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The Restatement's Rejection of the Misappropriation Tort

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THE RESTATEMENT'S REJECTION OF THE MISAPPROPRIATION TORT: A VICTORY FOR THE PUBLIC DOMAIN

*Gary Myers**

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Some legal theories, like the proverbial vampire, refuse to die. The common law tort of misappropriation is one such legal theory, and the recent *Restatement (Third) of Unfair Competition* (Restatement) may finally lead to the demise of this outdated cause of action.¹ Misappropriation began advisedly enough as a means of protecting certain intellectual property rights from unjust usurpation, often by direct competitors employing improper means. Arising

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1. RESTATEMENT (THIRD) OF UNFAIR COMPETITION (1993) [hereinafter RESTATEMENT].

before comprehensive copyright, patent, and trademark laws were fully developed, the tort may have played an important role in protecting intangible proprietary interests.

The tort's high water mark was the 1918 Supreme Court decision in *International News Service v. Associated Press*.² Since then, the role of the misappropriation tort has withered with the expansion of statutory intellectual property rights, particularly the Copyright Act of 1976³ and the Lanham Trademark Act of 1946.⁴ Nonetheless, the tort has continued to exist as an alternative—and often unbridled—avenue for relief when statutory law denies protection in particular cases. The new Restatement confronts the tort directly and contends that it no longer plays a role as an independent cause of action. This position is consistent with most cases addressing the issue, as well as with sound intellectual property policy. In particular, the tort of misappropriation threatens the existence of a well defined “public domain” of information to which the public can freely obtain access.⁵

This article contends that the Restatement's position is the correct one based upon intellectual property law and policy. The tort of misappropriation does not systematically further incentives for creative effort. At the same time, its broad definition of “unfair competition” threatens competitive freedom and consumer welfare. The misappropriation tort's ill-defined and potentially harmful breadth is unwarranted, and its demise is long overdue.

I. THE TORT OF MISAPPROPRIATION

The tort of misappropriation is most commonly associated with the United States Supreme Court's decision in *International News Service*. The case involved a suit between two direct competitors providing news wire services, the plaintiff Associated Press (AP) and the defendant International News Service (INS). AP, a large cooperative news-gathering organization, at the time spent approximately \$3.5 million annually to obtain news stories to be distributed to its members (primarily newspapers). The membership bore the cost of this enterprise. INS was a corporation providing similar news-gathering services for a fee to each of its customers.⁶ AP brought suit against INS, alleging that INS committed various acts of unfair competition. AP's complaint focused on three forms of alleged misconduct by INS: (1) bribing employees of AP member newspapers to obtain copies of AP news stories; (2) inducing

2. 248 U.S. 215 (1918).

3. 17 U.S.C. §§ 101-914 (1994).

4. 15 U.S.C. §§ 1051-1127 (1994).

5. David Lange identified the threat that expanding intellectual property theories poses to the public domain in his influential work on the subject. See David Lange, *Recognizing the Public Domain*, 44 LAW & CONTEMP. PROBS., Autumn 1981, at 147.

6. *International News Serv.*, 248 U.S. at 229-30.

AP members to violate the terms of AP's bylaws in order to obtain AP news stories; and (3) copying AP news stories from bulletin boards or early editions of newspapers and selling those news stories, either verbatim or in rewritten form, to INS customers.⁷

The district court enjoined the first two actions but refused to prohibit the copying of AP news stories. After both parties appealed, the Second Circuit modified the lower court's order and enjoined all three forms of conduct. The Supreme Court granted certiorari on the limited issue of whether INS could be enjoined from copying lawfully obtained AP news stories and redistributing them to its customers.⁸

The gist of AP's complaint was that the copying of its news stories constituted unfair competition and should be enjoined. The Court assumed that no federal copyright law protection would apply to the news stories, because of the practical problems with registering large numbers of daily news stories and because, according to AP's own assertion, there is no copyright in news per se.⁹ INS's defense was that intellectual property protection for AP's news stories was akin to trade secret protection; as long as AP maintained its news stories confidentially, it had a property right in the information, but that right lapsed when AP voluntarily disclosed the information to the public by permitting the news stories to be published.¹⁰

The Court began its analysis by discussing a preliminary question concerning the extent of "property rights" in news. The Court observed that the Copyright Act of 1909 did permit copyright protection for the actual language of a news story, which would qualify as protectable literary expression.¹¹ Although the words and arrangement of a news story would be copyrightable expression, the Court noted that the underlying news itself—the facts and events being recounted—of course could not be the subject of copyright protection:

But the news element—the information respecting current events contained in the literary production—is not the creation of the writer, but is a report of matters that ordinarily are *publici juris*; it is the history of the day. 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

7. *Id.* at 230-32.

8. *Id.* at 231-32. More specifically, the Court addressed three issues: whether there was a property right in news, whether it survived publication, and whether INS's copying of news from bulletin boards or early editions of newspapers constituted unfair competition. *Id.* at 232.

9. *Id.* at 232-33. The Copyright Act of 1909, 35 Stat. 1075 (1909), which governed at the time, protected a work only upon publication with proper copyright notice and registration.

10. *International News Serv.*, 248 U.S. at 233.

11. *Id.* at 234 (discussing the Copyright Act of 1909).

to their respective writings and discoveries," 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.¹²

The Court acknowledged that INS had not violated copyright law (as the works were unregistered and thus unprotected under the Copyright Act of 1909). Nor had INS committed or induced a breach of trust or confidence when it obtained the news stories from the bulletin boards and newspapers. The question thus turned on whether this copying of lawfully obtained news stories was itself unfair competition.¹³

The Court then began a discussion of unfair competition and equity principles. Although the principles appear to be largely unexceptionable on initial reading, their potentially broad scope and vague boundaries have resulted in analytical difficulties and problematic expansion of the concept of information as property. The central focus of the Court's analysis was the cost, skill, labor, expense, and organization necessary to gathering news. The Court found that AP's investment in news required protection from usurpation by INS, noting that "as between them, [AP's investment] must be regarded as *quasi* property, irrespective of the rights of either as against the public."¹⁴ Thus, although the Court was unwilling to find a general property right in the news stories as against the world, it did find such a right to exist between AP and its direct competitor, INS.¹⁵

As the Court noted, it was an inexpensive matter for INS to obtain and copy AP's news stories. It was thus unfair, the Court reasoned, for INS to obtain inexpensively that which AP had gathered at great expense. The Court expressed this view:

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

12. *Id.* (citation omitted) (quoting U.S. CONST. art. I, § 8, cl. 8).

13. *Id.* at 234-35.

14. *Id.* at 236.

15. *International New Serv.*, 248 U.S. at 236.

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.¹⁶

The Court believed that INS's behavior "speaks for itself and a court of equity ought not to hesitate long in characterizing it as unfair competition in business."¹⁷

This basis for protection, as discussed later in this article, is now familiar in federal copyright law as the "sweat of the brow" theory. The *International News Service* Court condemned the "bodily appropriation of a statement of fact or a news article, with or without rewriting, but *without independent investigation or other expense*."¹⁸ It focused on the "expenditure of labor, skill, and money" of the plaintiff, and the actions of the defendant "endeavoring to reap where it has not sown."¹⁹ Congress and the Supreme Court have effectively repudiated this approach to copyright, as demonstrated by the Supreme Court's decision in *Feist Publications, Inc. v. Rural Telephone Service Co.*²⁰

The *International News Service* Court took pains to insist that it was not granting a monopoly or general property interest in information.²¹ However, it noted that there was no evidence whatsoever of the defendant palming off its goods as those of the plaintiff, as would be necessary in a classic unfair competition case.²² Rather, the Court viewed INS as having committed a "fraud" and as having taken "quasi property" belonging to AP,²³ emphasizing INS's "habitual failure to give credit" to AP for its work.²⁴ Here the Court's opinion is somewhat inconsistent, as presumably INS would have been threatened with liability for palming off had it credited AP, but still was found liable for a form of misrepresentation for selling AP's work as its own.²⁵

16. *Id.* at 239-40.

17. *Id.* at 240.

18. *Id.* at 243 (emphasis added).

19. *Id.* at 239.

20. 499 U.S. 340 (1991); see *infra* notes 77-84 and accompanying text.

21. *International News Serv.*, 248 U.S. at 241.

22. *Id.* at 241-42.

23. The Court noted that "[t]here are elements of imitation, of false pretense, in defendant's practices." *Id.* at 242.

24. *Id.* Justice Holmes, in his dissent, viewed the defendant's failure to provide an acknowledgement to AP as the only improper act that should be enjoined. *Id.* at 246-48 (Holmes, J., dissenting).

25. Today, such a claim could be asserted under a theory of reverse palming off, or possibly

Although *International News Service* has been frequently criticized by commentators and narrowly construed by courts, the decision has been applied in subsequent cases, particularly where similar facts were presented.²⁶ It is often cited in common law copyright cases.²⁷ As Wendy J. Gordon has observed:

In recent years, the misappropriation tort has reemerged with such vigor that in the 1980s the Supreme Court relied heavily on *INS* in its most recent ruling that information is property. Today, the tort of misappropriation is asserted in a wide range of areas and also is used as a source of analogy, inspiration, and authority in sister doctrines such as the "right of publicity" and "dilution"²⁸

The critical commentary on misappropriation is extensive. Leo J. Raskind, for example, has observed that the tort lacks any doctrinal criteria based upon market competition, and has suggested that liability depends upon the economic effect of the allegedly unlawful behavior.²⁹ Similarly, Wendy J. Gordon has criticized what she calls the "restitutionary impulse," the tendency of some courts to assume that "'reaping and sowing' and 'unjust enrichment' automatically give rise to absolute claims, trumping all other considerations."³⁰ Ralph S. Brown, Jr., wrote that the misappropriation doctrine's "gross fallacy is the assumption of a general policy in favor of monopolies in ideas, systems, or any ingenious contrivance."³¹ Quoting Justice Brandeis' dissent in *International News Service*, Brown continued, "Actually the limited monopolies of trade-mark, patent, and copyright stand

as a moral rights claim for specifically identified copyrightable works (such as works of art).

26. See, e.g., *Associated Press v. KVOS, Inc.*, 80 F.2d 575 (9th Cir. 1935) (upholding misappropriation claim based upon a radio station's use of verbatim or substantially similar news stories taken from plaintiff), *rev'd on other grounds*, 299 U.S. 269 (1936); *Pottstown Daily News Pub. Co. v. Pottstown Broadcasting Co.*, 192 A.2d 657 (Pa. 1963) (similar facts and result); *Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483, 492 (Sup. Ct. 1950) (finding misappropriation where the defendant sold re-recordings of opera performances), *aff'd*, 107 N.Y.S.2d 795 (App. Div. 1951).

27. See, e.g., *Roy Export Co. v. Columbia Broadcasting Sys., Inc.*, 672 F.2d 1095, 1105 (2d Cir.) (discussing common law copyright claim and also recognizing misappropriation claim), *cert. denied*, 459 U.S. 826 (1982).

28. Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149, 152 n.13 (1992) (citing *Carpenter v. United States*, 484 U.S. 19, 26-27 (1987); *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.* 483 U.S. 522, 532 (1987)).

29. Leo J. Raskind, *The Misappropriation Doctrine as a Competitive Norm of Intellectual Property Law*, 75 MINN. L. REV. 875 (1991).

30. Gordon, *supra* note 28, at 281.

31. Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1200 (1948).

as narrow exceptions to the 'general rule of law' 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.'³² Even defenders of the misappropriation tort have acknowledged the need for limits upon its scope.³³

II. THE RESTATEMENT POSITION

The *Restatement (Third) of Unfair Competition* rejects the tort of misappropriation as an independent cause of action. The Restatement view is not immediately obvious from the text of section 38, which addresses the tort:

§ 38. Appropriation of Trade Values

One who causes harm to the commercial relations of another by appropriating the other's intangible trade values is subject to liability to the other for such harm only if:

(a) the actor is subject to liability for an appropriation of the other's trade secret under the rules stated in §§ 39-45; or

(b) the actor is subject to liability for an appropriation of the commercial value of the other's identity under the rules stated in §§ 46-49; or

(c) the appropriation is actionable by the other under federal or state statutes or international agreements, or is actionable as a breach of contract, or as an infringement of common law copyright as preserved under federal copyright law.³⁴

The Restatement position is initially stated in the negative—no actionable violation of trade values occurs unless one of the delineated violations takes place. In effect, the implication of this provision is that the party seeking to enforce its purported exclusive right in certain information must establish a

32. *Id.* (quoting *International News Serv.*, 248 U.S. at 250 (1918) (Brandeis, J., dissenting)); see also Zechariah Chafee, Jr., Note, *Unfair Competition*, 53 HARV. L. REV. 1289, 1314-15 (1940) ("The general doctrine laid down in Pitney's opinion [in *International News Service*] would enable the courts to set up a monopoly conflicting with the patent scheme provided by Congress and in a situation which the Constitution has entrusted to Congress alone.").

33. See Douglas G. Baird, *Common Law Intellectual Property and the Legacy of International News Service v. Associated Press*, 50 U. CHI. L. REV. 411 (1983) (arguing that fear of the broad scope of the misappropriation tort has been unjustified, but nonetheless acknowledging that limits on the tort are necessary); Rudolf Callmann, Note, *He Who Reaps Where He Has Not Sown: Unjust Enrichment in the Law of Unfair Competition*, 55 HARV. L. REV. 595, 612 (1942) (contending that those who have invested in and created a commercial product should obtain relief against those who reap where they have not sown). For an article espousing a middle ground, see James A. Rahl, *The Right to "Appropriate" Trade Values*, 23 OHIO ST. L.J. 56 (1962) (arguing that the misappropriation tort has a valid, but limited, role).

34. RESTATEMENT, *supra* note 1, § 38.

claim based upon trade secret law, the right of publicity, breach of contract, common law copyright, or a statute or treaty. There is no general property right in information and no claim for misappropriation of information as such. The Restatement's position on this issue is clear from the comments to section 38:

The rule stated in this Section limits common law tort liability for appropriations of intangible trade values to cases involving an appropriation of trade secrets, an appropriation of the commercial value of another's identity, or an appropriation of a work of authorship that is not fixed in a tangible medium of expression and thus protectable under common law copyright. Although courts have occasionally invoked the *INS* decision on an ad hoc basis to grant relief against other commercial appropriations, they have not articulated coherent principles for its application. It is clear that no general rule of law prohibits the appropriation of a competitor's ideas, innovations, or other intangible assets once they become publicly known. In addition, the federal patent and copyright statutes now preempt a considerable portion of the domain in which the common law tort might otherwise apply. 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.³⁵

The Restatement "recognizes the freedom to engage in business and to compete with others for the patronage of prospective customers. The law of unfair competition imposes liability only in connection with particular methods of competition that undermine rather than advance the competitive process."³⁶ A variety of claims can be asserted to restrain market behavior, such as conversion, privacy and publicity rights, and tortious interference with existing contracts.³⁷ On the other hand, "[i]nterference with mere prospective economic relationships . . . does not ordinarily subject a competitor to liability unless the interference is accomplished through 'wrongful means.' The rules stated in this Chapter determine whether the appropriation of an intangible trade value is a 'wrongful means' of competition for purposes of that rule."³⁸ This statement sets forth an important principle governing marketplace behavior—a competitor is free to use any lawful means to engage in full and fair competition with other firms.

This competition principle forms the basis for barring tortious interference claims based simply upon a competitor's otherwise legal behavior, even when those actions have the effect and indeed the purpose of drawing away business

35. *Id.* § 38 cmt. b (citations omitted).

36. *Id.* § 38 cmt. a (citing *id.* § 1).

37. *Id.*

38. *Id.* (citing RESTATEMENT (SECOND) OF TORTS § 768 (1977)).

from other competitors.³⁹ Similarly, the Restatement's position is that competition on the merits is not unfair competition and does not create tort liability based upon a vague assertions of misappropriation of property rights in information. Put simply, a competitor is free to imitate, copy, borrow, or duplicate the ideas of other firms, as long as the competitor violates no statute or well-grounded common law rule. In the Restatement's view, the tort of misappropriation can no longer constitute such a rule.⁴⁰

The Restatement's discussion of *International News Service* is particularly instructive. The Restatement notes that the rationale of the case can be viewed as largely based on its unusual facts, particularly the defendant's actions in taking away AP's "lead time" advantage by taking AP stories as they were published on the East Coast and transmitting them to INS customers on the West Coast as fresh news. "Such circumstances present the most compelling case for protection against appropriation, although even on these facts Justice Brandeis argued persuasively in dissent that the proper balance between protection and access could be drawn only through legislation."⁴¹ Thus:

Although the decision appears to rest on a rationale of unjust enrichment potentially applicable to a wide range of competitive conduct, subsequent decisions have recognized that broad application of the unjust enrichment rationale in a competitive marketplace would unreasonably restrain competition and undermine the public interest in access to valuable information.⁴²

The Restatement also recognizes the continuing role and validity of common law copyright, as distinguished from and as an alternative to a general tort of misappropriation. The Copyright Act of 1976 preempted much of common law copyright as it had existed before the enactment and effective date of that statute. Traditionally, the line of demarcation between the state law-based common law copyright and the federal copyright law was publication. Until a creative work was published, it was the subject of common law copyright; upon publication, common law copyright protection ceased, requiring the owner of the work to seek protection under (and comply with the strict requirements of) the federal copyright law as it existed at the time. Under the Copyright Act of 1976, federal copyright protection begins when

39. See generally Gary Myers, *The Differing Treatment of Efficiency and Competition in Antitrust and Tortious Interference Law*, 77 MINN. L. REV. 1097, 1120-37 (1993) (discussing competition privilege and the requirement of proof of wrongful conduct in tortious interference cases).

40. RESTATEMENT, *supra* note 1, § 38 cmt b.

41. *Id.* § 38 cmt. c.

42. *Id.*

a work is "fixed in any tangible medium of expression."⁴³ Hence, federal protection automatically begins at a much earlier point than under prior law. To avoid a dual system of overlapping federal and state copyright, it was therefore necessary for the federal statute to preempt common law copyright once the point of "fixation" occurred. This preemption was accomplished by section 301 of the 1976 Act. Common law copyright still exists, but its realm is limited to creative works that have not yet been embodied in any tangible form, such as an extemporaneous speech, an improvised song, or a dance or dramatic work that has not been videotaped or placed in any written form. The Restatement acknowledges a residual role for narrowly defined claims under common law copyright:

[P]rotection for works of authorship at common law has historically been pursued through the doctrine of common law copyright. Since the federal copyright statute expressly preserves common law protection for unfixed works of authorship, the continued recognition of rights in this narrowly-defined subject matter through the doctrine of common law copyright does not present the problems associated with judicial recognition of a more general misappropriation tort. However, comprehensive protection for unfixed works of authorship, which can encompass works extending from formal performances to casual conversations, may require limitations best implemented through legislation. Statutes in many states, for example, prohibit the unauthorized commercial recording of live performances.⁴⁴

The Restatement then discusses the preemptive scope of federal copyright and patent law, noting that case law in this area provides a general principle that the copying of ideas that are unprotected and ineligible for protection under federal law is lawful and that state law theories that prevent such copying of freely disclosed ideas are preempted unless they do not interfere with the federal policy allowing access to information.⁴⁵ "Thus, states may not apply the misappropriation doctrine to prevent the copying of products or ideas for mechanical or other utilitarian innovations that have been disclosed to the public."⁴⁶ As for copyright preemption, section 301 of the Copyright Act provides for express statutory preemption of rights "equivalent" to federal copyright protection. The Restatement notes that "[c]ourts have consistently concluded that in most if not all of its applications, the misappropriation doctrine affords a right 'equivalent' to copyright."⁴⁷ The Restatement's conclusion about preemption principles is that they provide an additional

43. 17 U.S.C. § 102(a) (1994).

44. RESTATEMENT, *supra* note 1, § 38 cmt. d (citing 17 U.S.C. § 301 (1994)).

45. *Id.* § 38 cmt. e.

46. *Id.*

47. *Id.*

reason for rejection of an independent tort of misappropriation: "Although the preemptive scope of federal patent and copyright law remains uncertain, the potential for interference with the policies underlying the federal intellectual property regime counsels against the recognition of broad and indeterminate rights against misappropriation."⁴⁸

III. EVALUATING THE RESTATEMENT'S REJECTION OF THE TORT OF MISAPPROPRIATION

A. The Expansion of Statutory Intellectual Property Protection

Much has happened in the law of intellectual property since the Supreme Court decided *International News Service* in 1918. Several of these developments effectively make the misappropriation tort obsolete. Perhaps the most significant of these developments is the expansion of copyright protection in the Copyright Act of 1976 and in later amendments. A significant problem that AP faced in 1918 was its practical inability to obtain formal federal copyright protection for its daily news stories. Today, there is no question that a wire service can obtain copyright protection for its articles as soon as those works are fixed in a tangible medium of expression in accordance with section 102(a) of the Copyright Act.⁴⁹ This protection is specifically limited to the expression found in the articles and does not extend to any ideas, procedures, concepts, facts, or other public domain material.⁵⁰ Certainly a competitor who, like INS in 1918, simply copied verbatim the plaintiff's news stories would be found liable for federal copyright violation. Moreover, the preemptive provisions of section 301 of the Copyright Act of 1976 now preclude copyright-like protection under state law.⁵¹ Similarly, trademark law has expanded significantly in scope and importance since the passage of the Lanham Trademark Act of 1946, which bars infringement of registered trademarks⁵² and false designations of origin or false descriptions involving both registered and unregistered trademarks.⁵³

The expansion of these statutory protections serves a number of beneficial purposes, including creating incentives for investment in intellectual property, rewarding creative effort, and assuring that the law encompasses new and

48. *Id.*

49. 17 U.S.C. § 102(a) (1994).

50. 17 U.S.C. § 102(b) (1994).

51. *See, e.g.,* *Universal City Studios, Inc. v. T-Shirt Gallery, Ltd.*, 634 F. Supp. 1468, 1474-76 (S.D.N.Y. 1986) (finding that misappropriation claim based on defendant's "Miami Mice" T-shirt that allegedly infringed on "Miami Vice" television series was preempted under section 301).

52. 15 U.S.C. § 1114 (1994).

53. 15 U.S.C. § 1125(a) (1994).

developing technologies. With this expansion, the need for a separate tort of misappropriation is lessened, if not completely eliminated.

B. No Additional Economic Incentives Are Needed

The Restatement approach is solidly grounded in economic principles. The drafters recognize that the economic basis for intellectual property protection is that information is a public good.⁵⁴ This economic concept describes a delicate balance. Take the simple example of a book. It is costly to produce a book—someone must write it, edit it, layout the pages (although this task is simple in the computer age), design the cover, and so forth. Once these sunk costs are expended, the cost of printing copies of the book are real but relatively small: paper, ink, binding, and covers. Once the book is printed, any given copy of the book can be read by one person or by many persons at almost no further expense, other than the minimal wear and tear on the book. Thus, information has two features that make it a public good. The first is a problem of appropriability—unless copyright law or another intellectual property right is in force, it is impossible to prevent other persons from copying or using information once it is created and disseminated. In other words, in a world without intellectual property law, the producers of books would have relatively little incentive to publish because their work would quickly be imitated and usurped by others who could simply copy an early edition. Intellectual property rights are necessary, therefore, because they provide the incentive for creating and sharing information.

The second economic characteristic of information is inexhaustibility. Once information, such as a book, is created, it can be read and understood by an inexhaustible number of persons; it is not like a lump of coal or a glass of orange juice, each of which is diminished whenever a person consumes part of it. As a matter of economics, then, once information is created, it is desirable for that information to be disseminated to all persons who have an interest in it because there is little or no cost involved in doing so. My reading of Shakespeare's works does not diminish anyone else's ability to read, appreciate, and enjoy it. The drafters of the Restatement state the point:

[T]he recognition of exclusive rights in intangible trade values can impede access to valuable information and restrain competition. Unlike appropriations of physical assets, the appropriation of information or other intangible asset does not ordinarily deprive the originator of simultaneous use. The recognition of exclusive rights may thus deny to the public the full benefits of valuable ideas and innovations by limiting their distribution and exploitation. In addition, the principle of unjust enrichment does not

54. RESTATEMENT, *supra* note 1, § 38 cmt. b.

demand restitution of every gain derived from the efforts of others. 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. Similarly, the law has long recognized the right of a competitor to copy the successful products and business methods of others absent protection under patent, copyright, or trademark law.⁵⁵

Because information is a public good,⁵⁶ legal rules are needed to assure that intellectual property is created—that producers of information have sufficient incentives to invest in information creation—and then those rules should be constrained to permit full use of the information once a sufficient reward has been paid for the creation. In other words, as the Restatement recognizes, there is a delicate balance between rewarding creativity and permitting access to the fruits of that creativity.⁵⁷ This balance is best struck by legislation, such as copyright and patent law, which can provide protections sufficient to offer suitable incentives to create, while also limiting those rights in a manner that will permit broad access to information. This balance is struck by limitations on the scope and duration of these rights, substantive requisites for obtaining protection, and affirmative defenses based on permitted uses (such as fair use in copyright law).⁵⁸ Similarly, common-law claims, such as trade secret, privacy, and the rights of publicity, further discrete interests that justify limits on the use of information by the public.⁵⁹ Some of the policies underlying trade secret law played a significant role, for example, in the Supreme Court's holding in *Kewanee Oil Co. v. Bicron Corp.*⁶⁰ that federal patent law did not preempt state trade secret protection.

55. *Id.*

56. See generally RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* § 3.2 (3d ed. 1986) (discussing the economics of intellectual property); Stephen Breyer, *The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies and Computer Programs*, 84 HARV. L. REV. 281, 291-323 (1970) (same); *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 340-47 (7th Cir. 1985) (Posner, J.) (discussing the lack of protection for functional design features).

57. RESTATEMENT, *supra* note 1, § 38 cmt. b.

58. The Restatement discusses some examples of how the law strikes a balance between incentives and public access. *Id.*

59. *Id.* ("The protection of trade secrets, for example, reflects the established interests in preserving confidential relationships and promoting physical security. Protection against an appropriation of the commercial value of a person's identity implicates interests in privacy, reputation, and personal autonomy." (citations omitted)).

60. 416 U.S. 470, 479-93 (1974) (discussing trade secret policies and finding no conflict with federal patent law).

Beyond these areas of intellectual property protection, the Restatement expresses the view that “[i]n the absence of such additional interests, the common law has resisted the recognition of general rights against the appropriation of information and other intangible trade values.”⁶¹ Within this context, the Restatement discusses *International News Service*, describing it as follows,

Although the decision has been frequently cited, it has been sparingly applied. Notwithstanding its longevity, the decision has had little enduring effect. In many cases it has been invoked when narrower rules of unfair competition would have achieved the same result. In most of the areas in which it has been expansively applied, its application has now been supplanted by legislation.⁶²

Unlike the trade secret law in *Kewanee*, misappropriation law has the potential to shift the balance between reward and access in a manner that is inconsistent with federal patent and copyright policy. Misappropriation law more closely resembles the “direct molding” statute that the Supreme Court held was preempted by patent law in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*⁶³ The issue in *Bonito Boats* was “what limits the operation of the federal patent system places on the States’ ability to offer substantial protection to utilitarian and design ideas which the patent laws leave otherwise unprotected.”⁶⁴ The Court specifically addressed a Florida law which made it “unlawful for any person to use the direct molding process to duplicate for the purpose of sale any manufactured vessel hull or component part of a vessel made by another without the written permission of that other person.”⁶⁵

Justice O’Connor noted that “the federal patent laws have embodied a careful balance between the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy.”⁶⁶ Part of this balance, the Court observed, is to provide a limited patent monopoly in return for satisfying the requisites of the Patent Act, including disclosure of the invention to the public. Thus,

the ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure. State law protection for techniques and designs whose disclosure has already been

61. RESTATEMENT, *supra* note 1, § 38 cmt. b.

62. *Id.* (citations omitted).

63. 489 U.S. 141 (1989).

64. *Id.* at 143.

65. *Id.* at 144-45 (quoting FLA. STAT. ANN. § 559.94(2) (West 1988) (Repealed 1991)).

66. *Id.* at 146.

induced by market rewards may conflict with the very purpose of the patent laws by decreasing the range of ideas available as the building blocks of further innovation.⁶⁷

Applying this federal patent policy, the Court found that the Florida direct-mold statute offered patent-like protection to information that was in the public domain, thereby creating a direct conflict with federal patent law. "By offering patent-like protection for ideas deemed unprotected under the present federal scheme, the Florida statute conflicts with the 'strong federal policy favoring free competition in ideas which do not merit patent protection.'"⁶⁸

David E. Shipley's thoughtful article on *Bonito Boats* analyzes the impact of the preemption principle on misappropriation law:

The Supreme Court has implicitly rejected the purported distinction between [lawful] copying and misappropriation by holding that the plug molding statute was preempted. It stated that the fact the statute "does not remove all means of reproduction and sale does not eliminate the conflict with the federal scheme." The Florida law still "pose[d] a substantial threat to the patent system's ability to accomplish its mission of promoting progress in the useful arts." These statements, coupled with the conclusion reached by the Supreme Court in *Bonito Boats*, strongly suggest that the decisions which distinguished between copying or imitation and the act of misappropriation were in error. There is, in fact, no substantive distinction between the actions. Misappropriation is but another label for reproduction or copying, and if a state cannot preclude the copying of a particular article because of federal policies pertaining to intellectual property, then it should not be able to prohibit the misappropriation of that article.⁶⁹

As Shipley suggests, if misappropriation law has any remaining scope, it must be tested against the preemption principle announced most recently in *Bonito Boats*. To the extent this tort offers patent-like protection under the guise of state unfair competition law, there is little doubt that the Supreme Court would find it preempted.

Moreover, given the effect of modern technology, the rationale of *International News Service* has troubling ramifications. The decision is based in part on the unusual facts of the case in its time. In effect, INS took advantage of the technology of the time to transmit news stories as they broke and were disseminated by the AP on the East Coast. INS used the telegraph

67. *Id.* at 151.

68. *Bonito Boats*, 489 U.S. at 168 (quoting *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969)).

69. David E. Shipley, *Refusing to Rock the Boat: The Sears/Compco Preemption Doctrine Applied to Bonito Boats v. Thunder Craft*, 25 WAKE FOREST L. REV. 385, 415-16 (1990) (footnotes omitted).

to send that information to its customers on the West Coast while the news was still "fresh." What is striking today is the extent to which this kind of instant copying and transmission can be accomplished even more readily. Today, images, music, printed books or articles, and even entire movies can be digitized and transmitted anywhere in the world or posted on a website where anyone with a computer, modem, and software can read, print, and download the information at will. Thus, the lead time once enjoyed by the producers of information is largely non-existent today. Although this presents a challenge for intellectual property law, the 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.

C. Misappropriation Law Lacks Doctrinal Boundaries

Unlike misappropriation law, other fields of intellectual property law have distinct boundaries and limits, each of which further public policies regarding protection of the public domain and full productive use of information once its original creators have been duly rewarded. Patent law protects only new, useful, and nonobvious inventions,⁷⁰ thus requiring real inventiveness prior to the grant of an exclusive monopoly on the right to make, use, or sell an innovation. As the Supreme Court recognized when it interpreted the patent non-obviousness requirement in the landmark case of *Graham v. John Deere Co.*,⁷¹ Congress cannot "authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available."⁷² Even when patent law's substantive standards are met, the term of the patent is limited, typically to a seventeen-year period.⁷³ Moreover, the patent applicant is penalized for not filing in a timely fashion though beginning to market the invention.⁷⁴

Copyright law protects original works of expression, but ideas, processes, methods, facts, and the like are expressly deemed not copyrightable.⁷⁵ The Copyright Act specifically provides this limitation: "In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work."⁷⁶ The Supreme Court considered the scope of

70. 35 U.S.C. §§ 101-03 (1994).

71. 383 U.S. 1 (1966).

72. *Id.* at 6.

73. 35 U.S.C. § 154 (1994).

74. 35 U.S.C. § 102(b), (g) (1994).

75. 17 U.S.C. § 102(b) (1994).

76. *Id.*

copyright protection in *Feist Publications, Inc. v. Rural Telephone Service Co.*⁷⁷ This decision is highly instructive in assessing the viability of the misappropriation tort. The dispute in *Feist* concerned the copyrightability of the plaintiff's white-pages telephone directory, which the defendant had copied. The Court began with common ground: "That there can be no valid copyright in facts is universally understood. The most fundamental axiom of copyright law is that '[n]o author may copyright his ideas or the facts he narrates.'"⁷⁸ The Court then explained the rationale for this proposition:

The *sine qua non* of copyright is originality. To qualify for copyright protection, a work must be original to the author. 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.⁷⁹

The requirement of originality, the *Feist* Court continued, is constitutional in origin, deriving from the Patent and Copyright Clause of the Constitution.⁸⁰ Although one can have a copyright in a sufficiently creative compilation of facts, others are free to copy the facts themselves.⁸¹ The tension between *Feist* and *International News Service* is then directly highlighted in Justice O'Connor's opinion:

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. The primary objective of copyright is not to reward the labor of authors, but "[t]o promote the Progress of Science and useful Arts." To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship. As applied to a factual compilation, assuming the absence of original written expression, only the compiler's selection and arrangement may be protected; the raw facts may be copied at will. This result is neither unfair

77. 499 U.S. 340 (1991).

78. *Id.* at 344-45 (quoting *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 556 (1985)).

79. *Id.* at 345 (citing *Harper & Row Publishers*, 471 U.S. at 547-549; 1 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* §§ 2.01[A], [B] (1990)).

80. *Id.* at 346.

81. *Id.* at 349.

nor unfortunate. It is the means by which copyright advances the progress of science and art.⁸²

The Court then addressed the “sweat of the brow” theory, the notion that there must be some reward for industrious collection of information. As noted earlier, this notion underpins *International News Service* and the line of cases that followed it. Justice O’Connor’s rejection of the concept is unequivocal, noting its “numerous flaws, the most glaring being that it extended copyright protection in a compilation beyond selection and arrangement—the compiler’s original contributions—to the facts themselves. . . . ‘Sweat of the brow’ courts thereby eschewed the most fundamental axiom of copyright law—that no one may copyright facts or ideas.”⁸³ The Court observed that this approach directly conflicted with the Copyright Acts of 1909 and 1976, and that it “distorts basic copyright principles in that it creates a monopoly in public domain materials without the necessary justification of protecting and encouraging the creation of ‘writings’ by ‘authors.’”⁸⁴

In addition to being applicable only to original works of authorship, as defined in *Feist*,⁸⁵ copyright protection is limited in duration, typically to the life of the author plus fifty years.⁸⁶ Copyright protection is further constrained by a panoply of defenses and doctrinal limitations, the most significant of which is the fair use defense.⁸⁷

Similarly, federal trademark law protects only distinctive marks that have been or will be used in commerce.⁸⁸ Proof of trademark infringement requires a showing of a likelihood of confusion, a false designation of origin, or at least a false description of fact.⁸⁹ Once again, a range of defenses is available, including proof that a mark has become generic, has been abandoned, has been used descriptively (fair use), and so forth.⁹⁰

82. *Feist Publications*, 499 U.S. at 349-50 (citations omitted).

83. *Id.* at 353 (citations omitted).

84. *Id.* at 354 (quoting NIMMER, *supra* note 79, § 3.04, at 3-23).

85. *Id.* at 358-64 (defining and applying the originality requirement and holding that the white-pages directory was insufficiently creative to merit copyright protection).

86. 17 U.S.C. § 302(a) (1994).

87. 17 U.S.C. § 107 (1994); *see also* 17 U.S.C. §§ 108-20 (listing other limitations).

88. 15 U.S.C. §§ 1051-1052 (1994).

89. 15 U.S.C. §§ 1114, 1125(a) (1994).

90. *See, e.g.*, 15 U.S.C. §§ 1064 (1994) (grounds for cancellation of registered mark), 1115 (1976) (defenses to incontestable mark).

*D. Mere Copying of a Competitor's Product
Is Lawful and Beneficial*

A fundamental principle of intellectual property law is that, absent a patent, violation of a trade secret, or infringement of a trademark or copyright, a firm is free to imitate, copy, or duplicate the products of a competitor. This concept was developed in the Supreme Court's decisions in *Sears, Roebuck & Co. v. Stiffel Co.*⁹¹ and *Compco Corp. v. Day-Brite Lighting, Inc.*,⁹² and was reaffirmed in *Bonito Boats*.⁹³

Often parties seek to invoke the misappropriation doctrine when other claims fail. For example, in *Famolare, Inc. v. Melville Corp.*,⁹⁴ the plaintiff sought trademark protection for its wavy-bottomed soles, which the court concluded were unprotectable functional elements of the plaintiff's product, shoes. The plaintiff focused attention on the defendant's exact duplication of its unpatented shoes,⁹⁵ finally asserting a general misappropriation claim. The plaintiff argued that it should be compensated for the labor it expended in developing, designing, and marketing the shoes, even though no patent or trademark claim was available.⁹⁶ The plaintiff cited *International News Service* as its authority, but the court noted that this decision has largely been limited to its facts and would not allow the plaintiff to use a misappropriation claim to circumvent the trademark doctrine preventing protection of functional designs.⁹⁷

A second example using misappropriation theory when other claims lack merit is *United States Golf Ass'n v. St. Andrews Systems*.⁹⁸ In that case, the United States Golf Association (USGA) had developed a numerical formula for the "handicapping" of golfers. The defendant subsequently used the formula in a computer that could calculate golfers' handicaps. The USGA sought to enjoin the use of its formula, alleging a false designation of origin under section 43(a) of the Lanham Act and misappropriation under New Jersey law.⁹⁹ The court rejected the Lanham Act claim because, like the wavy-

91. 376 U.S. 225 (1964).

92. 376 U.S. 234 (1964).

93. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989); see *supra* notes 63-69 and accompanying text. The *Bonito Boats* decision and David Shipley's analysis of it provide a good summary of these principles. See Shipley, *supra* note 69, at 386-411.

94. 472 F. Supp. 738, 744-45 (D. Haw. 1979), *aff'd*, 652 F.2d 62 (9th Cir. 1981).

95. *Id.* at 745-46.

96. *Id.* at 746-47.

97. *Id.* at 747. In concluding that *International News Service* was limited to its facts, the court cited *Pagliero v. Wallace China Co.*, 198 F.2d 339, 341-43 (9th Cir. 1952).

98. 749 F.2d 1028 (3d Cir. 1984).

99. *Id.* at 1029.

bottomed soles in *Famolare*, the handicapping formula was functional.¹⁰⁰ As to the misappropriation claim, the court reasoned that the essence of the claim is some “unfair” conduct that does not violate copyright, patent, or trademark law.¹⁰¹ As the court noted, “[T]he language of the *I.N.S.* opinion is very broad, and courts have struggled over the years to define the limits of the doctrine.”¹⁰² Because misappropriation claims were recognized under New Jersey law, the court sought to determine if such a claim arising from these facts would be consistent with federal preemption principles.¹⁰³ The court then distinguished the USGA’s case from *International News Service* by noting that there was no direct competition between the USGA and the defendant. Given the absence of competition, “it [was] inconceivable that [the defendant’s] business [would] interfere with the USGA’s incentive to maintain or update the handicap formula.”¹⁰⁴ The USGA vigorously argued that it was nonetheless still entitled to enjoin the use of the formula it devised. The court determined that this would effectively give USGA a monopoly on golf handicapping, because the USGA’s method was essentially the industry standard.¹⁰⁵

A third example, drawn from trademark law, is *Eastern Air Lines, Inc. v. New York Air Lines, Inc.*,¹⁰⁶ in which Eastern sought to enjoin a competitor from using the words “air shuttle” and “shuttle,” on the ground that the use of these terms infringed its service mark, “Air-Shuttle.”¹⁰⁷ Eastern alleged claims under the Lanham Act, as well as various state-law claims. The court found that the term “shuttle” was generic as applied to airline services. One of Eastern’s state-law claims was misappropriation based again upon the defendants’ alleged taking of commercial goodwill. The court concluded that the misappropriation theory did not extend to such takings and that the mere use of a generic term in trade does not constitute misappropriation.¹⁰⁸

Misappropriation theory has also been invoked in trade secret cases. In *Gary Van Zeeland Talent, Inc. v Sandas*,¹⁰⁹ for example, a talent booking agency sought to enjoin a former employee’s use of its customer list. The plaintiff asserted claims based upon trade secret and misappropriation law. The court rejected the trade secret claim because it found that the plaintiff’s

100. *Id.* at 1032-34.

101. *Id.* at 1034-45.

102. *Id.* at 1035-36.

103. *United States Golf Ass’n*, 749 F.2d at 1036.

104. *Id.* at 1038.

105. *Id.* at 1040.

106. 559 F. Supp. 1270 (S.D.N.Y. 1983).

107. *Id.* at 1272.

108. *Id.* at 1275-78.

109. 267 N.W.2d 242 (Wis. 1978).

customer list was not a protectable trade secret.¹¹⁰ The plaintiff then asserted that a misappropriation claim should be available instead. The court articulated a very broad test for the misappropriation claim: “The elements of a misappropriation cause of action developed in I.N.S. are: (1) time, labor, and money expended in the creation of the thing misappropriated; (2) competition; and (3) commercial advantage to the plaintiff.”¹¹¹ Despite the breadth of this tort, the court concluded that it should not apply to the customer lists at issue in the case.¹¹² In declining to provide relief, the court reasoned that there is no need to create incentives for businesses to build customer lists because they will do so in the ordinary course of their activities anyway.¹¹³ The court thus expressed a public policy against protecting customer lists absent exceptional circumstances, noting that “[i]t would be incongruous to depart from that public policy by the mere *ipsi dixit* of applying the skeletal requirements of the misappropriation doctrine.”¹¹⁴ Although the *Sandas* court ultimately rejected the misappropriation claim, it is significant that it did so based upon public policies drawn from trade secret law,¹¹⁵ that it had some difficulty explaining its result, and that it could not find its rationale in the “skeletal requirements” of the misappropriation tort.

Another example of a plaintiff falling back on misappropriation theory comes from copyright law. In *Warner Bros. v. American Broadcasting Cos.*¹¹⁶ the plaintiff owned the rights to “Superman” and sought to enjoin the defendant’s broadcast of “The Greatest American Hero” television series. The court rejected the federal copyright claim because the defendant’s character was not substantially similar to Superman.¹¹⁷ It rejected an unfair competition claim because it found no likelihood of confusion for purposes of trademark law.¹¹⁸ The plaintiff also asserted a misappropriation claim, which the court recognized as a broad theory of recovery.¹¹⁹ The court noted that although misappropriation claims are preempted to the extent they involve copyright-like protection, the plaintiff’s claim focused instead on passing off. The court found no evidence of passing off and rejected the misappropriation claim on its merits.¹²⁰

110. *Id.* at 246-51.

111. *Id.* at 251 (quoting *Mercury Record Prods., Inc. v. Economic Consultants, Inc.*, 218 N.W.2d 705, 709 (Wis. 1974)).

112. *Id.* at 251-53.

113. *Id.* at 252.

114. *Sandas*, 267 N.W.2d at 252.

115. *Id.* (citing trade secret cases for public policy).

116. 720 F.2d 231 (2d Cir. 1983).

117. *Id.* at 239-45.

118. *Id.* at 246-47.

119. *Id.* at 247.

120. *Id.* at 247. For other copyright cases in which the court rejected the federal claim and

Finally, misappropriation claims are often asserted in an attempt to circumvent doctrines in other intellectual property fields. For instance, in *Universal City Studios, Inc. v. T-Shirt Gallery, Ltd.*,¹²¹ the plaintiff studio produced the television series, "Miami Vice."¹²² It sought to enjoin a T-shirt maker from marketing shirts with the words "Miami Mice" and two mice characters who dressed like the main characters in the television series.¹²³ Recognizing that no relief was likely under other theories, the plaintiff asserted a misappropriation claim and a claim under section 43(a) of the Lanham Act. The court noted that misappropriation law protects against the usurpation of a competitor's skill, expenditures, and labor, but found that such a claim was preempted under federal copyright law.¹²⁴ A copyright claim on these facts clearly would have been subject to a strong fair use defense.¹²⁵

In each of the cases discussed in this section, the plaintiff was ultimately unsuccessful in asserting intellectual property rights, and in each case, the plaintiff should have lost. Each plaintiff muddied the water, albeit unfruitfully, by asserting a misappropriation claim. In each case, the courts struggled with the vague standards of this tort and searched for some rationale for refusing to apply it—often a rationale drawn from another field of intellectual property law. The parties and the courts ultimately wasted precious resources in disposing of the misappropriation claim. Intellectual property litigation would be simpler and more predictable if this tort claim were unavailable, as recommended by the new Restatement.

E. Analytical Clarity

One of the most important reasons for abolishing the misappropriation tort is to further analytical clarity. When courts recognize and uphold an intellectual property right in a case, the decision should articulate the specific

then found the misappropriation claim to be preempted, see *Giangrasso v. CBS, Inc.*, 534 F. Supp. 472 (E.D.N.Y. 1982) (rejecting federal copyright claim by owner of radio script about a radio station whose broadcast is interrupted by a robbery, finding a television episode of "WKRP in Cincinnati" not substantially similar and further rejecting the plaintiff's misappropriation claim on preemption grounds); *Schuchart & Assocs., Professional Eng'rs v. Solo Serve Corp.*, 540 F. Supp. 928 (W.D. Tex. 1982) (rejecting copyright claim involving alleged infringement of architectural drawings and specifications and finding misappropriation claim preempted); see also *Mayer v. Josiah Wedgwood & Sons*, 601 F. Supp. 1523 (S.D.N.Y. 1985) (holding that plaintiff's misappropriation and conversion theories were preempted by § 301 of the Copyright Act of 1976 where artist alleging infringement of her snowflake design Christmas ornament asserted no federal copyright claim and placed no copyright notice on her work).

121. 634 F. Supp. 1468 (S.D.N.Y. 1986).

122. *Id.* at 1472.

123. *Id.* at 1472-73.

124. *Id.* at 1474-1476.

125. See 17 U.S.C. § 107 (1994).

legal basis on which relief is granted. This precision is particularly necessary in intellectual property law because this field lacks the concreteness associated with other forms of property. In dealing with real property, for example, one can discern the metes and bounds—the actual physical boundaries of the property.¹²⁶ There is no such certainty in the intellectual property field. It is all too easy to tread innocently upon intangible rights. Often, even the advice of counsel is insufficient to give guidance as to the extent of intellectual property rights. Some of this ambiguity is inherent in the nature of law in general and intangible rights in particular. But the existence and persistence of vaguely defined claims based upon misappropriation of “property” in information exacerbates the problem.

As discussed above, many cases in which courts have discussed misappropriation claims actually entail other intellectual property rights, such as trademark or trade secret claims. In some cases, courts have upheld misappropriation claims in addition to trademark claims¹²⁷ or copyright claims.¹²⁸ An instructive example involving an unfair competition claim is *Lexton-Ancira Real Estate Fund v. Heller*,¹²⁹ in which the operator of a trade show sued the exhibition facility in which it conducted shows after the facility failed to renew its lease and began operating its own similar trade show. The plaintiff proceeded to trial on two theories, deceptive trade practices and misappropriation. The jury awarded damages to the plaintiff under *both* theories, but the trial judge reduced the award on the ground that it constituted a duplicative recovery for the same injury. An intermediate appellate court reversed, permitting the plaintiff to obtain the double recovery.¹³⁰ The Supreme Court of Colorado reversed, finding that the plaintiff could not obtain the duplicative recovery because the injury arose from the same set of facts.¹³¹

126. David Lange has recognized this important distinction. *See Lange, supra* note 5, at 147-48.

127. *See Universal City Studios, Inc. v. Montgomery Ward & Co.*, 207 U.S.P.Q. 852 (N.D. Ill. 1980) (plaintiff found likely to succeed on trademark, dilution, and misappropriation claims based on defendant's sale of garbage disposal units using the words “Jaws One,” “Jaws Two,” and “Jaws Power,” which infringed on plaintiff's trademark rights in the movie “Jaws”); *see also Warner Bros. v. Gay Toys, Inc.*, 658 F.2d 76 (2d Cir. 1981). In *Warner Bros.* the plaintiff successfully brought a trademark infringement claim based on the sale of a toy car that resembled the “General Lee,” the vehicle featured on the television series, “The Dukes of Hazzard.” The plaintiff also asserted a misappropriation claim, and although the court did not reach the merits of that claim, it did cite *International News Service. Id.*

128. *See, e.g., Universal City Studios, Inc. v. Kamar Indus.*, 217 U.S.P.Q. 1162 (S.D. Tex. 1982) (plaintiff found likely to succeed on copyright, trademark, and misappropriation claims based on defendant's marketing of “E.T.” merchandise).

129. 826 P.2d 819 (Colo. 1992) (en banc).

130. *Id.* at 820-22.

131. *Id.* at 822-25.

The gist of the claim in *Heller* was actually that the defendant committed a deceptive trade practice by adopting a trade name for its show that was confusingly similar to the plaintiff's and by leading others to believe that its trade show was a continuation of its predecessor.¹³² In effect, this was a simple palming off or garden variety unfair competition case. There was no other improper act alleged. Certainly the idea of having a trade show was not the exclusive property of the plaintiff. Nor was the exhibit facility obligated by any law to renew the lease. Yet the jury and the intermediate appellate court were confused enough to assume that some undefined misappropriation of property had occurred on these facts.

Another example of a decision having an unclear basis is *Dior v. Milton*.¹³³ That case essentially involved a breach of confidential relationship, either as an independent cause of action or as the basis for a trade secret claim. The plaintiff designer brought suit against parties who attended fashion shows at which they agreed not to disclose designs. The defendants operated a sketch service, offering sketches of the latest Dior designs, which they obtained while attending the fashion shows.¹³⁴ The plaintiff alleged that this conduct constituted misappropriation.¹³⁵ The court found that the plaintiff's disclosure of designs to limited audiences of persons who had agreed not to disclose them further did not result in a loss of exclusive rights to those designs.¹³⁶ The court granted relief, presumably on several bases, including misappropriation, trade secret, and interference with contract.¹³⁷ There is no question that a strong trade secret claim and probably a tortious interference claim were established on these facts, but there was no need for an additional claim of misappropriation.

Eliminating the misappropriation rubric for results that should be based on other intellectual property theories will improve the clarity and consistency of the law. Congress expressed its opposition to vague claims when it enacted the preemptive rules of section 301 of the Copyright Act of 1976.¹³⁸ Certainly the law of intellectual property is now sufficiently developed so that there is a statutory or common law theory upon which almost any legitimate intellectual property claim can be asserted.¹³⁹ There is little or no need for an additional "catch-all" doctrine.

132. *Id.* at 821.

133. 155 N.Y.S.2d 443 (Sup. Ct. 1956), *aff'd*, 156 N.Y.S.2d 996 (App. Div. 1956).

134. *Id.* at 447.

135. *Id.* at 450-51.

136. *Id.* at 458-59.

137. *Id.* at 451-63 (discussing various claims).

138. See H.R. REP. NO. 1476, 94TH CONG., 2D SESS. 130 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5746 (Section 301 is designed to "avoid the development of any vague borderline areas between State and Federal protection.").

139. See *infra* Part IV for discussion of some possible exceptions to this general statement.

F. Protecting the Public Domain

Misappropriation claims are often asserted by parties whose information is unprotected by other intellectual property theories and which would otherwise be in the public domain. For example, under prior versions of copyright law, a copyrightable work fell into the public domain if it was published without copyright notice. Parties whose copyrights were thus threatened would assert misappropriation claims. The courts, however, would generally recognize that works that had fallen into the public domain and for this reason were not protectable under a property theory.¹⁴⁰

In *Wilson v. Electro Marine Systems, Inc.*,¹⁴¹ a case involving a dispute over the marketing of a boat speedometer, the plaintiff asserted six different theories, including breach of contract, trade secret, antitrust, copyright infringement, and unfair competition (misappropriation).¹⁴² The trial judge took the first three claims away from the jury, but allowed the misappropriation claim to proceed. The jury found liability under this theory, but the court then set it aside.¹⁴³ On appeal, the Seventh Circuit Court of Appeals found as a matter of law that there was no covenant not to compete between the parties, no protectable trade secret, and no original work of authorship worthy of copyright protection.¹⁴⁴ The misappropriation claim apparently confused both the jury and the trial judge, at least to the extent he did not rule as a matter of law until after the verdict. As the Seventh Circuit Court of Appeals observed, the elements of this claim “escape definition so frequently that commentators find it necessary to produce law review articles with titles like ‘What is Unfair Competition?’”¹⁴⁵ The court made reference to whether the challenged activity “‘shock[s] judicial sensibilities’ or violates ‘standards of commercial morality.’”¹⁴⁶ The court then discussed the expansion of the tort beyond cases of palming off or consumer confusion and into simple bad faith taking of another’s labor or expenditure.¹⁴⁷ Despite the breadth of the misappropriation claim, the *Wilson* court ultimately concluded that relief could not be justified because the claim was essentially based on the plaintiff’s development of a marketing idea and his unilateral belief that the defendant

140. See, e.g., *National Comics Pubs., Inc. v. Fawcett Pubs., Inc.*, 191 F.2d 594, 598 (2d Cir. 1951) (If comic strips had fallen into the public domain for failure to comply with copyright notice requirements, they were unprotected under misappropriation theory), *opinion supplemented*, 198 F.2d 927 (2d Cir. 1952).

141. 915 F.2d 1110 (7th Cir. 1990).

142. *Id.* at 1111.

143. *Id.*

144. *Id.* at 1114-17.

145. *Id.* at 1118.

146. *Wilson*, 915 F.2d at 1118 (citations omitted).

147. *Id.* at 1118-19.

would sell the product only to him and would not compete with him.¹⁴⁸ The information that the plaintiff sought to protect had already fallen into the public domain, and the court recognized that unfair competition theory should not be used to circumvent that fact.

Similarly, in *Toho Co. v. Sears, Roebuck & Co.*,¹⁴⁹ the plaintiff claimed that the sale of garbage bags under the name "Bagzilla" infringed its rights to the "Godzilla" name and character. Again the plaintiff asserted multiple claims, including violations of section 43(a) of the Lanham Act, common-law trademark infringement, federal unfair competition, state unfair competition, dilution, misappropriation, and unjust enrichment.¹⁵⁰ The court found no likelihood of confusion and no dilution,¹⁵¹ which disposed of all claims except the misappropriation claim. The court acknowledged that the misappropriation claim was broader than the other claims, but found that there was no allegation that the defendant had taken any intellectual property other than the trademark; the court refused to extend misappropriation theory to the taking of a mark, concluding that the California courts would not do so.¹⁵²

As the Supreme Court recognized in *Sears, Roebuck & Co. v. Stiffel*, unpatented articles are "in the public domain and may be made and sold by whoever chooses to do so."¹⁵³ State unfair competition law cannot prohibit the copying of material in the public domain and cannot award damages for its use.¹⁵⁴ The Supreme Court reaffirmed this principle in *Bonito Boats*.¹⁵⁵ As David Lange has observed, it is necessary for courts "to see the public domain not merely as an unexplored abstraction but as a field of individual rights fully as important as any of the new [intellectual] property rights."¹⁵⁶

IV. ARE THERE GAPS IN THE LAW AFTER MISAPPROPRIATION THEORY'S DEMISE?

The only remaining question is whether the demise of misappropriation law, as suggested by the new Restatement, would leave any gaps in the law of intellectual property. There may be some forms of information that will go unprotected—perhaps some may reap where others have sown on public ground. Although this result is undesirable from the standpoint of those who

148. *Id.* at 1119-20.

149. 645 F.2d 788 (9th Cir. 1981).

150. *Id.* at 789-90.

151. *Id.* at 790-93.

152. *Id.* at 793-94.

153. 376 U.S. 225, 231 (1964).

154. *Id.* at 232-33.

155. 489 U.S. 141; *see supra* notes 63-69 and accompanying text.

156. Lange, *supra* note 5, at 178.

have sown, important intellectual property policies may nevertheless necessitate these outcomes.

A. Secondary Meaning in the Making

One scenario in which misappropriation claims are sometimes raised concerns what has become known as “secondary meaning in the making.” Assume that a firm has decided to enter a market with a new product and a new brand name. It selects a descriptive name—one that is not inherently distinctive (such as an arbitrary, fanciful, or suggestive name). Under traditional trademark and unfair competition rules, the descriptive trade name can be protected from confusingly similar uses by others only when that name has come to be known by consumers in the marketplace. In other words, descriptive marks are protectible normally only upon a showing of secondary meaning. Assume that a competing firm learns (by lawful means) of the nascent brand name before it becomes recognized by consumers, which can easily occur when a product is first introduced into the market. Can the second firm adopt a similar brand name, thereby usurping the creativity and early marketing efforts of the original firm? Under the doctrine of “secondary meaning in the making,” the first firm might be protected from the second firm’s efforts at usurpation.

In decisions on the topic, courts have discussed several solutions. The Second Circuit Court of Appeals, in *Laureyssens v. Idea Group, Inc.*, suggested that appropriation of another’s property or deliberate copying would be a basis for relief on similar facts.¹⁵⁷ In that case, the plaintiff sold cube-shaped puzzles under the name “Happy Cube.” The plaintiff’s trade dress consisted of marketing the puzzle in flat unassembled form with clear shrink wrap and a cardboard insert. The defendant began marketing a similar puzzle using largely identical trade dress, but using the name “Snafooz.”¹⁵⁸

The court suggested that a misappropriation claim would provide a basis for relief, offering this assertion as a reason to reject the doctrine of “secondary meaning in the making.” In effect, the court’s view was that this trademark doctrine was unnecessary because a claim would be available under New York unfair competition law.¹⁵⁹ The court was somewhat unclear as to the precise basis for this claim, stating that “under New York’s common law of unfair competition, a producer’s trade dress is protected without proof of secondary meaning against practices imbued with an odor of bad faith. These practices include palming off, actual deception, appropriation of another’s

157. 964 F.2d 131, 139 (2d Cir. 1992).

158. *Id.* at 132-35.

159. *Id.* at 138-39.

property or deliberate copying.”¹⁶⁰ Hence, the court rejected the proposed doctrine of secondary meaning in the making.

A case in which misappropriation law was used to protect a descriptive mark that lacked secondary meaning is *Flexitized, Inc. v. National Flexitized Corp.*¹⁶¹ The Second Circuit Court of Appeals found that the plaintiff’s mark was merely descriptive and lacked secondary meaning for purposes of the Lanham Act.¹⁶² It then turned to what it called New York unfair competition law and found, citing *International News Service*, that the law had expanded to provide protection in situations in which no secondary meaning was established.¹⁶³ Thus, in the court’s view, the defendant had misappropriated a valuable property right; even though it was not a protectable trademark, it had “acquired a familiarity among prospective purchasers of collar stays”¹⁶⁴

This use of misappropriation theory is troubling because it permits the protection of descriptive names by parties in situations where the name does not indicate the source of the goods or services. There are several ways in which the law could deal with this type of free riding without resort to misappropriation theory. A cautious firm seeking to introduce a new brand name into a market has several options available to prevent free riding. First, it can select a brand name that is inherently distinctive (arbitrary, fanciful, or suggestive), in which case the mark is readily protectable even before it attains secondary meaning.¹⁶⁵ Second, under the Lanham Act as revised in 1988, a party now has available a statutory “intent to use” provision.¹⁶⁶ Assuming that the proposed trademark is otherwise protectable under federal law, the trademark owner can simply file the intent to use application and, upon obtaining its notice of allowance, proceed with knowledge that it will likely be able to preempt later potential users of confusingly similar marks. Third, as the Second Circuit noted in *Laureyssens*, it is often possible to develop secondary meaning fairly quickly through carefully orchestrated marketing.¹⁶⁷ Although this approach may have its costs, it is another alternative for the trademark owner. Fourth, as the *Laureyssens* court recognized, intentional copying is persuasive evidence of secondary meaning,¹⁶⁸ and, in

160. *Id.* at 138 (citations omitted). For discussion of the line of New York cases to which the court alludes, see 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 15.04 (3d ed. 1996).

161. 335 F.2d 774 (2d Cir. 1964), *cert. denied*, 380 U.S. 913 (1965).

162. *Id.* at 779-80.

163. *Id.* at 781.

164. *Id.* at 782.

165. See 15 U.S.C. § 1052 (1994) (distinctive trademarks protectable).

166. 15 U.S.C. § 1051(b) (1994).

167. *Laureyssens*, 964 F.2d at 138-39.

168. *Id.*

any event, courts generally require a weaker showing concerning the strength of a trademark when there is proof of bad faith.¹⁶⁹

If none of these avenues for relief is fruitful, the plaintiff may go without remedy. Certainly there is a strong argument that the doctrine of “secondary meaning the making” is contrary to the language of the Lanham Act¹⁷⁰ and general trademark policy prohibiting protection for descriptive marks. As J. Thomas McCarthy has observed, “There are several traditional routes for a court to follow to find against the knowing interloper. Trademark law does not need the complication of a new theory where traditional tools exist to get the job done.”¹⁷¹ Accordingly, there is no need for a tort theory of recovery to deal with this situation.

B. Formulas, Indexes, and Other Information

A second area in which misappropriation law appears to play a role today is the protection of non-copyrighable and unpatentable formulas, indexes, and the like. Two cases illustrate the point. The first is *Board of Trade v. Dow Jones & Co.*,¹⁷² in which the Supreme Court of Illinois held that the Chicago Board of Trade (CBOT) could not use the Dow Jones Industrial Average in calculating and creating a stock index futures contract. There was no claim of palming off or consumer confusion.¹⁷³ No copyright protection was available.¹⁷⁴ The court noted that there were competing policies at stake—protection of investments in information weighed against the need for competition.¹⁷⁵ The court decided to weigh the need for creative incentives more heavily than the competition factor, and thus held that the CBOT could be barred from using the index even though it was not a direct competitor of Dow Jones.¹⁷⁶ The dissent objected to the extension of misappropriation claims to a case that did not involve usurpation by a direct competitor, noting that such a dramatic expansion of misappropriation law should be a legislative judgment.¹⁷⁷

169. *See, e.g., id.* at 138 (finding that trade dress is protected under New York unfair competition law without a showing of secondary meaning when there is bad faith).

170. 15 U.S.C. § 1052(e), (f) (1994) (prohibiting registration of descriptive marks absent a showing of secondary meaning).

171. MCCARTHY, *supra* note 160, § 15.21[2]. McCarthy also criticizes the application of the misappropriation doctrine in these situations. *See id.* § 15.04[4].

172. 456 N.E.2d 84 (Ill. 1983).

173. *Id.* at 86.

174. *See* 17 U.S.C. § 102(b) (1994) (“In no case does copyright protection . . . extend to any idea, procedure, process [or] system . . . regardless of the form . . .”).

175. *Board of Trade*, 456 N.E.2d at 88-89.

176. *Id.* at 90.

177. *Id.* at 91-93 (Simon, J., dissenting).

A second and very similar case is *Standard & Poor's Corp. v. Commodity Exchange, Inc.*,¹⁷⁸ in which the Second Circuit Court of Appeals enjoined the defendant from using the Standard & Poor's 500 (S&P 500) as the basis for the defendant's stock index futures contract. This case is somewhat less troubling because the court found a likelihood of confusion sufficient to establish a right to relief under section 43(a) of the Lanham Act. Although evidence of confusion was weak, the Second Circuit Court of Appeals deferred to the district court's factfinding on that issue.¹⁷⁹ The court then turned to the misappropriation claim, describing it as an "'amorphous cause of action' [that] 'has been broadly described as encompassing any form of commercial immorality, or simply as endeavoring to reap where [one] has not sown'"¹⁸⁰ Applying *International News Service*, the court noted that S&P devotes resources to creating its index, that the index is a marketable product, that the parties were competitors at least to some extent, and that the defendant used the index for its own commercial purposes.¹⁸¹ Based on these bare elements, the court concluded that S&P had a plausible claim that justified granting a preliminary injunction against use of the S&P 500 by the defendant.¹⁸²

The startling nature of the holdings in *Board of Trade* and *Standard & Poor's* is highlighted by Judge Newman's concurrence in the latter case:

When Standard & Poor's enters the business of publishing an index of selected stock issues, *there can be little doubt that another company endeavoring to publish the same index would face liability for misappropriation no matter how it merchandised its product* and would face liability for trademark infringement if its merchandising created a risk of confusion between its product and that of Standard & Poor's.¹⁸³

In effect, these cases award the assembler of a stock index a monopoly much like a patent on its compilation. Even with no showing of consumer confusion, as in *Board of Trade* and as implied in *Standard & Poor's*, the owner of an index can prevent others from using that index with no showing that it is a trade secret, no showing that it was obtained unlawfully, no valid copyright, and no patent. This right is presumably perpetual and does not appear to be leavened by a "fair use" defense.

178. 683 F.2d 704 (2d Cir. 1982).

179. *Id.* at 708-09 (assessing weak evidence of confusion and holding that lower court did not abuse its discretion in finding a likelihood of confusion).

180. *Id.* at 710 (citations and additional quotation marks omitted).

181. *Id.* at 710-11.

182. *Id.* at 711.

183. *Standard & Poor's Corp.*, 683 F.2d at 712 (emphasis added) (Newman, J., concurring).

Although it is undoubtedly true that similarly situated plaintiffs would not prevail if misappropriation is abolished as an independent tort, there is no reason to believe that denial of such claims would be a bad result. Patent-like protection for these types of indexes should only be granted if Congress makes a legislative judgment that it is a necessary creative incentive. It is doubtful that S&P and Dow Jones would cease maintaining their indexes simply because other parties make use of them for commercial purposes, including stock index futures. Nor are these cases limited to situations involving stock indexes. The *United States Golf Ass'n* case discussed above presents a similar claim involving a golf handicapping formula, although the court in that case rejected the claim based on the absence of direct competition between the parties.¹⁸⁴ Permitting patent-like protection in these situations clearly transgresses the preemption principles the Supreme Court has set forth, most recently in *Bonito Boats*.¹⁸⁵

The misappropriation doctrine might come into play more often in light of the Supreme Court's copyright decision in *Feist Publications v. Rural Telephone Service Co.*¹⁸⁶ This decision will call into question the copyrightability of a variety of fact-based and other non-creative works, such as the case pagination system that was held to be protectable in *West Publishing Co. v. Mead Data Central, Inc.*¹⁸⁷ Left unchecked, the broad reach of misappropriation law could become a substitute for the narrower protection available to such compilations after *Feist*.

Applying the preemption logic of *Bonito Boats* to copyright law, there is a strong argument for preemption of state law that provides for copyright-like protection of information in conflict with federal copyright law. Under section 102(b) of the Copyright Act of 1976, Congress expressly placed ideas, facts, processes, and the like in the public domain.¹⁸⁸ *Feist* helps define the scope of that exclusion and the necessary creative requirement that must be met for purposes of federal copyright law.¹⁸⁹ Thus, as a matter of Constitutional preemption under the Supremacy Clause, as in *Bonito Boats*,¹⁹⁰ the question

184. See *supra* notes 98-105 discussing *United States Golf Ass'n v. St. Andrews Sys.*, 749 F.2d 1028, 1037-41 (3d Cir. 1984); see also *Rand McNally & Co. v. Fleet Management Sys., Inc.*, 591 F. Supp. 726, 738-39 (N.D. Ill. 1983) (discussing misappropriation claim based on the defendant's use of procedures, processes, and systems for calculating mileage between cities, taken from plaintiff's mileage guides to compile a similar guide).

185. See *supra* notes 63-69 and accompanying text.

186. 499 U.S. 340 (1991).

187. 799 F.2d 1219 (8th Cir. 1986) (enjoining producer of Lexis database from using case pagination generated by West Publishing), *cert. denied*, 479 U.S. 1070 (1987).

188. 17 U.S.C. § 102(b) (1994).

189. See *supra* notes 77-84 and accompanying text.

190. See *supra* notes 63-69 and accompanying text. The Constitutional preemption issue discussed here should be distinguished from the *statutory* preemption rules of section 301 of the Copyright Act. Cf. 17 U.S.C. § 301 (1994). Although that provision may come into play if

becomes whether a state can remove from the public arena information that Congress has dedicated to the public domain. There is a strong argument that these expansive interpretations of tort law would be preempted by federal law.

C. *Amorphous Unfair Competition*

There are a few cases in which courts have relied upon *International News Service* to expand unfair competition law to cover miscellaneous conduct that does not involve trademark infringement. For example, in *National Telephone Directory Co. v. Dawson Mfg. Co.*,¹⁹¹ the plaintiff sold advertising space on telephone directory covers. The defendant had contracted with a large hotel to place the defendant's covers on telephone directories in the hotel, thereby obscuring the plaintiff's advertising and substituting its own ads.¹⁹² The court quoted extensively from *International News Service*, noting that the law of unfair competition has, "by process of growth, been greatly expanded in its scope to encompass the schemes and inventions of the modern genius bent upon reaping where he has not sown."¹⁹³ The Missouri appeals court found that "a more flagrant case of unfair competition is nowhere disclosed by the books. In fact, the scheme is more than unfair competition; it amounts to an actual appropriation of the plaintiff's property by the defendants to their own business purposes."¹⁹⁴

Despite the court's bold assertions concerning the flagrant nature of the defendants' acts, the basis for the plaintiff's claim is not at all clear. Presumably the hotel was free to place a plain brown paper cover over the telephone books or to tear off the cover entirely if it so chose. It is unclear why a competitor's cover could not be placed on the book, unless perhaps such conduct would be actionable as reverse palming off. This type of claim fits awkwardly in the misappropriation cubbyhole and should be asserted (if at all) under traditional unfair competition theories.

misappropriation is deemed to be a right equivalent to copyright and encompassing the subject matter of copyright, some courts seem to believe that misappropriation law falls outside section 301's language. See *Rand McNally & Co. v. Fleet Management Sys., Inc.*, 591 F. Supp. 726, 738-39 (N.D. Ill. 1983) (discussing misappropriation claim and asserting that section 301 would not preempt claims based on the use of procedures, processes, and systems for calculating mileage). Assuming misappropriation law does have such broad reach, my contention is that it would be preempted under the Supremacy Clause, as discussed in the text.

191. 263 S.W. 483 (Mo. Ct. App. 1924).

192. *Id.* at 483.

193. *Id.* at 484.

194. *Id.* at 485.

D. Idea Protection Cases

One area in which misappropriation might be said to play a role is in the idea submission case. Typically, a party—often a fairly gullible individual—will submit a novel idea to another—often a large television or motion picture company—in the hope of being compensated if the idea is ultimately used. The recipient will often decline the offer but then proceed to use the idea, or so the plaintiff will allege when the inevitable lawsuit is filed. One of the theories under which plaintiffs sometimes proceed is misappropriation of a property right in information.¹⁹⁵ As Paul Goldstein has noted, “[I]dea submitters rarely succeed on a property theory. Any expression of an idea that is sufficiently novel and concrete to qualify on the property ground could probably also qualify for protection under the more developed and traditional intellectual property systems”¹⁹⁶

Several theories can provide the idea submitter with relief. To the extent there is an express or implied contract between the parties, as Art Buchwald has demonstrated, there is a clear basis for relief.¹⁹⁷ There may be a confidential relationship between the parties, the breach of which gives rise to a trade secret claim, as in *Dior*.¹⁹⁸ Copyright law could certainly provide relief if the defendant copies the plaintiff’s copyrightable expression. In short, there are sufficient avenues for relief under recognized intellectual property theories. Once again, the demise of misappropriation will not stifle creative incentives or permit others to reap unjustly where one has sown.

E. Common Law Copyright

Common law copyright claims continue to exist in light of the Copyright Act of 1976, but with limited scope. These claims can arise, for example, in the case of oral statements made with at least some effort to “mark off” a proprietary interest in them, as in *Estate of Hemingway v. Random House, Inc.*¹⁹⁹

Many courts are reluctant to even recognize common law copyrights, particularly in interviews or conversations. For example, in *Falwell v. Penthouse International, Ltd.*,²⁰⁰ the Reverend Jerry Falwell submitted to an interview but then found it published in Penthouse magazine, contrary to his

195. See generally PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES 41-42 (rev. 3d ed. 1993).

196. *Id.* at 41.

197. *Id.* at 42-44 (summarizing express and implied contract cases).

198. See *supra* notes 133-137 and accompanying text.

199. 244 N.E.2d 250, (N.Y. 1968). For a thorough analysis of this case, see Lange, *supra* note 5, at 148-50, 173-78.

200. 521 F. Supp. 1204 (W.D. Va. 1981).

verbal understanding with his interviewers. Among other theories, he claimed to have a common law copyright in his comments in the interview.²⁰¹ The court viewed common law copyright as applicable only in narrow circumstances, and found that his spontaneous responses to interview questions did not constitute protectable expression.²⁰² Similarly, in *Rowe v. Golden West Television Productions*,²⁰³ a prison inmate asserted a common law copyright in the format of his "Juvenile Awareness Program." He had developed a confrontational session in which prison inmates serving life sentences confront juvenile offenders and share their experiences in order to discourage the juveniles from engaging in criminal behavior.²⁰⁴ Under New Jersey law, the court found that common law copyright only protects works that are in some tangible form, that his dramatizations were not sufficiently concrete to meet this standard, and that common law copyrights in tangible expressive works were in any event preempted by federal copyright law.²⁰⁵

As these cases illustrate, common law copyright is available as a basis for recovery only in limited circumstances. The *Rowe* court's interpretation of New Jersey law, for example, means there is practically no common law copyright protection remaining after the enactment of the Copyright Act of 1976. The Restatement leaves these claims intact under the rubric of common law copyright, rather than misappropriation.

V. CONCLUSION

The *Restatement (Third) of Unfair Competition* recommends the demise of the tort of misappropriation. There are many reasons to welcome this result. Most importantly, the law of intellectual property has developed sufficiently in the last several decades to make the tort obsolete. The goals that the tort was meant to serve—rewarding creativity, preventing piracy, and precluding unfair competition—are fully carried out by other statutory and common-law causes of action. Moreover, because misappropriation claims can be vague, their potential for chilling legitimate competition and valuable creative expression far outweigh any residual benefits of the tort. The law should provide, at least to the extent possible, relatively clear rules regarding the boundaries of intellectual property claims.

Other intellectual property theories have accepted limits. Obtaining rights requires inventiveness in patent law, originality in copyright law, and good

201. *Id.* at 1205-06.

202. *Id.* at 1207-08.

203. 445 A.2d 1165 (N.J. Super. Ct. App. Div. 1982), *cert. denied*, 450 A.2d 562 (N.J. 1982).

204. *Id.* at 1166-67.

205. *Id.* at 1167-70.

will or distinctiveness in trademark law. Proof of infringement requires a showing that the defendant made, used, or sold the same or equivalent articles in patent law; a showing of copying, substantial similarity, and unlawful appropriation of expression in copyright; and a likelihood of confusion or false representation of fact in trademark law. Patent and copyright law expressly provide for limited terms, though trademark permits theoretically perpetual protection as long as the seller's good will continues. Each of these statutory schemes also includes a panoply of defenses.

Misappropriation involves reaping where one has not sown. Yet it is unclear what must be sown or how one cannot reap. Without these limits, the misappropriation tort is easily misunderstood by lawyers, judges, and juries. Users of information in the public domain have no guidance as to their potential liability for use of information that someone may deem to be proprietary. To quote Benjamin Kaplan's seminal work, "[I]f man has any 'natural' rights, not the least must be a right to imitate his fellows, and thus to reap where he has not sown. Education, after all, proceeds from a kind of mimicry, and 'progress,' if it is not entirely an illusion, depends on generous indulgence of copying."²⁰⁶

As one court stated, the tort of misappropriation "is adaptable and capacious."²⁰⁷ Eliminating the tort of misappropriation should promote analytical clarity, as courts will be forced to define the precise basis upon which they are granting relief, instead of relying on general concepts of property rights in information. The statutory and case law in the intellectual property field is now sufficiently developed so that it provides sufficient incentives and protections for creative effort. Any residual creative incentives provided by misappropriation law are easily outweighed by the detriment to the public domain.

206. BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 2 (1967).

207. *Roy Export Co. v. Columbia Broadcasting Sys., Inc.*, 672 F.2d 1095, 1105 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982).

