely to be developed and have excluded markets for transformatively different uses.<sup>98</sup> The lost licensing revenue argument is thus weak with respect to the transformative use of headlines as links to the news stories that they designate. The use of leads by aggregators, however, is less transformative and less necessary, and a licensing market involving content owners and aggregators apparently

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<sup>95</sup> Josh Cohen, *Working with News Publishers*, Google Public Policy Blog (July 15, 2009, 2:25 PM), <http://googlepublicpolicy.blogspot.com/2009/07/working-with-news-publishers.html>; see *Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1116 (D. Nev. 2006) (referring to expert testimony explaining how a web site publisher can prevent a search engine from caching its site).

<sup>96</sup> The court in *Field* goes further, concluding that the failure of a web site owner to use technical means to prevent search engines from indexing and caching the site constitutes an implied license to make such use. *Field*, 412 F. Supp. 2d at 1116.

<sup>97</sup> Arthur Sulzberger, Jr., *A Letter to Our Readers*, N.Y. TIMES, Mar. 28, 2011, at A26. (“Readers who come to Times articles through links from search engines, blogs and social media will be able to read those articles, even if they have reached their monthly reading limit. This allows new and casual readers to continue to discover our content on the open Web.”).

<sup>98</sup> See, e.g., *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 614 (2d Cir. 2006).

already exists.<sup>99</sup> On this factor too, the use of leads presents a weaker claim to fair use than headlines.

Thus, even if the use of headlines as links is a *prima facie* infringement, a fair use defense is likely to prevail. When a headline is used to identify a link and not merely to convey its factual content, the use seems transformative. The use involves a work of fact and takes no more than necessary to fulfill what seems a legitimate fair use purpose, while the economic effect remains open to question. For leads, the closest comparison is not to headlines but to the use of excerpts or complete news stories, leaving the outcome on fair use to be determined case by case.

## II. COPYRIGHT IN FACTS

Suppose that an aggregator or blogger reproduces neither the text of a news story nor its headline or lead, taking instead only facts reported in the article, such as the particular investment rating given by a financial analyst to a specific bond or stock. That should not be a problem under copyright law—at least if Congress, the United States Supreme Court, and the leading commentators on copyright are to be believed.<sup>100</sup> But what then should be made of

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<sup>99</sup> Chiou & Tucker, *supra* note 92, at 5.

<sup>100</sup> Section 102(b) of the Copyright Act prohibits copyright protection for “any idea, procedure, process, system, method of operation, concept, principle, or discovery.” 17 U.S.C. § 102(b) (2006). The statutory language was clearly intended to subsume information. “Copyright does not preclude others from using the ideas or information revealed by the author’s work.” H.R. REP. NO. 94-1476, at 56 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5670; *see* Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 547 (1985) (“[N]o author may copyright facts or ideas. The copyright is limited to those aspects of the work—termed ‘expression’—that display the stamp of the author’s originality.”) (citation omitted); *id.* at 556 (“No author may copyright his ideas or the facts he narrates.”); Feist Publ’ns., Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 344 (1991) (“That there can be no valid copyright in facts is universally understood.”); *INS*, 248 U.S. 215, 234 (1918) (“It is not to be supposed that the framers of the Constitution, when they empowered Congress ‘to 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’ (Const. art. 1, § 8, par. 8), intended to confer upon one who might happen to be the first to report a historic event the exclusive right for any period to spread the knowledge of it.”). The leading commentators on copyright agree. “The courts have denied copyright protection not only to historical facts, but also to facts set out in biographical works, in news stories, and in other forms of expression.” 1 NIMMER, *supra* note 58, § 2.11; “[N]o amount of effort in researching, collecting or producing data will

the cryptic remark in Judge Cote's opinion in *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, discussing the copyrightability of equity research recommendations produced by the plaintiff equity firms:

It is also worth bearing in mind that the Recommendations are not objective facts, but rather, subjective judgments based on complex and imperfect evidence. In this sense, the Recommendations produced by the Firms represent the kinds of information to which the Court of Appeals has seen fit to extend copyright protection under copyright laws. Such information has been described as "soft facts" or "soft ideas infused with taste or opinion," and explicitly includes items such as subjective valuations or target prices.<sup>101</sup>

This comment acknowledges a major but underappreciated threat to the basic tenet of copyright law that individual facts are not protected.<sup>102</sup> The heresy can be traced to the Second Circuit's opinion in *CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.*<sup>103</sup> That case and its progeny undermine the fundamental premise of copyright law that protection extends only to the manner in which an author expresses her ideas and information but not to the ideas and information themselves.<sup>104</sup>

*CCC Information* was a declaratory judgment action brought by the owner of a computer database seeking to establish its freedom to copy portions of Maclean's *Automobile Red Book* ("Red Book"), which contained projected values for various

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of itself qualify the results of that effort for copyright protection." 1 GOLDSTEIN, *supra* note 58, § 2.14.

<sup>101</sup> *Barclays I*, 700 F. Supp. 2d 310, 344 (S.D.N.Y. 2010), *rev'd*, 650 F.3d 876 (2d Cir. 2011).

<sup>102</sup> Collections of facts can be protected as compilations if they exhibit sufficient creativity in the selection and arrangement of the individual facts. *See* 17 U.S.C. §§ 103, 101 (2006) (definition of "compilation"). *See, e.g., Feist*, 499 U.S. at 348.

<sup>103</sup> *CCC Info. Servs., Inc. v. Maclean Hunter Mkt. Reports, Inc.* 44 F.3d 61 (2d Cir. 1994), *cert. denied*, 516 U.S. 817 (1995). In fact, Judge Cote's quotation cites to this case. *See Barclays I*, 700 F. Supp. 2d at 344.

<sup>104</sup> 1 NIMMER, *supra* note 58, § 2.03 [D].

models of used cars in different geographic markets.<sup>105</sup> Maclean counterclaimed for copyright infringement.<sup>106</sup> Relying on section 103 of the Copyright Act, which recognizes copyright in “compilations,”<sup>107</sup> and on the Supreme Court’s opinion in *Feist Publications, Inc. v. Rural Telephone Service Co.*,<sup>108</sup> which recognized creativity in the selection and arrangement of data, the court held that the Red Book as a whole was copyrightable as a compilation.<sup>109</sup> The court found that “the selection and arrangement of data in the Red Book displayed amply sufficient originality to pass the low threshold requirement to earn copyright protection,”<sup>110</sup> referring to the originality in the division of car values into separate regional markets, the selection of optional vehicle features to consider, the adjustment of values for mileage in 5,000 mile increments, and the selection of the model years to include in the compilation.<sup>111</sup> So far, so good. But the usually sure-handed Judge Leval,<sup>112</sup> chastising the district court for holding that the Red Book was uncopyrightable, ranged well beyond originality in the selection and arrangement of the Red Book’s data, drawing a dubious distinction between “discovered” facts and estimates or predictions:

The district court was simply mistaken in its conclusion that the Red Book valuations were, like the telephone numbers in *Feist*, pre-existing facts that had merely been discovered by the Red Book editors. To the contrary, Maclean’s evidence demonstrated without rebuttal that its valuations were neither reports of historical prices nor mechanical derivations of historical prices or other data. Rather, they represented predictions by Red Book editors of future prices estimated to cover

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<sup>105</sup> See *CCC Info.*, 44 F.3d. at 67.

<sup>106</sup> See *id.* at 64.

<sup>107</sup> 17 U.S.C. § 103.

<sup>108</sup> *Feist*, 499 U.S. at 348.

<sup>109</sup> See *CCC Info.*, 44 F.3d at 72.

<sup>110</sup> *Id.* at 67.

<sup>111</sup> See *id.*

<sup>112</sup> See, e.g., Pierre Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105 (1990) (arguing against a bright-line standard for fair use).

specified geographic regions. . . . The valuations themselves are original creations of Maclean.<sup>113</sup>

When, in *CDN Inc. v. Kapes*, the publisher of a newsletter on coin prices complained that a coin dealer was using its prices on the dealer's web page, the Ninth Circuit, citing *CCC Information*, enthusiastically and unambiguously fell into line behind the Second Circuit.<sup>114</sup> Unlike the claim in *CCC Information*, the copyright owner here did not allege infringement of its compilation of prices, and thus originality in the selection or arrangement of the coin prices was not an issue.<sup>115</sup> "Rather, the issue in this case is whether the prices themselves are sufficiently original as compilations to sustain a copyright."<sup>116</sup> The court held that they were.<sup>117</sup> In its analysis, the court focused on the subjective process of creating a price list, reasoning "[w]hat is important is the fact that both Maclean and CDN arrive at the prices they list through a process that involves using their judgment to distill and extrapolate from factual data."<sup>118</sup>

The defendant also raised a merger argument, asserting that even if the number used to express a coin's price were copyrightable, the idea of the coin's value can only be expressed through the use of that number and barring copying would thus impermissibly confer a monopoly over the idea itself.<sup>119</sup> As with

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<sup>113</sup> *CCC Info.*, 44 F.3d at 67. Any uncertainty over the implications of the court's comments was removed by a footnote that added, "[o]riginal authorship warranting protection" can be fixed in the form of numbers, citing the Copyright Act's definition of "literary works" in 107 U.S.C. § 101 (2006). *Id.* at 67 n.6. At least one court had preceded the Second Circuit in recognizing copyright in individual valuations. *Marshall & Swift v. BS & A Software*, 871 F. Supp. 952 (W.D. Mich. 1994), involved a claim to copyright in the values appearing in tables of cost estimates for building construction used by appraisers. Plaintiff argued "that the *content* of the tables is protectible expression because it is opinion; that the numbers in the tables represent an appraisal or estimate of value." *Id.* at 959. The court agreed, finding that the plaintiff had "more than adequately supported its contention that judgment and selection are components of its creative process," despite "an apparent lack of case precedent affording copyright protection to the same type of material." *Id.* at 960.

<sup>114</sup> *See* *CDN Inc., v. Kapes*, 197 F.3d 1256, 1260 (9th Cir. 1999).

<sup>115</sup> *See id.* at 1259.

<sup>116</sup> *Id.*

<sup>117</sup> *See id.* at 1262.

<sup>118</sup> *Id.* at 1261.

<sup>119</sup> *Id.*

all merger arguments, the crucial step came in defining the “idea” that should remain available to the defendant and the public.<sup>120</sup> The court sided with plaintiff CDN, stating that “CDN does not, nor could it, claim protection for its idea of creating a wholesale price guide, but it can use the copyright laws to protect its idea of what those prices are.”<sup>121</sup> Somehow, the coin values were not the kind of “facts” that Congress and the Supreme Court had placed beyond the reach of copyright.

Soon after *CCC Information* and *CDN*, a young assistant professor at the University of Alabama offered a direct and forceful refutation of the distinction between “discovered” and so-called “soft” facts, concluding that the two cases were fundamentally inconsistent with *Feist*’s unambiguous bar to copyright in facts.<sup>122</sup> Evidently few people listened. Some years later, though, the Second Circuit did make a half-hearted retreat from *CCC Information* in *New York Mercantile Exchange, Inc. v. Intercontinental Exchange, Inc.*,<sup>123</sup> calling *CCC Information*’s determination that the individual car prices were copyrightable “arguably dicta” since the court had also found that the copyright in the Red Book as a compilation had been infringed.<sup>124</sup> Nevertheless, faced with a claim of copyright in the daily settlement prices of commodities futures contracts, the court in *N.Y. Mercantile* felt compelled to distinguish the car prices in *CCC Information*. According to the court, car prices are “created” predictions.<sup>125</sup> “In contrast, settlement prices can be seen as ‘pre-existing facts’ about the outside world which are discovered from actual market activity.”<sup>126</sup> While acknowledging that “it is a difficult line to draw,” the majority believed “there is a strong

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<sup>120</sup> *Id.*

<sup>121</sup> *Id.* at 1262.

<sup>122</sup> See Alan L. Durham, *Speaking of the World: Fact, Opinion and the Originality Standard of Copyright*, 33 ARIZ. ST .L.J. 791, 842–43 (2001); see also Dan L. Burk, *Method and Madness in Copyright Law*, 2007 UTAH L. REV. 587, 598–600 (2007).

<sup>123</sup> *N.Y. Mercantile Exch., Inc. v. Intercontinental Exch., Inc.*, 497 F.3d 109 (2d Cir. 2007).

<sup>124</sup> *Id.* at 115 n.5.

<sup>125</sup> *Id.* (finding that the car prices were based on predictions for “average” cars that “did not exist”).

<sup>126</sup> *Id.*

argument that, like the census taker, NYMEX does not ‘author’ the settlement prices as the term is used in copyright law.”<sup>127</sup> A final decision on copyrightability was unnecessary, according to the court, since protection would in any event be barred by the merger doctrine.<sup>128</sup> “It is undisputed that all possible expression takes the same form, a number.”<sup>129</sup> A prohibition on copying would thus effectively protect the idea itself.

Although attracting little attention, inroads into the accessibility of facts under the banner of *CCC Information* and *CDN* have continued. In one case, ratings of hospital services were protected as “expressions created,” distinguishing the “discovered” facts excluded under *Feist*;<sup>130</sup> in another, investment recommendations were declared not facts but “original” works since they were the product of professional judgment.<sup>131</sup> One court opined that copyright could be based on creativity “in the production of the data compiled,” although it ultimately rested its decision on creativity in the selection and arrangement of the data.<sup>132</sup> Four-digit numbers used to indicate the load ratings of ball bearings were excluded from copyright only after a district court judge made a factual finding that the amount of “judgment” exercised in choosing the factors that determined the ratings was “minimal”—in other words, more like the settlement prices in *N.Y. Mercantile* than the car values in *CCC Information*.<sup>133</sup> Another recent case fashioned a test for the protectability of “final values”—indices of financial market performance—based on the

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<sup>127</sup> *Id.* at 114. A concurring judge thought the settlement prices were no different than used car values and protectable under the standard announced in *CCC Information*. *Id.* at 120 (Hall, J., concurring in part).

<sup>128</sup> *See id.* at 116.

<sup>129</sup> *Id.* at 118.

<sup>130</sup> *Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc.*, 634 F. Supp. 2d 1226, 1234 (D. Colo. 2009). *See also* *National Football Scouting, Inc. v. Rang*, 2012 WL 6444226 (W.D. Wash. 2012) (scouting grades given to college football players held copyrightable). The ambiguous copyright status of “ratings” is considered in James Grimmelmann, *Three Theories of Copyright in Ratings*, 14 VAND. J. ENT. & TECH. L. 851 (2012).

<sup>131</sup> *Agora Fin., LLC v. Samler*, 725 F. Supp. 2d 491, 503 (D. Md. 2010).

<sup>132</sup> *Jacobsen v. Katzer*, 93 U.S.P.Q.2d (BNA) 1236, 1239–40 (N.D. Cal. 2009).

<sup>133</sup> *RBC Nice Bearings, Inc. v. Peer Bearing Co.*, 676 F. Supp. 2d 9, 22–23 (D. Conn. 2009), *aff’d*, 410 Fed. Appx. 362 (2d Cir. 2010).



Second Circuit's decisions in *CCC Information* and *N.Y. Mercantile*.<sup>134</sup>

[T]o demonstrate that the final values produced from raw data are protectable by copyright, a plaintiff must demonstrate either that (1) the raw data used to create the final value were protectable; *or* (2) the method of converting the raw data into a final value was an original (but not necessarily novel) process that is neither widely accepted as objective, nor an industry standard; *or* (3) the final value did not attempt to measure an empirical reality.<sup>135</sup>

We now seem a long way from the basic principle that facts are not protected by copyright.

This extension of copyright into the realm of information rests on a faulty distinction between “hard” or “discovered” facts and “soft” or “created” ones. The Supreme Court in *Feist* explained the exclusion of facts by invoking the originality requirement: “[F]acts do not owe their origin to an act of authorship.”<sup>136</sup> It used census data as an example, arguing that census takers “do not ‘create’ the population figures that emerge from their efforts,” and hence their data is not “original” as required for copyright.<sup>137</sup> The line of cases emanating from *CCC Information* limits the prohibition in *Feist* to “pre-existing” facts that are “discovered” by their presenter, leaving facts that reflect the subjective judgment of a creator, like the estimated values of used cars or coins, within the scope of copyright protection.<sup>138</sup>

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<sup>134</sup> *BanxCorp v. Costco Wholesale Corp.*, 723 F. Supp. 2d 596, 604 (S.D.N.Y. 2010).

<sup>135</sup> *Id.* at 604–05.

<sup>136</sup> *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 347 (1991).

<sup>137</sup> *Id.* at 347.

<sup>138</sup> I may bear some responsibility for this development. The census data example used by the Supreme Court to explain the exclusion of facts from copyright was taken from an article I published in the *Columbia Law Review*. Robert C. Denicola, *Copyright in Collections of Facts: A Theory for the Protection of Nonfiction Literary Works*, 81 *COLUM. L. REV.* 516, 525 (1981). The example was not intended to distinguish among kinds of facts, “hard,” “soft,” or otherwise. There is no indication in *Feist* that the Supreme Court understood the example in the narrow sense adopted by the cases distinguishing “hard” and “soft” facts.

The distinction between “discovered” and “created” facts seems wrong for at least two reasons. First, even the census data invoked in *Feist* is the product of subjective and creative choices. For example, should summer residents or students at the local college be included in a town’s population? What of undocumented immigrants, or military personnel living at the local air base? How should we deal with persons who are born or die or move in or out of town during the course of the counting period?<sup>139</sup> Judge Easterbrook sensibly opined that Einstein’s  $E=mc^2$  expresses a fact and is thus not copyrightable,<sup>140</sup> but even that apparently “hard” and “discovered” fact is actually an interpretation of observed events that may, like Newton’s  $F=ma$ , prove to be only a brilliant estimate of some deeper reality. The census data excluded from copyright in *Feist* is not different in any fundamental way from the car or coin prices, hospital ratings, or investment recommendations protected in more recent cases.

Reliance on a distinction between “discovered” and “created” facts also seems flawed in another way. In most of the “created” fact cases, the defendants were interested in disseminating not simply a price, or rating, or recommendation, but rather the fact that the plaintiff had calculated or awarded that price, rating, or recommendation. In other words, the relevant fact is not that a particular used car is worth \$5,000, or that a hospital has a three-star pediatrics unit, or that a stock is now rated as “buy.” The facts that the defendants sought to disseminate were the fact that the plaintiff’s Red Book lists a car’s value at \$5,000, the fact that the Health Grades rating service gave the pediatrics unit a three-star rating, and the fact that Barclays Capital rates a certain stock as “buy.” Viewed in this light, the relevant facts are at least as “hard” and “discoverable” as any census data. The estimates or ratings themselves may seem “soft,” but the fact that the plaintiff assigned that particular estimate or rating is “hard” and “discoverable.”

A distinction between “hard” and “soft” facts is also not itself sufficient to secure copyright for the latter “works.” As with any work, “soft” facts must still satisfy the statutory prerequisites for

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<sup>139</sup> See Durham, *supra* note 122, at 838–39.

<sup>140</sup> Am. Dental Ass’n v. Delta Dental Plans Ass’n, 126 F.3d 977, 979 (7th Cir. 1997).

copyright—fixation, independent creation, and sufficient creativity to constitute a work of authorship—the latter two requirements subsumed in *Feist* under the label of “originality.”<sup>141</sup> Neither fixation in a tangible form nor independent creation is typically at issue in the “soft” fact cases. The problematic hurdle is “creativity.” The “works” at issue, after all, are short phrases like “Exxon/Mobil—Buy” or “Plains General Pediatrics—3 Stars” or “Fine 1895 Barber Dime—\$205.” On their face, these “works” seem to fall short of even the “minimal level of creativity” demanded by the Supreme Court in *Feist*.

The “soft” fact cases, however, find the requisite creativity not in the expression of the information, but rather in the process that generated it. The Ninth Circuit in *CDN*, for example, found that the “process” used by the plaintiff to generate the coin values “satisfies the ‘minimal degree of creativity’ demanded by the Constitution for copyright protection.”<sup>142</sup> Similarly, health services ratings were held copyrightable as “the product of a creative and original process.”<sup>143</sup> Another court suggested that “copyright . . . may be afforded compilations if there is a minimum level of creativity, either in the production of the data compiled or in the selection and arrangement.”<sup>144</sup>

There is a straightforward rebuttal to this line of reasoning. Section 102(b) of the Copyright Act specifically excludes from copyright any “idea, procedure, process, system, [or] method of operation,” presumably even creative ones.<sup>145</sup> Copyright

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<sup>141</sup> “Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity.” *Feist*, 499 U.S. at 345 (citing 1 NIMMER, *supra* note 58, § 2.01 [A], [B]).

<sup>142</sup> *CDN, Inc. v. Kapes*, 197 F.3d 1256, 1260 (9th Cir. 1999). The court in *CCC Information* looked to the “multitude of data sources” and the “professional judgment and expertise” in concluding that the used car “valuations themselves are original creations of [plaintiff].” *CCC Info. Servs., Inc. v. Maclean Hunter Mkt. Reports, Inc.*, 44 F.3d 61, 67 (2d Cir. 1994).

<sup>143</sup> *Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc.*, 634 F. Supp. 2d 1226, 1235 (D. Colo. 2009). See also *National Football Scouting, Inc. v. Rang*, 2012 WL 6444226 (W.D. Wash. 2012) (scouting grades for college football players held copyrightable as reflecting a creative weighing of subjective factors).

<sup>144</sup> *Jacobsen v. Katzer*, 93 U.S.P.Q.2d (BNA) 1236, 1239 (N.D. Cal. 2009).

<sup>145</sup> 17 U.S.C. § 102(b) (2006).

protection for “soft” facts thus cannot rest on creativity in the procedure, process, system, or method used to produce them.<sup>146</sup> Several courts have recognized this. The Sixth Circuit in *ATC Distribution Group, Inc. v. Whatever It Takes Transmission & Parts, Inc.*,<sup>147</sup> a case about copying numbers used for transmission parts, held that the parts classification system created by the plaintiff was not copyrightable despite its creativity.<sup>148</sup> Citing the bar to copyright for ideas in section 102(b), the court said that the scheme could not be protected,<sup>149</sup> because “all of the creative aspects of the [plaintiff’s] classification scheme are just that: ideas.”<sup>150</sup>

The Third Circuit’s en banc decision in *Southco, Inc. v. Kanebridge Corp.*<sup>151</sup> similarly held that a numbering system for fasteners was not subject to copyright.<sup>152</sup> “[B]ecause ideas may not be copyrighted, [plaintiff] does not assert any claim of copyright in its numbering system, but instead focuses on the part numbers themselves.”<sup>153</sup> Copyright must rest on the attributes of the generated expression itself, not on the attributes of the system or process responsible for that expression.  $E=mc^2$  is the product of remarkable creativity, but it is not copyrightable. Protection for the underlying idea is barred by section 102(b) and protection for the formula itself as an expression of that idea is not available because, unlike a textual description of special relativity, the formula lacks the minimum level of creative expression required for copyright.<sup>154</sup>

There is yet another objection to recognizing copyright in output based on creativity in the production process. Users who

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<sup>146</sup> See Burk, *supra* note 122, at 598–600; Durham, *supra* note 122, at 807–08.

<sup>147</sup> 402 F.3d 700 (6th Cir. 2005).

<sup>148</sup> See *id.* at 710–12.

<sup>149</sup> *Id.* at 707.

<sup>150</sup> *Id.*

<sup>151</sup> 390 F.3d 276 (3d Cir. 2004) (en banc), *cert. denied*, 546 U.S. 813 (2005).

<sup>152</sup> See *id.* at 282.

<sup>153</sup> *Id.*

<sup>154</sup> Even if the equation’s expression satisfied the required standard of creativity, protection would almost certainly be barred by the merger doctrine since copyright in the equation would effectively prevent access to the underlying idea. See *infra* text accompanying notes 171–73.

have access only to the resulting data cannot make an informed judgment about its protectability. The expression they see may seem too minimal to merit copyright, but, unable to judge the creativity of the underlying process, they cannot evaluate the likelihood or reasonableness of an assertion of copyright. The situation seems roughly analogous to the line of cases that denies copyright protection to fictional material that the author has presented as fact.<sup>155</sup> The public interest in access to facts cautions against requiring users to guess as to the legal status of the information.<sup>156</sup>

The Supreme Court reiterated in *Feist* that an “author can claim originality, if at all, only in the way the facts are presented.”<sup>157</sup> How do the claims of copyright in the “soft” facts cases fare when attention is focused not on the process that produced the data, but on the manner in which the results are expressed? The short phrases used to express car or coin values, investment recommendations, or health service ratings are almost certainly too trivial to reach the level of creativity required for copyright.<sup>158</sup> The creativity involved in crafting such small works presumably falls short of even the “minimal degree of creativity” demanded by *Feist*.<sup>159</sup> After refusing to recognize copyright in the systems that produced the plaintiffs’ parts numbers, both *ATC Distribution Group* and *Southco* held that the numbers themselves did not exhibit sufficient creativity to merit copyright protection.<sup>160</sup> The latter case made the point that since the parts numbers were dictated by the plaintiff’s numbering system, the numbers

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<sup>155</sup> See, e.g., *Mosley v. Follett*, 209 U.S.P.Q. (BNA) 1109 (S.D.N.Y. 1980); *Oliver v. Saint Germain Found.*, 41 F. Supp. 296 (S.D. Cal. 1941). *Oliver* is an odd case, even for California. The defendant was permitted to appropriate material from a copyrighted work because it had been represented by the plaintiff as the revelations of a deceased entity from another world. *Id.* at 299.

<sup>156</sup> See *Arica Inst., Inc. v. Palmer*, 970 F.2d 1067, 1075 (2d Cir. 1992) (holding that plaintiff was estopped from claiming copyright in material represented as fact, even if reasonable readers might not believe the representation).

<sup>157</sup> *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 358 (1991).

<sup>158</sup> See 37 C.F.R. § 202.1(a) (2010), quoted in text accompanying note 59 *supra*.

<sup>159</sup> See cases cited *supra* note 58.

<sup>160</sup> *ATC Distribution Grp., Inc. v. Whatever It Takes Transmission & Parts, Inc.*, 402 F.3d 700, 709 (6th Cir. 2005); *Southco, Inc. v. Kanebridge, Corp.*, 390 F.3d 276, 282 (3d Cir. 2004).

themselves reflected no creativity at all.<sup>161</sup> Both opinions also alluded to another reason for caution in recognizing copyright in “small” works.<sup>162</sup> Copyright in works like numbers, words, or short phrases imposes costs on subsequent users, who, if threatened, may have to bear the costs and risks of proving independent creation or fair use.

One “soft” fact case involving health services ratings specifically rejected a defense premised on the Copyright Office regulation excluding copyright in “words and short phrases,” arguing that copyrightable expression should not be denied protection merely because it consists of a short phrase.<sup>163</sup> As a general proposition, the statement has merit,<sup>164</sup> but as the primary treatise on copyright law cautions, “[t]he smaller the effort (*e.g.*, two words) the greater must be the degree of creativity in order to claim copyright protection.”<sup>165</sup> However, the only “originality” cited by the court to support protection for the health service ratings was the creativity of the process that produced them.<sup>166</sup> The manner in which the ratings were expressed seems both trivial and, perhaps more importantly, dictated by the ratings process itself.

There is yet another objection to copyright in “soft” facts. Even if the expression of the fact somehow achieves the minimum standard of creativity necessary for copyright, protection will almost always be barred by the merger doctrine. *Ho v. Taflove*<sup>167</sup> is an excellent example. A professor claimed infringement of the copyright in notes relating to a model of electron behavior.<sup>168</sup> The Seventh Circuit held that the model itself was an idea and thus not subject to copyright.<sup>169</sup> As for the expression of the idea in an equation, figures, and text, the court invoked the merger

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<sup>161</sup> See *Southco*, 390 F.3d at 282.

<sup>162</sup> See *Distribution Group*, 402 F.3d at 709; *Southco*, 390 F.3d at 286.

<sup>163</sup> *Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc.* 634 F. Supp. 2d 1226, 1238 (D. Colo. 2009).

<sup>164</sup> See 1 NIMMER, *supra* note 58, § 2.01 [B].

<sup>165</sup> *Id.*

<sup>166</sup> *Health Grades*, 634 F. Supp. 2d at 1235.

<sup>167</sup> 648 F.3d 489 (7th Cir. 2011).

<sup>168</sup> See *id.* at 494.

<sup>169</sup> *Id.* at 498.

doctrine.<sup>170</sup> “Under the merger doctrine, when ‘there is only one feasible way of expressing an idea, so that if the expression were copyrightable it would mean that the idea was copyrightable,’ the expression is not protected.”<sup>171</sup> The court concluded that “the equation, figures and text are the only ways to express this idea, and so, under the merger doctrine, these expressions are not copyrightable.”<sup>172</sup> Thus, even when the expression used to communicate the outcomes claimed as “soft” facts exhibits the creativity necessary for copyright, protection will still be inappropriate whenever there is no other way to convey the information.<sup>173</sup>

An incentive rationale is sometimes invoked to justify protection for “soft” facts. The Second Circuit in *CCC Information, Inc. v. Maclean Hunter Market Reports, Inc.*, expressed a general concern that without financial incentives, creators “might direct their energies elsewhere.”<sup>174</sup> In a later case, the same court supported its refusal to recognize copyright in the settlement prices of commodities futures contracts by noting that since the plaintiff was required to establish settlement prices by law and business necessity, there was no need for the additional incentive of copyright.<sup>175</sup> Professor Justin Hughes has offered a detailed justification for copyright in certain “created” or “authored” facts premised on a desire to insure sufficient incentive for their production.<sup>176</sup> He distinguishes the settlement prices in *N.Y. Mercantile* and the parts numbers in *Southco* from the car and coin prices in *CCC Information* and *CDN*, justifying copyright protection in the latter cases as a means to promote creation of the works.<sup>177</sup> Although perhaps sound policy, this approach is

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<sup>170</sup> See *id.* at 499.

<sup>171</sup> *Id.* at 497 (quoting *Bucklew v. Hawkins, Ash Baptie & Co., LLP*, 329 F.3d 923, 928 (7th Cir. 2003)).

<sup>172</sup> *Id.* at 497.

<sup>173</sup> See, e.g., *N.Y. Mercantile Exch., Inc. v. Intercontinental Exch., Inc.*, 497 F.3d 109, 118 (2d Cir. 2007) (citing *Kregos v. Associated Press*, 937 F.2d 700, 705 (2d Cir. 1991)), *cert. denied*, 552 U.S. 1259 (2008).

<sup>174</sup> 44 F.3d 61, 66 (2d Cir. 1994).

<sup>175</sup> See *N.Y. Mercantile Exch.*, 497 F.3d at 118.

<sup>176</sup> See Justin Hughes, *Created Facts and the Flawed Ontology of Copyright Law*, 83 NOTRE DAME L. REV. 43, 108 (2007).

<sup>177</sup> *Id.* at 105.

inconsistent with the basic structure of the Copyright Act. Analogous incentive-based arguments could be offered to justify protection for all facts—we might get more of them if they were copyrightable. The store of good ideas might similarly increase if they too were offered the incentive of copyright.<sup>178</sup> The Copyright Act, however, is not a general prohibition against appropriation.<sup>179</sup> It is an intricate balance of incentive and access, and facts are explicitly placed beyond its reach.

Facts, “soft” or otherwise, should not be protected by copyright. The informational content should be available to all. The expression used to communicate individual facts is protectable only to the extent that the expression itself, divorced from the process that generated the fact, satisfies the prerequisites for copyright. A short statement or number will almost never exhibit the requisite creativity. Even when it does, that expression is typically the only way to communicate the underlying information and protection should be barred by the merger doctrine.

Unfortunately, there is a theory other than copyright aimed more directly at the protection of facts—a discredited common law doctrine with a checkered history extending back almost a century. *Barclays Capital* and other recent cases have sought to resurrect it as a means of controlling facts on the Internet. That threat may far exceed the potential harm of the “soft” fact copyright cases.

### III. MISAPPROPRIATION

#### A. *The “Hot News” Tort*

When Barclays Capital, Merrill Lynch, Morgan Stanley, and other giant equity firms sued Theflyonthewall.com (“Fly”) for distributing the firms’ securities recommendations (obtained by Fly from mainstream media reports, individual traders, and

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<sup>178</sup> Durham, *supra* note 122, at 828–29.

<sup>179</sup> “It may seem unfair that much of the fruit of the compiler’s labor may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not ‘some unforeseen byproduct of a statutory scheme.’ It is, rather, ‘the essence of copyright,’ and a constitutional requirement.” *Feist Publ’ns Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991) (citation omitted).



insiders) on its online subscription newsfeed,<sup>180</sup> copyright played only a minor role. Fly had already stopped reproducing excerpts from the firms' research reports, and at trial Fly did not contest its liability for previous infringements.<sup>181</sup> Instead the firms mainly relied on New York's common law tort of misappropriation, a doctrine invariably traced to the United States Supreme Court's 1918 federal common law decision in *International News Service v. Associated Press*.<sup>182</sup> Every student of intellectual property law can recite the facts from memory. The Associated Press ("AP") operated a large and expensive news reporting network in Europe during World War I, providing stories about the war to its 950 member newspapers, which financed AP's news-gathering efforts through their membership fees.<sup>183</sup> International News Services ("INS") (which had been denied the use of British transmission facilities by the Allies for alleged censorship violations),<sup>184</sup> took to copying the war news from early east coast editions of AP newspapers and transmitting rewritten stories to some 400 INS papers around the country.<sup>185</sup> AP sought an injunction against this "unfair competition."<sup>186</sup> The district court, although enjoining INS from inducing AP newspapers and their employees to provide the news to INS prior to publication, deferred to the appellate court on the issue of copying news from publicly available AP newspapers.<sup>187</sup> The Circuit Court of Appeals directed the trial court to issue a broader injunction barring INS from appropriating the substance of AP's news until its commercial value had passed.<sup>188</sup> The injunction was affirmed by the Supreme Court<sup>189</sup> in

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<sup>180</sup> See *Barclays I*, 700 F. Supp. 2d 310 (S.D.N.Y. 2010), *rev'd*, 650 F.3d 876 (2d Cir. 2011).

<sup>181</sup> See *id.* at 328.

<sup>182</sup> 248 U.S. 215 (1918).

<sup>183</sup> See *id.* at 229.

<sup>184</sup> See *International News Barred from Britain: New York Agency is Accused of "Padding" Cablegrams from London*, N.Y. TIMES, Oct. 11, 1916, at 11, quoted in EDMUND W. KITCH & HARVEY S. PERLMAN, INTELLECTUAL PROPERTY AND UNFAIR COMPETITION 20–21 (5th ed. 1998).

<sup>185</sup> See *INS*, 248 U.S. at 238, 249.

<sup>186</sup> *Id.* at 215.

<sup>187</sup> *Associated Press v. Int'l News Serv.*, 240 F. 983, 996 (S.D.N.Y. 1917), *modified*, 245 F. 244 (C.C.A.2 1917), *aff'd*, 248 U.S. 215 (1918).

<sup>188</sup> *Associated Press v. Int'l News Serv.*, 245 F. 244, 253 (C.C.A.2 1917), *aff'd*, 248 U.S. 215 (1918).

an opinion characterized by the district court in *Barclays* as “strongly influenced by several policy ideals: a ‘sweat-of-the-brow’ or ‘labor’ theory of property; norms of commercial morality and fair dealing; and a utilitarian desire to preserve incentives to produce socially useful services.”<sup>190</sup>

Noting that the *INS* rationale had been adopted “most enthusiastically in New York,”<sup>191</sup> Judge Cote turned to the dominant precedent on New York misappropriation law—the Second Circuit’s decision in *National Basketball Association v. Motorola, Inc.*<sup>192</sup> There, the NBA had sued the manufacturer of a hand-held pager that displayed real time information on NBA

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<sup>189</sup> *INS*, 248 U.S. at 215

<sup>190</sup> *Barclays I*, 700 F. Supp. 2d 310, 332 (S.D.N.Y. 2010), *rev’d*, 650 F.3d 876 (2d Cir. 2011). Judge Cote’s discussion of *INS* included the following quotation from the Supreme Court’s opinion:

The fault in the reasoning [of defendant] lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves. The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant’s right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant—which is what defendant has done and seeks to justify—is a very different matter. In doing this defendant, 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, and by disposing of it to newspapers that are competitors of complainant’s members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant’s legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself and a court of equity ought not to hesitate long in characterizing it as unfair competition in business.

*Id.* at 331–32 (citing *INS*, 248 U.S. at 239–40.).

<sup>191</sup> *Id.* at 332.

<sup>192</sup> *See id.*

basketball games.<sup>193</sup> The game statistics were gathered by defendants' employees from radio and television broadcasts of the games and relayed to a central computer for transmission to the defendants' customers.<sup>194</sup> The district court had issued a permanent injunction based on a misappropriation cause of action.<sup>195</sup> On appeal, the Second Circuit said that the central issue was whether the NBA's misappropriation claim was preempted by federal copyright law—more on that issue later.<sup>196</sup> In language subsequently quoted by the district court in *Barclays*,<sup>197</sup> the court proceeded to list the elements of a state misappropriation claim that could co-exist with federal copyright law:

(i) a plaintiff generates or gathers information at a cost; (ii) the information is time-sensitive; (iii) a defendant's use of the information constitutes free riding on the plaintiff's efforts; (iv) the defendant is in direct competition with a product or service offered by the plaintiffs; and (v) the ability of other parties to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.<sup>198</sup>

The Second Circuit vacated the injunction against Motorola, finding that the NBA had failed to establish sufficient competitive injury to its primary business of producing live basketball games and licensing game broadcasts.<sup>199</sup> With respect to potential competition with the NBA's own plans for real time distribution of game information, the court said the defendant was not free riding

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<sup>193</sup> Nat'l Basketball Ass'n v. Motorola, Inc. (*NBA*), 105 F.3d 841 (2d Cir. 1997).

<sup>194</sup> *See id.* at 844.

<sup>195</sup> Nat'l Basketball Ass'n v. Sports Team Analysis & Tracking Sys., Inc., 939 F. Supp. 1071, 1086 (S.D.N.Y. 1996), *vacated sub nom*, *NBA*, 105 F.3d 841 (2d Cir. 1997). The defendants also made the game information available on an AOL online site, and the district court included that site within its permanent injunction, resulting in one of the first, if temporary, victories against misappropriation on the internet.

<sup>196</sup> *NBA*, 105 F.3d at 853.

<sup>197</sup> *See Barclays I*, 700 F. Supp. 2d 310, 334 (S.D.N.Y. 2010).

<sup>198</sup> *Id.* at 845.

<sup>199</sup> *See id.* at 841.

since it expended its own resources to collect the information that it distributed.<sup>200</sup>

Judge Cote in *Barclays* held that the equity firms had satisfied all the necessary *NBA* elements for a valid misappropriation claim.<sup>201</sup> Fly did not contest that the plaintiffs incurred substantial expense in generating their equity recommendations and that the information was time-sensitive.<sup>202</sup> On the issue of free riding, Judge Cote found that “Fly’s business is its free-riding off the sustained, costly efforts” of the plaintiffs to generate research highly valued by investors, rejecting Fly’s arguments that its own aggregation efforts mitigated the appropriation and that since the information had been obtained from third-party sources, it was “free for the taking.”<sup>203</sup> The direct competition requirement was more controversial. Fly argued that it was in the news business and did not provide brokerage services, which was the plaintiffs’ primary business.<sup>204</sup> The court took a broad view of the direct competition requirement.

While it may be true that Fly is a news aggregator and is in direct competition with other financial news aggregators, both large and small, each of these news aggregators is in direct competition with the Firms when they report the Firms’ Recommendations in a timely and systematic manner such that the Firms are deprived of the opportunity to communicate them first-hand to their clients.<sup>205</sup>

Based on the testimony of the plaintiffs’ own research executives, Judge Cote also found that the plaintiffs had established that the conduct by Fly and similar aggregators substantially threatened the continued viability of the plaintiffs’ research operations.<sup>206</sup> Fly was enjoined from disseminating the

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<sup>200</sup> See *id.* at 854.

<sup>201</sup> See *Barclays I*, 700 F. Supp. 2d at 335–43.

<sup>202</sup> See *id.* at 335.

<sup>203</sup> *Id.* at 336–37.

<sup>204</sup> See *id.* at 339–40.

<sup>205</sup> *Id.* at 340.

<sup>206</sup> See *id.* at 350, 341.

plaintiffs' equity recommendations until two hours after their release, or in the case of recommendations released after the close of trading on the New York Stock Exchange, until half an hour after the re-opening of trading.<sup>207</sup>

Fly appealed the decision on misappropriation to the Second Circuit, which had already stayed the injunction.<sup>208</sup> After a close parsing of its earlier opinion in *NBA*, the Second Circuit held that the five-element test relied on by Judge Cote was dicta: “[T]he Court in *NBA* was opining about the hypothetical set of circumstances—not present in that case—that might give rise to [a non-preempted *INS*-like ‘hot news’] claim.”<sup>209</sup> Distinguishing *INS*, Judge Sack for the majority held that Barclays' misappropriation claim failed because Fly was not free riding as understood in *INS*.<sup>210</sup> “In pressing a ‘hot news’ claim against Fly, the Firms seek only to protect their Recommendations, something they create using their expertise and experience rather than acquire through efforts akin to reporting.”<sup>211</sup> The case turned on a distinction between *making* and *reporting* the news. “The Firms are making the news; Fly, despite the Firm’s understandable desire to protect their business model, is breaking it.”<sup>212</sup> The point was reiterated at the conclusion of the court’s opinion: “We conclude that in this case, a Firm’s ability to make news—by issuing a Recommendation that is likely to affect the market price of a security—does not give rise to a right for it to control who breaks that news and how.”<sup>213</sup>

*Barclays* and its distinction between making and breaking the news leaves open the door to claims of misappropriation on the

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<sup>207</sup> See *id.* at 347.

<sup>208</sup> See *Barclays II*, 650 F.3d 876, 890 (2d Cir. 2011).

<sup>209</sup> *Id.* at 899 n.32.

<sup>210</sup> See *id.* at 902.

<sup>211</sup> *Id.* at 903 (emphasis omitted). Also, unlike *INS*, Fly did not divert a significant portion of the plaintiffs’ profits to itself. See *id.* at 904–05.

<sup>212</sup> *Id.* at 902.

<sup>213</sup> *Id.* at 907. Judge Raggi, concurring, disputed the majority’s position that the five-element test in *NBA* was dicta, but concluded that the misappropriation claim against Fly failed that standard too because the parties were not in “direct competition.” See *id.* at 911–15 (Raggi, J., concurring). The “created” facts held by the majority to be beyond the reach of the misappropriation tort are of course precisely the kind of facts targeted by efforts to expand the scope of copyright protection. See *supra* Part II.

Internet between rivals more clearly in the business of reporting the news. The Second Circuit acknowledged as much in an effort to underscore the limits of its holding.

If a Firm were to collect and disseminate to some portion of the public facts about securities recommendations in the brokerage industry (including, perhaps, such facts it generated itself—its own Recommendations), and were Fly to copy the facts contained in the Firm’s hypothetical service, it might be liable to the Firm on a ‘hot-news’ misappropriation theory.<sup>214</sup>

The scope of permissible misappropriation claims expanded further when the majority responded to the concern expressed in Judge Raggi’s concurrence that the decision “foreclose[d] the possibility of a ‘hot news’ claim by a party who disseminates news it happens to create.”<sup>215</sup> Declining to endorse even that limitation, the majority said, “[t]hat issue is simply not before us. We therefore do not address it, let alone suggest or imply that such a claim would necessarily be foreclosed.”<sup>216</sup>

Given the facts of *INS*, it is not surprising that subsequent plaintiffs have had success protecting their news from appropriation by “old” media rivals.<sup>217</sup> Now the push is to extend that success into digital media. Although plaintiffs have yet to achieve a major precedent establishing the misappropriation tort on

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<sup>214</sup> *Barclays II*, 650 F.3d at 905–06. The court had made an analogous concession in *NBA*, opining that if some future defendant collected facts from an NBA pager and transmitted them to its own product, the NBA might well have a claim for misappropriation. *NBA*, 105 F.3d 841, 854 (2d Cir. 1997).

<sup>215</sup> *Barclays II*, 650 F.3d at 913 (Raggi, J., concurring).

<sup>216</sup> *Id.* at 906 n.40.

<sup>217</sup> See, e.g., *McCord Co. v. Plotnick*, 239 P.2d 32, 33–34 (Cal. Dist. Ct. App. 1952); *Bond Buyer v. Dealers Digest Pub. Co.*, 25 A.D.2d 158, 159 (N.Y. App. Div. 1966); *Pottstown Daily News Pub. Co. v. Pottstown Broad. Co.*, 192 A.2d 657, 663 (Pa. 1963); *Gilmore v. Sammons*, 269 S.W. 861, 862–63 (Tex. App. 1925). But see *Gannett Satellite Info. Network, Inc. v. Rock Valley Cmty. Press, Inc.*, 1994 WL 606171, at \*5 (N.D. Ill. 1994) (holding that plaintiff’s news stories were not “hot news”); *Scranton Times, LP v. Wilkes-Barre Pub. Co.*, 92 U.S.P.Q.2d (BNA) 1269, 1275 (M.D. Pa. 2009) (holding that plaintiff failed to show threat to incentive).

the Internet, they have become adept at avoiding dismissals and extracting settlements.<sup>218</sup>

Ninety years after securing relief against INS, AP filed suit against All Headline News, which was rewriting AP news content taken from the Internet and distributing it to its own paying web clients.<sup>219</sup> AP's complaint alleged copyright and trademark infringement along with other claims—including common law misappropriation.<sup>220</sup> AHN moved to dismiss all but the copyright claim.<sup>221</sup> After holding that New York law governed AP's misappropriation claim, Judge Castel denied the motion to dismiss, finding that AP's complaint set out the five elements required under *NBA* for a valid misappropriation claim.<sup>222</sup> The case was later settled.<sup>223</sup> According to a joint press release on the settlement, AP apparently insisted on the following admission: "Defendants further acknowledge the tort of 'hot news misappropriation' has been upheld by other courts and was ruled applicable in this case by U.S. District Court Judge P. Kevin Castel."<sup>224</sup> *All Headline News* was cited by the Second Circuit in *Barclays* as an example of facts that might support a valid misappropriation claim.<sup>225</sup>

Agence France-Presse's lawsuit against Google for copying its headlines and leads,<sup>226</sup> which was settled when Google agreed to a

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<sup>218</sup> See, e.g., *infra* notes 219–32 and accompanying text.

<sup>219</sup> *Associated Press v. All Headline News Corp.*, 608 F. Supp. 2d 454, 458 (S.D.N.Y. 2009)

<sup>220</sup> *Id.* at 457

<sup>221</sup> *Id.*

<sup>222</sup> *Id.* at 460–61.

<sup>223</sup> Amanda Ernst, *AP Settles "Hot News" Lawsuit With AHN Media*,

MEDIABISTRO.COM (July 13, 2009, 3:50 PM), [http://www.mediabistro.com/fishbowl/ny/ap-settles-hot-news-lawsuit-with-ahn-media\\_b12121](http://www.mediabistro.com/fishbowl/ny/ap-settles-hot-news-lawsuit-with-ahn-media_b12121).

<sup>224</sup> *Id.* AP had previously settled another lawsuit alleging copyright infringement and "hot news" misappropriation against an internet distributor of AP news in *Associated Press v. Moreover Techs, Inc.*, No. 07 Civ. 8699 (S.D.N.Y. filed Oct. 9, 2007). *AP Settles Lawsuit Against Moreover and VeriSign*, WEBWIRE.COM (Aug. 18, 2008), <http://www.webwire.com/ViewPressRel.asp?aId=72638>.

<sup>225</sup> *Barclays II*, 650 F.3d 876, 897 (2d Cir. 2011).

<sup>226</sup> Complaint for Preliminary and Permanent Injunction and Copyright Infringement, *Agence France-Presse v. Google Inc.*, No. 1:05 Civ. 00546 (D.D.C. filed Mar. 17, 2005). See *supra* text accompanying notes 51–74.

license, also included a claim for “hot news” misappropriation.<sup>227</sup> More recently, Dow Jones extracted a settlement from a defendant who distributed “hot news” from Dow Jones Newswire as part of its live market coverage.<sup>228</sup> A more troubling settlement resulted from one of the first claims of misappropriation on the Internet. In 1997, the Washington Post and other media companies sued Total News for operating a website that provided framed links to the plaintiffs’ news content.<sup>229</sup> The plaintiffs’ copyright infringement claim was problematic.<sup>230</sup> According to an attorney for the plaintiffs, “[t]he *Total News* plaintiffs, however, did not rely solely, or even principally, on a copyright infringement theory. Instead, they led their complaint with a misappropriation cause of action (among other common law claims).”<sup>231</sup> The settlement precluded the defendant from providing access to the plaintiffs’ content through framed links and purported to grant a revocable license for other links labeled only with the Internet address of the linked content.<sup>232</sup>

Several other cases have refused to dismiss claims directed at the misappropriation of online content. A federal district court in New York denied a motion to dismiss a misappropriation count directed against a defendant who redistributed the plaintiff’s online financial content in breach of a licensing agreement.<sup>233</sup> The court held that the plaintiff had pled the required *NBA* elements.<sup>234</sup> Two federal courts in California also relied on the Second Circuit’s analysis in *NBA* to deny motions to dismiss misappropriation claims. In one of the cases, a plaintiff’s attempt to use the cause of

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<sup>227</sup> First Amended Complaint, *supra* note 9, at 84–93.

<sup>228</sup> See Complaint and Demand for Jury Trial, *Dow Jones & Co. v. Briefing.com, Inc.*, No. 10 Civ. 03321 (S.D.N.Y. filed Apr. 20, 2010), 2010 WL 1679693; Jonathan Stempel, *Dow Jones, Briefing.com Settle “HotNews” Lawsuit*, REUTERS.COM (Nov. 16, 2010), <http://www.reuters.com/assets/print?aid=USTRE6AF37G20101116>.

<sup>229</sup> Complaint, *Washington Post Co. v. Total News, Inc.*, No. 97 Civ. 01190 (S.D.N.Y. filed Feb. 20, 1997), 1997 WL 33633041.

<sup>230</sup> See *supra* note 49.

<sup>231</sup> See Keller, *supra* note 49, at 422.

<sup>232</sup> Stipulation and Order of Settlement and Dismissal at 3, *Washington Post Co. v. Total News, Inc.*, No. 97 Civ. 01190 (S.D.N.Y. filed Feb. 20, 1997), available at <http://docs.law.gwu.edu/facweb/claw/WPvTNsettl.htm>.

<sup>233</sup> *BanxCorp. v. Costco Wholesale Corp.*, 723 F. Supp. 2d 596, 614 (S.D.N.Y. 2010).

<sup>234</sup> *Id.* at 612–13.



action to prevent the use of its celebrity photos by an Internet blogger survived a motion to dismiss when the court found that the misappropriation tort had been adopted in California and the plaintiff's complaint satisfied *NBA*.<sup>235</sup> In the other, the court found that a complaint alleging that a competitor had misappropriated concert information from the plaintiff's website met the pleading requirements of *NBA*.<sup>236</sup> Similar claims continue to appear.<sup>237</sup>

### B. "Hot News" on the Internet

A recent series of student-authored Notes and Comments enthusiastically supports the recognition of a common law right against misappropriation of online content as a way to save the newspaper industry.<sup>238</sup> Even the staff of the Federal Trade Commission has wondered whether a cause of action for misappropriation might solve the challenges of modern

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<sup>235</sup> X17, Inc. v. Lavandeira, 563 F. Supp. 2d 1102, 1103 (C.D. Cal. 2007).

<sup>236</sup> Pollstar v. Gigmania Ltd., 2000 WL 34016436, at \*6 (E.D. Cal. 2000).

<sup>237</sup> See, e.g., Complaint at 3, Associated Press v. Meltwater U.S. Holdings Inc., No. 12 Civ. 1087 (S.D.N.Y. filed Feb. 14, 2012), 2012 WL 467643.

<sup>238</sup> See Dennis S. Park, Note, *The Associated Press v. All Headline News: How Hot News Misappropriation Will Shape the Unsettled Customary Practices of Online Journalism*, 25 BERKELEY TECH. L.J. 369, 393 (2010); Elaine Stoll, Comment, *Hot News Misappropriation: More Than Nine Decades After INS v. Associated Press, Still an Important Remedy for News Piracy*, 79 U. CIN. L. REV. 1239, 1280–81 (2011); Brian Westley, Comment, *How a Narrow Application of "Hot News" Misappropriation Can Help Save Journalism*, 60 AM. U. L. REV. 691, 715 (2011); see also Heather Richtarcik, Note, *Misappropriation in Massachusetts and Around the Country: How Technology Will Utilize This Tort*, 35 NEW ENG. L. REV. 717, 723 (2001). Several other student authors advocate a codification of the misappropriation tort. See, e.g., Lauren M. Gregory, Note, *Hot Off the Presses: How Traditional Newspaper Journalism Can Help Reinvent the "Hot News" Misappropriation Tort in the Internet Age*, 13 VAND. J. ENT. & TECH. L. 577, 611 (2011); Amy E. Jensen, Comment, *When News Doesn't Want to Be Free: Rethinking "Hot News" to Help Counter Free Riding on Newspaper Content Online*, 60 EMORY L.J. 537, 569 (2010); Jenna Moon, Note, *The "Hot News" Misappropriation Doctrine, the Crumbling Newspaper Industry, and Fair Use as Friend and Foe: What is Necessary to Preserve "Hot News,"* 28 CARDOZO ARTS & ENT. L.J. 631, 660 (2011). But see Heather Sherrod, Comment, *The "Hot News" Doctrine: It's Not 1918 Anymore—Why the "Hot News" Doctrine Shouldn't Be Used to Save the Newspapers*, 48 HOUS. L. REV. 1205, 1239–40 (2012) (concluding that the misappropriation doctrine as applied to news is inconsistent with the objectives of copyright law).

journalism.<sup>239</sup> Yet the common law tort of misappropriation seems a particularly unsuitable tool to regulate the distribution of news on the Internet. As an initial matter, leaving national Internet and media policy to be determined by common law rules adopted in a handful of states is not a recipe for certainty or stability.<sup>240</sup> A generous count still lists less than a third of the states as recognizing the misappropriation tort.<sup>241</sup> Another count lists only five “hot news” states.<sup>242</sup> But even that small number overstates the relevant consensus, since as a practical matter the concentration of the media and financial industries in New York leaves that single jurisdiction in a position to shape the contours of information protection on the Internet. In *Associated Press v. All Headline News Corp.*,<sup>243</sup> for example, the defendant argued that Florida law, which may not recognize the misappropriation tort, should govern the “hot news” claim since its editors and web servers were located there.<sup>244</sup> Applying New York’s choice-of-law rules as the forum state, the court said that New York law governed since AP is headquartered in New York and hence suffered its alleged injury there.<sup>245</sup> New York media and financial plaintiffs will usually have little difficulty in making New York the forum state in light of interpretations of the state’s long-arm

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<sup>239</sup> See FTC STAFF, DISCUSSION DRAFT: POTENTIAL POLICY RECOMMENDATIONS TO SUPPORT THE REINVENTION OF JOURNALISM 1, 5–8 (2010), available at <http://www.ftc.gov/opp/workshops/news/jun15/docs/new-staff-discussion.pdf>.

<sup>240</sup> The Second Circuit in *Barclays* noted this problem. “To the extent that ‘hot news’ misappropriation causes of action are not preempted, the aggregators’ actions may have different legal significance from state to state—permitted, at least to some extent, in some; prohibited, at least to some extent, in others.” *Barclays II*, 650 F.3d 876, 897–98 (2d Cir. 2011).

<sup>241</sup> See Edmund J. Sease, *Misappropriation Is Seventy-Five Years Old: Should We Bury It or Revive It?*, 70 N.D. L. REV. 781, 801–02 (1994) (listing fourteen states as having adopted the misappropriation tort and noting, “[u]nquestionably, New York is the state that has most heartily embraced the doctrine.”).

<sup>242</sup> See Bruce W. Sanford, Bruce D. Brown & Laurie A. Babinski, *Saving Journalism with Copyright Reform and the Doctrine of Hot News*, 26 COMM. LAW. 1, 9 (2009) (listing California, Illinois, Missouri, New York, and Pennsylvania as states explicitly recognizing hot news misappropriation).

<sup>243</sup> 608 F. Supp. 2d 454 (S.D.N.Y. 2009). See *supra* text accompanying notes 219–225.

<sup>244</sup> *Id.* at 460.

<sup>245</sup> *Id.* at 460–61.

jurisdiction statute.<sup>246</sup> The New York Court of Appeals, for example, responding to a certified question from the Second Circuit on the application of the state's long-arm statute to a copyright infringement claim involving the uploading of a New York plaintiff's works on the Internet by an out-of-state defendant, held that the *situs* of the injury for purposes of personal jurisdiction was the location of the copyright owner.<sup>247</sup> The analysis seems equally applicable to misappropriation claims.

The misappropriation rationale has been controversial since its inception. Justice Holmes, dissenting at its creation, flatly rejected the notion that property arises from value, "even if it took labor and genius to make it."<sup>248</sup> Justice Brandeis agreed,<sup>249</sup> and in his own oft-quoted dissent, he detailed the comparative advantages of legislation over the common law if property rights in news are indeed appropriate.<sup>250</sup> Learned Hand, in a series of opinions for the Second Circuit, concluded that *INS* undermined the balance struck by federal copyright and patent law and effectively limited the case to its facts, since "[t]he difficulties of understanding it otherwise are insuperable."<sup>251</sup> Three-quarters of a century later,

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<sup>246</sup> See, e.g., *Penguin Group (USA) Inc. v. Am. Buddha*, 946 N.E.2d 159, 162–65 (N.Y. 2011).

<sup>247</sup> See *Penguin Group (USA) Inc. v. Am. Buddha*, 609 F.3d 30 (2d Cir. 2010) certifying question to *Penguin Group (USA) Inc. v. Am. Buddha*, 946 N.E.2d 159, 165 (N.Y. 2011). The lower court's dismissal for lack of personal jurisdiction was vacated. *Penguin Group (USA) Inc. v. Am. Buddha*, 640 F.3d 497, 501 (2d Cir. 2011).

<sup>248</sup> *INS*, 248 U.S. 215, 246 (1918) (Holmes, J., dissenting) ("Property, a creation of law, does not arise from value, although exchangeable—a matter of fact.").

<sup>249</sup> But the fact that a product of the mind has cost its producer money and labor, and has a value for which others are willing to pay, is not sufficient to ensure to it this legal attribute of property. The general rule of law is, that the noblest of human productions—knowledge, truths ascertained, conceptions, and ideas—become, after voluntary communication to others, free as the air to common use.

*Id.* at 250 (Brandeis, J., dissenting).

<sup>250</sup> "Courts are ill-equipped to make the investigations which should precede a determination of the limitations which should be set upon any property right in news or of the circumstances under which news gathered by a private party should be deemed affected with a public interest." *Id.* at 267 (Brandeis, J., dissenting).

<sup>251</sup> See *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929), cert. denied, 281 U.S. 728 (1930); see also *G. Ricordi & Co. v. Haendler*, 194 F.2d 914, 915 (2d Cir. 1952); *Nat'l Comics Pub., Inc. v. Fawcett Pub., Inc.*, 191 F.2d 594, 603 (2d Cir. 1951);

Judge Posner was “hard pressed to find a case in which a claim of misappropriation should have succeeded.”<sup>252</sup> Declaring the doctrine “alarmingly fuzzy once the extreme position of creating a legal right against all free riding is rejected,” he concluded, “[c]larity of analysis would be enhanced if the doctrine and the very word were banished from discussions of intellectual property law.”<sup>253</sup> The Restatement (Third) of Unfair Competition similarly advocates an end to the doctrine, concluding that the cases “have not articulated coherent principles for its application.”<sup>254</sup> The conflicting case law attests to the doctrine’s incoherence.<sup>255</sup>

There is of course no general principle of law that prohibits a person or business from benefiting from the efforts of another,

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RCA Mfg. Co. v. Whiteman 114 F.2d 86, 90 (2d Cir. 1940), *cert. denied*, 311 U.S. 712 (1940).

<sup>252</sup> Posner, *supra* note 12, at 633.

<sup>253</sup> *Id.* at 638, 641.

<sup>254</sup> Restatement (Third) of Unfair Competition § 38 cmt. b (1995) (“The better approach, and the one most likely to achieve an appropriate balance between the competitive interests, does not recognize a residual common law tort of misappropriation.”). Although I drafted this comment as a co-reporter for the Restatement, the text was approved by the Advisors Committee, the Members Consultative Group, and both the Council and membership of the American Law Institute.

<sup>255</sup> Compare, e.g., *New Eng. Tel. & Tel. Co. v. Nat’l Merch. Corp.*, 141 N.E.2d 702 (Mass. 1957), with *Nat’l Tel. Directory Co. v. Dawson Mfg. Co.*, 263 S.W. 483 (Mo. Ct. App. 1924) (conflicting results when defendants sold covers with advertising for plaintiffs’ telephone directories); *Nat’l Exhibition Co. v. Fass*, 143 N.Y.S.2d 767 (Sup. Ct. 1955), and *Twentieth Century Sporting Club, Inc. v. Transradio Press Serv., Inc.*, 300 N.Y.S. 159 (N.Y. Sup. Ct. 1937) (enjoining the appropriation of information from broadcasts of sporting events to broadcast recreations of the events), with *Loeb v. Turner*, 257 S.W.2d 800 (Tex. Civ. App. 1953) (permitting recreated broadcasts); *Pittsburgh Athletic Co. v. KQV Broad. Co.*, 24 F. Supp. 490 (W.D. Pa. 1938), with *WCVB-TV v. Boston Athletic Ass’n*, 926 F.2d 42 (1st Cir. 1991) (divergent results on unlicensed live broadcasts of sporting events); *Waring v. WDAS Broad. Station, Inc.*, 194 A. 631 (Pa. 1937), with *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940), *cert. denied*, 311 U.S. 712 (1940) (conflicting results on unauthorized radio broadcasts of musical recordings); *Mut. Broad. Sys., Inc. v. Muzak Corp.*, 30 N.Y.S.2d 419 (N.Y. Sup. Ct. 1941), with *Intermountain Broad. & Television Corp. v. Idaho Microwave, Inc.*, 196 F. Supp. 315 (D. Idaho 1961) (divergent results on retransmission of broadcast signals); *Meyer v. Hurwitz*, 5 F.2d 370 (E.D. Pa. 1925), *app. dismissed*, 10 F.2d 1019 (3d Cir. 1926) (enjoining defendant’s use of plaintiff’s retail dispenser system for postcards), with *Germanow v. Standard Unbreakable Watch Crystals*, 27 N.E.2d 212 (N.Y. 1940) (no relief against defendant’s use of plaintiff’s cabinet system for replacement watch crystals).

even when that other is a direct competitor.<sup>256</sup> Past attempts to constrain the scope of the misappropriation doctrine through canonical requirements do not inspire confidence. Consider, for example, the Second Circuit's careful articulation in *NBA* of the elements of the tort in New York, where the doctrine is most mature.<sup>257</sup> The fifth of its five required elements demands that "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."<sup>258</sup> This, according to Judge Posner, is the "meat" of the claim.<sup>259</sup> But

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<sup>256</sup> A small shop, for example, may freely benefit from the customers attracted by a nearby department store, a local manufacturer may benefit from increased demand attributable to the promotional efforts of a national manufacturer of similar goods, and a newspaper may benefit from reporting on the activities of local athletic teams.

Restatement (Third) of Unfair Competition § 38 cmt. b (1995). *See, e.g.,* *WCVB-TV v. Boston Athletic Ass'n*, 926 F.2d 42, 45 (1st Cir. 1991) ("But, the man who clears a swamp, the developer of a neighborhood, the academic scientist, the school teacher, and millions of others, each day create 'value' (over and above what they are paid) that the law permits others to receive without charge."); *Nat'l Football League v. Governor of Del.*, 435 F. Supp. 1372, 1378 (D. Del. 1977).

It is true that Delaware is thus making profits [from use of the plaintiff's football scores in its state lottery] it would not make but for the existence of the NFL, but I find this difficult to distinguish from the multitude of charter bus companies who generate profit from serving those of plaintiffs' fans who want to go to the stadium or, indeed, the sidewalk popcorn salesman who services the crowd as it surges towards the gate.

*Id.*  
<sup>257</sup>

In our view, the elements central to an *INS* claim are: (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.

*NBA*, 105 F.3d 841, 852 (citations omitted). These "sophisticated observations" were ultimately characterized as dicta in *Barclays II*, 650 F.3d at 901.

<sup>258</sup> *NBA*, 105 F.3d at 852.

<sup>259</sup> "The meat is in (v), with (i) through (iv) identifying the conditions in which the criterion stated in (v) is likely to be satisfied." *McKevitt v. Pallasch*, 339 F.3d 530, 534

on what basis can a court confidently predict the future business behavior of the plaintiff? According to the district judge in *Barclays*, proof of “actual, quantifiable damage” is unnecessary.<sup>260</sup> The court granted the investment companies a permanent injunction against the copying of their stock recommendations based on the testimony of their own research executives about reduced incentives, supported by the “common sense” of the trial judge, despite the defendant’s argument that any reduction in the plaintiffs’ equity research would be caused primarily by the global recession and the rise of discount brokers.<sup>261</sup> Another required element of the tort demands that “the defendant’s use of the information is in direct competition with a product or service offered by the plaintiff.”<sup>262</sup> The defendant in *Barclays* argued that since the plaintiffs were in the brokerage business and it was a news aggregator, the direct competition requirement was not met.<sup>263</sup> The district court, however, treated the plaintiffs’ production and dissemination of research reports as a primary business, competing directly with the defendant’s dissemination.<sup>264</sup> It is of course true that a company can be a direct competitor with respect to one but not another of a plaintiff’s products. Ford competes directly with Honda in the car market even though, unlike Honda, it doesn’t also sell lawn mowers. But the production of equity research is not one of the plaintiffs’ product markets. The reports are merely one step in their effort to induce clients to engage in market transactions that generate brokerage

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(7th Cir. 2003) (noting that use at trial would not cause reporter to abandon biography of witness).

<sup>260</sup> *Barclays I*, 700 F. Supp. 2d at 342–43, *rev’d*, 650 F.3d 876 (2d Cir. 2011). Conversely, allegations of actual harm are not themselves sufficient to satisfy the requirement. *See* *Scranton Times, LP v. Wilkes-Barre Pub. Co.*, 92 U.S.P.Q.2d 1269 (M.D. Pa. 2009) (allegations that obituaries were copied by a rival newspaper); *Fred Wehrenberg Circuit of Theatres, Inc. v. Moviefone, Inc.*, 73 F. Supp. 2d 1044, 1050 (E.D. Mo. 1999) (“For a claim of misappropriation of ‘hot news’ to succeed, defendant’s actions must make plaintiff virtually cease to participate in the business in question.”).

<sup>261</sup> *Barclays I*, 700 F. Supp. 2d at 342, *rev’d*, 650 F.3d 876 (2d Cir. 2011).

<sup>262</sup> *NBA*, 105 F.3d at 852.

<sup>263</sup> *See Barclays I*, 700 F. Supp. 2d at 340, *rev’d*, 650 F.3d 876 (2d Cir. 2011).

<sup>264</sup> *See id.* at 340.

commissions—a market in which the defendant did not participate.<sup>265</sup>

The uncertainties exposed by past applications of the “hot news” tort are magnified when the doctrine is exported into cyberspace.<sup>266</sup> Are bloggers who offer or solicit commentary and analysis on reposted news stories in direct competition with the originating source of those stories? Do aggregators that link to the originating sources even compete at all with the prior publisher? Do web sites that collect and disseminate information only on particular topics compete directly with general news sources like Associated Press or daily newspapers? The answers are not obvious.<sup>267</sup> And how are we to measure the impact of an

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<sup>265</sup> See Shyamkrishna Balganesh, “Hot News”: *The Enduring Myth of Property in News*, 111 COLUM. L. REV. 419 (2011). Balganesh offers a novel justification for the direct competition requirement, and for the misappropriation tort itself, understanding the doctrine as an attempt to preserve incentives for collaborative news-gathering efforts by barring free riders. The direct competition requirement thus insures that the parties have sufficiently common interests in the resource that cost-reducing cooperation would be likely in the absence of misappropriation. “Direct competition should thus be understood as a measure of parties’ likelihood of cooperating to lower input costs.” *Id.* at 474. Specifically rejecting the district court’s analysis in *Barclays*, the article notes:

The parties’ products are thus hardly identical, and very different from that seen among newspapers competing in the same market. . . . [T]he plaintiff firms and the defendant are very unlikely to enter into a cooperative arrangement to defray the costs of their activities, since the expenditures derive from very different activities. . . . Had the court attempted to analyze direct competition through the lens of the hot news doctrine’s structural purposes and the theory of competitive enrichment that it is premised on, it would have been forced to conclude that this core element was completely missing.

*Id.* at 476; see also Leo J. Raskind, *The Misappropriation Doctrine as a Competitive Norm of Intellectual Property Law*, 75 MINN. L. REV. 875 (1991) (rejecting a property or moral basis for the tort in favor of an explanation based on competitive markets analysis).

<sup>266</sup> This is not a novel insight. See, e.g., Gary Myers, *The Restatement’s Rejection of the Misappropriation Tort: A Victory for the Public Domain*, 47 S.C.L. REV. 673, 688 (1996) (“[T]he common-law property notions and broad unfair competition language of *International News Service* are ill-suited to addressing the concerns of either information producers or information users today.”); Dale P. Olson, *Common Law Misappropriation in the Digital Era*, 64 MO. L. REV. 837, 908 (1999) (“[A]s 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.”).

<sup>267</sup> Balganesh, *supra* note 163, at 476.

Merely because an individual uses information collected by another, even if for commercial purposes, hardly renders him a direct

appropriation on future incentives in a market where consumers are typically not charged directly for the product and where content producers face a fundamental transformation of their industry that is largely unrelated to any alleged misappropriations? Allowing the “hot news” tort to roam freely across the Internet is a momentous decision, and one that should be made only after considering whether the Internet is different in fundamental ways from the more tranquil analog news world.

The potential scope of the misappropriation tort is dramatically broader in cyberspace than in an analog world. The Supreme Court in *INS* took great care to distinguish the parties’ rights against each other from their rights against the public.<sup>268</sup> As to the latter, the Court assumed “that neither party has any property interest as against the public in uncopyrighted news matter after the moment of its publication.”<sup>269</sup> But on the Internet, where every blogger, analyst, or excited reader can instantly redistribute information around the globe to the potential detriment of the originator, the distinction between competitor and public breaks down. In addition, information subject to a misappropriation claim must be “hot,” or as stated in the list of required elements in *NBA*, “the value of the information [must be] highly time-sensitive.”<sup>270</sup>

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competitor in the collective action sense in which the requirement emerged. In other words, a blogger is unlikely to be incentivized (by the misappropriation doctrine) to enter the enterprise of news collection—the doctrine’s core objective. An action against a blogger is unlikely to result in the blogger independently collecting the news, or indeed in joining a cooperative effort for this purpose. To equate direct competition with the mere use of the same product, or indeed its effects on a collector’s sales would dilute the requirement of its core significance.

*Id.*; see Clay Calvert, Kayla Gutierrez, & Christina Locke, *All the News That’s Fit to Own: Hot News on the Internet and the Commodification of News in Digital Culture*, 11 WAKE FOREST INTELL. PROP. L. J. 1, 23 (2009) (“Bloggers simply are not news services; both may supply important information that many people may consider to be news, but merely trafficking in similar information does not put them in direct competition.”).

<sup>268</sup> *INS*, 248 U.S. 215, 236 (1918).

<sup>269</sup> *Id.*

<sup>270</sup> *NBA*, 105 F.3d 841, 852; see, e.g., *BanxCorp v. Costco Wholesale Corp.*, 723 F. Supp. 2d 596, 612 (S.D.N.Y. 2010) (“To satisfy the second element, Plaintiffs must allege not only that the news was time-sensitive when it was gathered, but that it was time-sensitive when it was misappropriated.”); cf. *Fin. Info., Inc. v. Moody’s Investors Serv., Inc.*, 808 F.2d 204, 209 (2d Cir. 1986), *cert. denied*, 484 U.S. 820 (1987) (“The



But this concept too is problematic on the Internet. In one sense, much of what people do on the Internet involves time-sensitive information—not just consuming and sharing traditional local, national, and international news, but also distributing personal “hot news” through social media networks like Twitter and Facebook. The natural lead-time advantage that can temper the need for legal intervention also virtually disappears in an environment of instantaneous distribution. Yet in another sense, that same environment effectively insures that no news on the Internet is truly “hot.” It is impossible for a second user to obtain the kind of head start (or even simultaneous start) with the originator in specific markets that *INS* achieved over AP with respect to newspapers distributed later in the middle and western United States. On the Internet, no one can deprive the originator of its head start with everyone everywhere, since appropriation is only possible after the originator has had the opportunity to present the information to its entire intended audience.<sup>271</sup> Hot news cools very quickly in cyberspace.<sup>272</sup>

The “hot news” tort targets free riding.<sup>273</sup> But this animosity toward copying is arguably inconsistent with a medium of

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‘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.”). This criterion is subject to a range of interpretations. *See, e.g.*, *U.S. Trotting Ass’n v. Chicago Downs Ass’n, Inc.*, 665 F.2d 781 (7th Cir. 1981) (finding data on past horse races protectable).

<sup>271</sup> Brief for Amici Curiae Google Inc. and Twitter, Inc. in Support of Reversal, *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (No. 10-1372), 2010 WL 2589770 at \*17.

[U]sers of online services such as Twitter, who post facts or commentary regarding news stories, are relaying information already in the public domain. This is in stark contrast to *INS*, where *INS* was able to take advantage of AP-originated content because of a three-hour time difference. The Internet has no time zones—once a news article is made publicly available, it is available to all.

*Id.*

<sup>272</sup> Even the injunction granted by the district court in *Barclays* restrained publication of equity recommendations issued during the trading day for only two hours. *See Barclays I*, 700 F. Supp. 2d at 347, *rev’d*, 650 F.3d 876 (2d Cir. 2011).

<sup>273</sup> *NBA*, 105 F.3d at 852 (“[T]he defendant’s use of the information constitutes free-riding on the plaintiff’s costly efforts to generate or collect it.”). The requirement often demands little more than copying. *See, e.g.*, *Scranton Times, LP v. Wilkes-Barre Pub. Co.*, 90 U.S.P.Q.2d (BNA) 1161 (M.D. Pa. 2009) (defendant newspaper that “simply copied” death notices from rival newspaper satisfied the “free-riding” requirement).

communication built on links and search engines designed to facilitate access to any information that has been released on the Internet. One well known explanation of *INS* and its progeny sees the tort as firmly rooted in the customs of traditional news-gathering.<sup>274</sup> Customs on the Internet are different, and a doctrine that fails to take account of that difference cannot hope to achieve stability.<sup>275</sup> It is worth noting that, unlike the AP during World War I, online news purveyors have technological tools available to restrict the unauthorized copying of their products.<sup>276</sup> Technical protections, however, impose a cost on owners by limiting access by users who might otherwise be a source of increased advertising revenue or other profit for the originator. Having instead made the choice to participate in the online culture, it may not be unwarranted to find an implied license for subsequent distribution.<sup>277</sup>

The uncertainties surrounding the scope—and indeed the continuing existence—of the misappropriation tort are especially troubling when the target of the claim is speech. Judge Posner, characterizing the tort as “a doctrine of irreducible vagueness,”

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<sup>274</sup> Richard A. Epstein, *International News Service v. Associated Press: Custom and Law as Sources of Property Rights in News*, 78 VA. L. REV. 85, 91 (1992).

<sup>275</sup> Cf. Brief for Amici Curiae Google Inc. and Twitter, Inc., *supra* note 271, at \*14 (“In a world of citizen journalists and commentators, online news organizations, and broadcasters who compete 24 hours a day, news can no longer be contained for any meaningful amount of time.”).

<sup>276</sup> [N]ewsgatherers can employ mechanisms to limit access to their content, including technical barriers to prevent broad access to content they make available online. For example, websites commonly use simple programming instructions known as “robots.txt” files to communicate instructions (such as instructions not to link to material on the site) to search engines and news aggregators. Such instructions are simple to implement, widely adopted, and provide an automated way for a site to prevent search engines and aggregators from linking to a web page. In addition, websites can restrict broad access to online content by using password-protected platforms. To the extent that information is shielded by sufficient technological measures, online services will not index content from such sites.

*Id.* at \*25–26 (footnote omitted).

<sup>277</sup> See *Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1115–16 (D. Nev. 2006) (noting that the failure to use technological signals that would prevent caching of website was treated as an implied license to cache).

worried that the *NBA* elements “cannot tell a would-be ‘misappropriator’ whether his conduct is likely to cross the legal line.”<sup>278</sup> The doctrine’s potential to chill speech is an obvious and fundamental concern.<sup>279</sup> The district court in *Barclays*, acknowledging the public interest in unrestrained access to information, relied on an analogy to the balance between incentive and public access drawn by intellectual property law.<sup>280</sup> Unlike the misappropriation tort, however, the fields of intellectual property law that regulate speech all have internal limitations that operate to lessen conflicts with First Amendment interests. Copyright, for example, protects only an author’s expression and not the underlying ideas, which remain open to all, and its fair use doctrine further accommodates free speech interests.<sup>281</sup> Trademark law is

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<sup>278</sup> Posner, *supra* note 12, at 638.

<sup>279</sup> See Brief for Amici Curiae Citizen Media Law Project, Electronic Frontier Fd., and Public Citizen, *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (No. 10-1372), 2010 WL 2647631 at \*23 (“If mainstream media outlets, bloggers, and other non-traditional journalists are unsure whether they are violating the law, they may well think twice about sharing newsworthy information out of ‘timidity and self-censorship.’”) (quoting *Cox Broad. Corp. v. Cohn*, 420 U.S. 469, 496 (1975)).

<sup>280</sup> Ultimately, the purpose of the *INS* tort, like the traditionally accepted goal of intellectual property law more generally, is to provide an incentive for the production of socially useful information without either under—or over—protecting the efforts to gather such information. A balance must be struck between establishing rewards to stimulate socially useful efforts on the one hand, and permitting maximum access to the fruits of those efforts to facilitate still further innovation and progress on the other. What the Supreme Court said in *Harper & Row* on the subject of copyright protection is no less applicable here: “The challenge of copyright is to strike the difficult balance between the interests of authors . . . in the control and exploitation of their writings . . . on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand.”

*Barclays I*, 700 F. Supp. 2d at 344, *rev’d*, 650 F.3d 876 (2d Cir. 2011) (quoting *Harper & Row Pubs., Inc. v. Nation Enters.*, 471 U.S. 539, 580 (1985)). Judge Cote, however, held that the defendant had waived any First Amendment defense. *Id.* at 352–54.

<sup>281</sup> The point is emphasized in the very case cited by Judge Cote to support the analogy to intellectual property:

In view of the First Amendment’s protections embodied in the Act’s distinction between copyrightable expression and uncopyrightable facts and ideas, and the latitude for scholarship and comment traditionally afforded by fair use, there is no warrant for expanding,

mainly limited to commercial speech, with its reduced level of constitutional protection.<sup>282</sup> Trade secrets law does not extend protection to information that is publicly available.<sup>283</sup> The right of publicity, which bars unauthorized exploitation of an individual's name or likeness for commercial purposes, does not extend to use in news reporting.<sup>284</sup> The misappropriation doctrine incorporates no analogous internal safeguards; protection for free speech interests can come only from the external constraint of the First Amendment.

Remarkably, there has never been a full-blown First Amendment analysis of the "hot news" tort by a federal appellate court.<sup>285</sup> The majority opinion in *INS* reveals no concern with free speech issues, and even the Brandeis dissent contains only a brief reference, on public policy grounds, to the propriety of enjoining the publication of news.<sup>286</sup> The absence of a substantial First Amendment analysis in the 1918 *INS* opinion is not surprising, coming as it does more than a decade before the Supreme Court began to develop a robust First Amendment jurisprudence

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as respondents contend should be done, the fair use doctrine to what amounts to a public figure exception to copyright.

Harper & Row Pubs., Inc. v. Nation Enters., 471 U.S. 539, 560 (1985). In *Eldred v. Ashcroft*, 537 U.S. 186, 191 (2003), the Court indicated that copyright's immunity from First Amendment scrutiny might be limited to cases in which "Congress has not altered the traditional contours of copyright protection."

<sup>282</sup> See, e.g., *Cent. Hudson Gas & Elec. Corp. v. Public Serv. Comm.*, 447 U.S. 557, 562–63 (1980).

<sup>283</sup> See Unif. Trade Secrets Act § 1(4), 14 U.L.A. 538 (2005) (limiting a "trade secret" to information that is not "generally known" or "readily ascertainable by proper means").

<sup>284</sup> See Restatement (Third) of Unfair Competition § 47, cmt. c (1995) ("The use of a person's identity primarily for the purpose of communicating information or expressing ideas is not generally actionable as a violation of the person's right of publicity."). In *Zacchini v. Scripps-Howard Broad. Co.*, 433 U.S. 562 (1977), the Court held that a broadcast of the plaintiff's entire human cannonball act by a local news channel was too substantial to qualify as permissible news coverage, noting, "[i]t is evident, and there is no claim here to the contrary, that petitioner's state-law right of publicity would not serve to prevent respondent from reporting the newsworthy facts about petitioner's act." *Id.* at 574.

<sup>285</sup> See Balganes, *supra* note 265, at 489 ("[N]o court has examined the extent to which the action remains compatible with the constitutional guarantees of free speech under the First Amendment.").

<sup>286</sup> *INS*, 248 U.S. 215, 266 (1918) (Brandeis, J., dissenting).

beginning perhaps with *Near v. Minnesota*<sup>287</sup> in 1931. The Second Circuit in *NBA*, deciding in the defendant's favor on the misappropriation count and vacating the lower court's injunction, saw no need to address the First Amendment defense.<sup>288</sup> The First Amendment issue was similarly avoided in *Barclays* when the court held that the misappropriation claim was preempted by the Copyright Act.<sup>289</sup>

Academic analysis of the First Amendment question has revealed significant unresolved issues. Examining legislative proposals that would give newspapers increased control over their stories and headlines on the Internet, Professor Yen concludes that potential overbreadth in the scope of the regulated speech makes it likely that such protection would run afoul of the First Amendment.<sup>290</sup> Professor Balganesch notes the applicability of the rule against prior restraints to injunctions against the misappropriation of "hot news."<sup>291</sup> Perhaps as argued in an amicus brief in the *Barclays* case (and by the district court in *NBA*), the misappropriation doctrine survives First Amendment scrutiny as a content-neutral regulation supported by a substantial governmental interest and narrowly tailored by the required elements of the tort.<sup>292</sup> However, the constitutional issues remain contentious and unresolved,<sup>293</sup> only adding to the general uncertainty surrounding the misappropriation tort.

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<sup>287</sup> 283 U.S. 697 (1931).

<sup>288</sup> *NBA*, 105 F.3d 841, 854 n.10 (2d Cir. 1997).

<sup>289</sup> See *Barclays II*, 650 F.3d 876 (2d Cir. 2011).

<sup>290</sup> See Yen, *supra* note 68, at 970.

<sup>291</sup> See Balganesch, *supra* note 265, at 491–92; see also Sherrod, *supra* note 238, at 1227.

<sup>292</sup> Brief for Amicus Curiae Reed Elsevier Inc. in Support of Affirmance, *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (No. 10-1372), 2010 WL 3032825 at \*1920. The lower court in *NBA* defended the constitutionality of an injunction by arguing that it was content neutral and barred only a particular means of reporting on the games. Nat'l Basketball Ass'n v. Sports Team Analysis & Tracking Sys., Inc., 939 F. Supp. 1071, 1086–87, *rev'd*, 105 F.3d 841 (2d Cir. 1997). See also Corrected Brief for Plaintiffs-Appellees, *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (No. 10-1372), 2010 WL 2935558 at \*50–51 (arguing that "[b]ecause the 'hot news' doctrine inherently accommodates First Amendment interests, there is no need for the separate First Amendment scrutiny Fly and its amici contend is mandated").

<sup>293</sup> Attacks on the constitutionality of the "hot news" tort typically raise two issues. One attack questions whether liability can be imposed, consistent with the First

### C. Preemption

Debating the contours and ultimate wisdom of the “hot news” tort should be a purely academic exercise; any actual use of the state tort to protect news on the Internet—or anywhere else—seems clearly preempted by the federal Copyright Act. According to section 301 of the Copyright Act, neither the common law nor statutes of any state can grant

[l]egal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by Section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by Sections 102 and 103.<sup>294</sup>

Analysis under section 301 proceeds by asking whether the object of the state protection falls within the subject matter of the copyright statute, and whether the nature of the state protection is equivalent to any of the exclusive rights enjoyed by a copyright owner, most notably, the right to prevent unauthorized reproduction.<sup>295</sup> If a state statute or common law doctrine is invoked to protect a computer program, a literary manuscript, or a character, the “subject matter” element of section 301 is met, and if the nature of the state protection is equivalent to a right against unauthorized reproduction, the second element too is satisfied and application of the state law is preempted.<sup>296</sup> On the other hand, if

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Amendment, for distributing newsworthy information that has been lawfully obtained. *See, e.g.*, Brief for Defendant-Appellant, *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (No. 10-1372), 2010 WL 2589041 at \*3538; Brief for Amici Curiae Citizen Media Law Project, Elec. Frontier Fd., & Pub. Citizen, Inc., *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (No. 10-1372), 2010 WL 2647631 at \*12; Brief for Amicus Curiae Streetaccount LLC in Support of Defendant-Appellant, *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (No. 10-1372), 2010 WL 2589769 at \*9–13. The other attack questions whether an injunction against future misappropriations violates the rule against prior restraints. *Id.* at \*13–14; Reply Brief for Defendant-Appellant, *Barclays II*, 650 F.3d 876 (2d Cir. 2011) (No. 10-1372), 2010 WL 3032827 at \*1824; Brief for Amici Curiae Google Inc. and Twitter, Inc., *supra* note 271, at \*19–26.

<sup>294</sup> 17 U.S.C. § 301(a) (2006).

<sup>295</sup> *Id.* § 106(1).

<sup>296</sup> *See, e.g.*, *Rosciszewski v. Arete Assocs., Inc.*, 1 F.3d 225 (4th Cir. 1993) (Virginia Computer Crimes Act claim); *Ehat v. Tanner*, 780 F.2d 876 (10th Cir. 1985), *cert.*

the state law protects a plaintiff not against unauthorized reproduction but, as with trademark law, against consumer confusion as to source, or as with trade secret law, against breaches of confidence, the state protection is not preempted.<sup>297</sup> The legislative history explains equivalency as an inquiry into whether the state “causes of action contain elements, such as an invasion of personal rights or a breach of trust or confidentiality, that are different in kind from copyright infringement.”<sup>298</sup> To escape preemption, however, the extra “elements” must change the nature and not merely the scope of the state right. Elements like intent or scienter, although not required for copyright infringement, are not themselves sufficient to preserve a state cause of action.<sup>299</sup>

The NBA’s claim that game statistics had been misappropriated from its broadcasts for use with the defendants’ pager system prompted an influential analysis of the preemption issue by the Second Circuit.<sup>300</sup> Focusing first on the subject matter requirement for preemption in section 301, the court faced the question of whether this application of the misappropriation tort could escape preemption because only uncopyrightable facts had been taken.<sup>301</sup> The “subject matter of copyright” as used in section 301 could be interpreted to include only matter that is protected by the Copyright Act. That narrow approach was rejected in *NBA*, and the court sensibly concluded that the reach of section 301 extended to both the copyrightable and uncopyrightable elements of a work, thus avoiding the perverse result that states remain free

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*denied*, 479 U.S. 820 (1986) (unjust enrichment claim); *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980) (unfair competition claim).

<sup>297</sup> Examples on trademark and passing off include, *Donald Frederick Evans & Assocs., Inc. v. Cont’l Homes, Inc.*, 785 F.2d 897 (11th Cir. 1986) and *Warner Bros., Inc. v. Am. Broad. Cos., Inc.*, 720 F.2d 231 (2d Cir. 1983); examples of breaches of confidence include, *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 9 F.3d 823 (10th Cir. 1993) and *Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992).

<sup>298</sup> H.R. REP. NO. 94-1476, *supra* note 100, at 132.

<sup>299</sup> *See, e.g.*, *Crow v. Wainwright*, 720 F.2d 1224, 1226 (11th Cir. 1983), *cert. denied*, 469 U.S. 819 (1984); *Harper & Row Pub., Inc. v. Nation Enters.*, 723 F.2d 195, 204–05 (2d Cir. 1983), *rev’d on other grounds*, 471 U.S. 539 (1985).

<sup>300</sup> *See NBA*, 105 F.3d 841, 848–55 (2d Cir. 1997).

<sup>301</sup> *See id.* at 848–50.

to protect material that Congress has specifically left in the public domain.<sup>302</sup>

Next for the *NBA* court came the question of whether the misappropriation tort offered protection that was “equivalent” to copyright. The court began its analysis with a conclusion drawn from an earlier Second Circuit decision: “Courts are generally agreed that some form of such a [misappropriation] claim survives preemption.”<sup>303</sup> The statement was followed by a quotation from the legislative history of section 301 on which that earlier case had relied:

“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 as specified by section 106 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*, or in the newer form of data updates from scientific, business, or financial data bases.<sup>304</sup>

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<sup>302</sup> See *id.* at 849. Other cases employing a similar interpretation of the “subject matter” requirement in section 301 include *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001), *cert. denied*, 534 U.S. 1114 (2002); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996); and *Financial Information, Inc. v. Moody’s Investors Serv., Inc.*, 808 F.2d 204 (2d Cir. 1986), *cert. denied*, 484 U.S. 820 (1987). This interpretation is consistent with the Supreme Court’s understanding of copyright preemption as articulated prior to the enactment of section 301 in *Goldstein v. California*, 412 U.S. 546, 570 (1973), finding that state protection is limited to material left “unattended” by Congress.

<sup>303</sup> *NBA*, 105 F.3d at 850 (citing *Financial Information*, 808 F.2d at 208).

<sup>304</sup> *NBA*, 105 F.3d at 850 (quoting H.R. REP. NO. 94-1476, at 132 (1976)) (citation omitted). Other cases indicating that this passage from the House Report preserves at least some applications of state misappropriation law include *Agora Financial, LLC v. Samler*, 725 F. Supp. 2d 491, 496 (D. Md. 2010); *X17, Inc. v. Lavandeira*, 563 F. Supp. 2d 1102, 1105 (C.D. Cal. 2007); *Fred Wehrenberg Circuit of Theatres, Inc. v. Moviefone*,



That said, the court in *NBA* moved directly to a consideration of the “breadth of the ‘hot news’ claim that survives preemption.”<sup>305</sup> After describing the elements of a “hot news” misappropriation claim, the court looked for “extra elements” that distinguished the state right from copyright, and found these:

We therefore find the extra elements—those in addition to the elements of copyright infringement—that allow a “hot-news” claim to survive preemption are: (i) the time-sensitive value of factual information, (ii) the free-riding by a defendant, and (iii) the threat to the very existence of the product or service provided by the plaintiff.<sup>306</sup>

It is a questionable list. The first “extra element” merely narrows the subject matter of the tort. A state prohibition against copying material from some small subset of works—stories about boy wizards or photographs of Madonna—would surely still be preempted. The second element—free riding—is usually satisfied in a misappropriation case by proof of copying, which is exactly equivalent to the primary protection afforded by copyright. The third element merely links the state right against copying to the degree of resulting harm. A state statute aimed at keeping record companies in business by prohibiting the sharing of music files on the Internet would still be preempted.

When Barclays objected to the appropriation of its stock recommendations by Fly, the district court, after quoting the same legislative history, said that the *NBA* case had “finally resolved”

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*Inc.*, 73 F. Supp. 2d 1044, 1049 (E.D. Mo. 1999); and *Nash v. CBS, Inc.*, 704 F. Supp. 823, 834 (N.D. Ill. 1989), *aff’d on other grounds*, 899 F.2d 1537 (7th Cir. 1990).

<sup>305</sup> *NBA*, 105 F.3d at 850.

<sup>306</sup> *Id.* at 853. Not everyone agrees. See Sherrod, *supra* note 238, at 1224 (“The extra elements laid out in *National Basketball Ass’n* do not differ qualitatively from copyright; they only describe the nature of the copying.”). See also, e.g., *Lowry’s Reports, Inc. v. Legg Mason, Inc.*, 271 F. Supp. 2d 737, 756 (D. Md. 2003) (“‘Free-riding,’ however, the only element that constitutes a wrongful act, seems indistinguishable from the right to reproduce, perform, distribute or display a work.”). The *NBA*’s misappropriation claim was ultimately rejected because it failed to establish sufficient competitive impact on its main businesses of staging and broadcasting basketball games, a necessary component of a non-preempted claim. See *NBA*, 105 F.3d at 853–54.

the question of whether a “hot news” claim survives preemption,<sup>307</sup> and applied the elements of a “surviving” misappropriation claim taken from that case to enjoin the defendant.<sup>308</sup>

On appeal, the Second Circuit agreed with *NBA*’s interpretation of the subject matter requirement—Barclays could not avoid preemption by arguing that the copied securities recommendations were not themselves copyrightable, since the reports from which they were taken were clearly within the subject matter of the statute.<sup>309</sup> Quoting the identical legislative history, the court also agreed with *NBA* that “*INS*-like state-law torts would survive preemption.”<sup>310</sup> But according to the majority in *Barclays*, *NBA*’s five-part description of the elements of a misappropriation claim that would survive preemption was dicta.<sup>311</sup> As for Barclays’ claim, it was not sufficiently “*INS*-like” to avoid preemption.<sup>312</sup> Fly was not free riding in the *INS* sense. It had not copied news gathered by Barclays, but instead was collecting and reporting news *made* by Barclays and similar organizations. It was also not clear, again in contrast to *INS*, that the defendant had diverted the plaintiff’s profits—commissions on the securities transactions it hoped to generate through its recommendations—to itself. In a bit of its own speculation, the court said that if the plaintiff had instead collected and disseminated facts about securities recommendations in the brokerage industry, it might well have a valid misappropriation claim against a defendant who copied

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<sup>307</sup> *Barclays I*, 700 F. Supp. 2d 310, 334 (S.D.N.Y. 2010), *rev’d in part*, 650 F.3d 876 (2d Cir. 2011).

<sup>308</sup> *See id.* at 335–43.

<sup>309</sup> *See Barclays II*, 650 F.3d at 902.

<sup>310</sup> *Id.* at 894.

<sup>311</sup> [I]n *NBA*, the Court *held* that the facts of that case could not support a non-preempted “hot news” claim. Its language regarding the elements that might in some later case allow a claim to avoid preemption, and its discussion of why such an exception to preemption was narrow, were useful commentaries on the reasoning and possible implications of the Court’s holding. But the language itself was not meant to, and did not, bind us, the district court, or any other court to subsequently consider this subject.

*Id.* at 899 n.32 (emphasis in original).

<sup>312</sup> *Id.* at 905.

them,<sup>313</sup> specifically referring to AP's claim against the copying of its news in the *All Headline News* case.<sup>314</sup>

Judge Raggi concurred in an insightful opinion that rejected the majority's conclusion that *NBA*'s five-part description of a non-preempted misappropriation was dicta.<sup>315</sup> But Barclays' claim failed the *NBA* test, she believed, because the defendant's conduct was not sufficiently competitive with the plaintiff's business.<sup>316</sup> Like the majority, she cited *All Headline News* as an example of a claim that might survive preemption.<sup>317</sup> Although Judge Raggi thought herself bound by *NBA*, she remained skeptical about "whether the test adequately identifies tort claims with 'extra elements' qualitatively different from the rights protected by copyright."<sup>318</sup>

Judge Raggi also made an all too rare observation about the legislative history on which the *NBA* analysis rests. The passage on misappropriation quoted from the House Report was specifically directed at a portion of section 301 in the copyright revision bill that was deleted prior to enactment.<sup>319</sup> At the time that the House Report quoted in *NBA* was written, the copyright revision bill included a provision preserving rights under state law with respect to:

[A]ctivities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106, including rights against misappropriation not equivalent to any such exclusive rights, breaches of contract, breaches of trust, trespass, conversion, invasion of privacy,

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<sup>313</sup> *Id.* at 905–06.

<sup>314</sup> *Associated Press v. All Headline News Corp.*, 608 F. Supp. 2d 454, 457–58 (S.D.N.Y. 2009); *see supra* text accompanying notes 219–25.

<sup>315</sup> *Barclays II*, 650 F.3d at 911 (Raggi, J., concurring).

<sup>316</sup> *Id.* at 913 (Raggi, J., concurring).

<sup>317</sup> *Id.* at 914 (Raggi, J., concurring).

<sup>318</sup> *Id.* at 911 (Raggi, J., concurring).

<sup>319</sup> *Id.* at 910 (Raggi, J., concurring). Similar observations were made in *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 676 n.25 (7th Cir. 1986), *cert. denied*, 480 U.S. 941 (1987) and *ProCD, Inc. v. Zeidenberg*, 908 F. Supp. 640, 659–60 (W.D. Wis. 1996), *rev'd on other grounds*, 86 F.3d 1447 (7th Cir. 1996).

defamation, and deceptive trade practices such as passing off and false representation.<sup>320</sup>

This attempt to preserve at least some applications of misappropriation was a complete turnaround from prior versions of the revision bill, which had included no reference to misappropriation in the list of preserved state rights.<sup>321</sup> Indeed, an earlier House Report had stated, “where the cause of action involves the form of unfair competition commonly referred to as ‘misappropriation,’ which is nothing more than copyright protection under another name, section 301 is intended to have preemptive effect.”<sup>322</sup> Misappropriation (along with trespass and conversion) first appeared in the section 301 list of unpreempted rights in the 1975 Senate bill, along with the now-familiar reference to *INS* in the accompanying Senate Report.<sup>323</sup> The House Report, written the following year, contained the identical comment on *INS*.<sup>324</sup> During the final Senate debate before passage of the revision bill, Senator Hugh Scott expressed regret that time did not permit consideration of an amendment to delete the reference to misappropriation from section 301. He included in the record a letter from the Department of Justice expressing fear that the recent addition of misappropriation in section 301, which it labeled “a vague and uncertain” theory, would “defeat the underlying purpose of the preemption section.”<sup>325</sup> When the House took up the Senate bill, Representative Seiberling offered an amendment to delete the entire list of examples in section 301(b)(3), citing the Justice Department’s objection to the inclusion of misappropriation. But Seiberling, prompted by a

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<sup>320</sup> S. 22, 94th Cong. § 301(b)(3) (1975), *quoted in* H.R. REP. NO. 94-1476, at 24 (1976).

<sup>321</sup> *See, e.g.*, H.R. 4347, 89th Cong. § 301(b)(3) (1966). *See generally* Henry D. Fetter, *Copyright Revision and the Preemption of State “Misappropriation” Law: A Study in Judicial and Congressional Interaction*, 25 BULL. COPYRIGHT SOC’Y 367 (1978) (tracing the drafting history of the preemption provision).

<sup>322</sup> H.R. REP. NO. 89-2237, at 129 (1966).

<sup>323</sup> S. 22, 94th Cong. § 301(b)(3) (1975), *quoted in* Fetter, *supra* note 321, at 417. The passage on misappropriation quoted from the House Report by the court in *NBA* appeared for the first time in Senate Report 473, S. REP. NO. 94-473, at 116 (1975).

<sup>324</sup> *See* H.R. REP. NO. 94-1476, at 132.

<sup>325</sup> *See* 122 Cong. Rec. 3836-37 (1976) (letter to Hon. Hugh Scott from Thomas Kauper, Asst. Att. General, Antitrust Div. (Feb. 13, 1976)).

query from Representative Railsback, also offered a different—and inconsistent—explanation, expressing a desire merely to avoid encouraging states to adopt the doctrine.<sup>326</sup> The amendment deleting the list was adopted and the revision bill was passed.<sup>327</sup> The Conference Committee accepted the House amendment without comment.<sup>328</sup>

This bit of history is generally known to copyright scholars, although apparently less so to the courts. Less well known entirely is the origin of this fleeting appearance of misappropriation in section 301 and the accompanying legislative history that has proved so difficult to ignore. My casebook co-author Ralph Brown traced the entire episode to a 1975 report from American Bar Association Committee No. 309—Copyright and New Technology (“ABA Committee Report”), disapproving any limitation on rights against misappropriation in the copyright revision bill.<sup>329</sup> The ABA Committee Report, prepared for an ABA meeting in August 1975, included a proposed revision of section 301 to protect the misappropriation tort and a list of examples, including *INS*, where misappropriation protection should remain available.<sup>330</sup> By November, when the Senate Report on the revision bill was published, the proposed change had been incorporated into the bill verbatim and the list of examples from

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<sup>326</sup> See 122 Cong. Rec. 32,015 (1976).

<sup>327</sup> See *id.*

<sup>328</sup> See H.R. REP. NO. 94-1733, at 78–79 (1976) (Conf. Rep.), reprinted in 1976 U.S.C.C.A.N. 5810, 5819–20.

<sup>329</sup> Ralph S. Brown, Jr., *Unification: A Cheerful Requiem for Common Law Copyright*, 24 UCLA L. REV. 1070, 1101 n.161 (1977) (citing A.B.A. Section of Patent, Trademark and Copyright Law, Committee Reports to be Presented at [Aug. 1975] Meeting, REPORT OF COMMITTEE NO. 309, COPYRIGHT AND NEW TECHNOLOGY 177 (1975) [hereinafter ABA COMMITTEE REPORT]). We mentioned this small discovery in a footnote in our casebook on copyright law. See RALPH S. BROWN & ROBERT C. DENICOLA, COPYRIGHT 635 n.f (7th ed. 1998). Unfortunately, a casebook footnote is apparently not the best way to get the word out.

<sup>330</sup> ABA COMMITTEE REPORT, *supra* note 329, at 180–82. Another justification offered for the proposed amendment to section 301 was to achieve compatibility with a pending federal codification of the misappropriation doctrine, which was never enacted. *Id.* at 181.

the ABA Committee Report was inserted in the Senate Report.<sup>331</sup> The identical list of examples, including the reference to *INS*, soon also appeared in the House Report.<sup>332</sup> The ABA Committee Report establishes beyond doubt that the legislative history relied on in cases like *NBA* and *Barclays* was intended not as commentary on the general statutory concept of “equivalent” rights, but was instead an attempt to justify a specific last-minute amendment to the bill—an amendment that was subsequently struck from the bill before it was enacted.<sup>333</sup>

Reliance on this legislative history in cases like *NBA* and *Barclays* seems questionable for another reason. It is probably not a coincidence that the four examples of misappropriation described in the ABA Committee Report and subsequently reproduced in the Senate and House reports all involve the protection of “facts” or “data.”<sup>334</sup> The thrust of the concern seems to be that the copyright revision bill would preempt state protection for matter that is not protected by copyright. This is apparent on a close reading of the reference to the *INS* case. Both the ABA Committee Report and matching legislative history carefully limit the target of state protection to “‘hot’ news”: “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.”<sup>335</sup> If protection against misappropriation is indeed not equivalent to copyright, the parenthetical excluding state protection for literary expression is meaningless. The tort would be available to protect *any* subject matter. The exclusion of state protection for literary expression reveals the ABA Committee’s real concern: copyright should not preempt state protection for uncopyrightable subject matter.<sup>336</sup> But both *NBA*

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<sup>331</sup> S. 22, 94th Cong. § 301(b)(3) (1975), *quoted in* S. REP. NO. 94-473, at 20 (1975). The examples from the ABA Committee Report appear in Senate Report 473. *See* S. REP. NO. 94-473, at 116.

<sup>332</sup> H.R. REP. NO. 94-1476, at 132.

<sup>333</sup> *See* ABA COMMITTEE REPORT, *supra* note 329, at 177–82.

<sup>334</sup> *See id.*

<sup>335</sup> ABA COMMITTEE REPORT, *supra* note 329, at 180; H.R. REP. NO. 94-1476, at 132.

<sup>336</sup> Some cases have interpreted the legislative history as preserving misappropriation claims only for uncopyrightable material. *See* *Agora Fin., LLC v. Samler*, 725 F. Supp.

and *Barclays* flatly reject that proposition, holding that preemption can reach even uncopyrightable subject matter in a copyrighted work.<sup>337</sup>

What if the reference to misappropriation and *INS* in the legislative history is ignored, as it should be?<sup>338</sup> The case law already provides the answer. In misappropriation cases that involve the “subject matter of copyright” but not “hot news,” i.e., where the reference to *INS* is irrelevant, the courts have been virtually unanimous in holding that a misappropriation cause of action is preempted.<sup>339</sup>

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2d 491, 501–02 (D. Md. 2010); *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523, 1533 (S.D.N.Y. 1985); *see also* 1 NIMMER, *supra* note 58, § 101[B][2][b] (“[O]ne could plausibly maintain that the misappropriation protection preserved by the legislative history relates to ‘subject matter’ outside of copyright.”).

<sup>337</sup> *See supra* text accompanying notes 302 and 309.

<sup>338</sup> This may be easier said than done. District court judges in the Second Circuit are presumably bound by *NBA*’s ruling that the legislative history justifies the conclusion that some applications of the misappropriation tort survive preemption. Panels in subsequent Second Circuit cases are also apparently bound by that ruling. “[T]his panel is bound by prior decisions of this court unless and until the precedents established therein are reversed *en banc* or by the Supreme Court.” *United States v. Jass*, 569 F.3d 47, 58 (2d Cir. 2009), *cert. denied*, 130 S. Ct. 2138 (2010). This proposition was cited by the majority in *Barclays. Barclays II*, 650 F.3d 876, 890 (2d Cir. 2011). Thus, although the judges in *Barclays* more clearly understood the questionable relevance, if not the provenance of the legislative history, “[t]he *NBA* panel decided the case before it, and we think that the law it thus made regarding ‘hot news’ preemption is, as we have tried to explain, determinative here.” *Id.* at 899.

<sup>339</sup> *See, e.g.*, *Stromback v. New Line Cinema*, 384 F.3d 283, 302 (6th Cir. 2004) (screenplay); *Ehat v. Tanner*, 780 F.2d 876, 879 (10th Cir. 1985), *cert. denied*, 479 U.S. 820 (1986) (research notes); *Warner Bros. Inc. v. Am. Broad. Cos.*, 720 F.2d 231, 247 (2d Cir. 1983) (character); *Brainard v. Vassar*, 561 F. Supp. 2d 922, 932 (M.D. Tenn. 2008) (songs); *ProCD, Inc. v. Zeidenberg*, 908 F. Supp. 640, 661 (W.D. Wis.), *rev’d on other grounds*, 86 F.3d 1447 (7th Cir. 1996) (telephone listings); *Nash v. CBS, Inc.*, 704 F. Supp. 823, 835 (N.D. Ill. 1989), *aff’d on other grounds*, 899 F.2d 1537 (7th Cir. 1990) (literary work); *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523, 1535–36 (S.D.N.Y. 1985) (snowflake design); *Schuchart & Assocs., Inc. v. Solo Serve Corp.*, 540 F. Supp. 928, 944–45 (W.D. Tex. 1982) (architectural drawings); *Fairway Contractors, Inc. v. Ahern*, 970 P.2d 954, 957 (Ariz. Ct. App. 1998) (home design); *see also* 1 NIMMER, *supra* note 58, § 1.01[B][1][f][iii] at 1-48 (“[L]egions of cases have held preempted claims for misappropriation.”) (footnotes omitted). Some cases have held that state protection for works of authorship may also be preempted under the Supremacy Clause. *See, e.g.*, *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255 (5th Cir. 1988) (statute enforcing “shrink wrap” restrictions against copying software). State protection of facts in a copyrighted work through the misappropriation doctrine may conflict with the federal prohibition of copyright protection for facts, and hence may “[stand] as an

## CONCLUSION

Newspapers, investment firms, and other content providers seek to control the distribution of their work on the Internet. Copyright law already protects the text of their news, at least against most commercial copiers, although their headlines may be too small and too useful as titles to merit separate protection as works of authorship. News providers want more. They are pressing to expand copyright into the previously forbidden realm of facts by arguing that creativity in the “creation” of “soft” facts is sufficient for protection. But copyright law demands creativity in the manner of expression, which statements of isolated facts generally lack. Facts, whether “soft” and “created” or “hard” and “discovered,” belong in the public domain where the Copyright Act clearly puts them. Extending protection to facts also fundamentally alters the contours of copyright in a way that undermines its traditional insulation from scrutiny under the First Amendment.

Content providers are also seeking to resurrect the century-old tort of misappropriation, a contentious and formless doctrine with a notably checkered history. It is especially dangerous in cyberspace, where it conflicts with the structure and culture of the Internet and where a central premise of the doctrine—the distinction between a competitor and the public—quickly breaks down. Unlike traditional intellectual property doctrine, the misappropriation tort lacks internal limitations that temper conflicts with the First Amendment, and its inherent uncertainty, magnified on the Internet, chills protected speech. Application of the tort to protect “hot news” is plainly preempted by federal copyright law. The misappropriation doctrine prohibits copying—a right precisely equivalent to copyright’s ban on unauthorized reproduction. A passage in the legislative history indisputably

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obstacle to the accomplishment and execution of the full purposes and objectives of Congress.” *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941). See 3 GOLDSTEIN, *supra* note 58, § 17.3.3, at 17:41 (“Although the Copyright Act withholds federal protection from ideas and facts, and does not forbid their protection under state law, cases may arise in which state protection of ideas or facts will so offend the federal balance that it will be invalidated under the supremacy clause.”).



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directed at a provision that was intentionally removed from the copyright revision bill should not alter that obvious conclusion.