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# The Doctrine of Misappropriation in Unfair Competition

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# THE DOCTRINE OF MISAPPROPRIATION IN UNFAIR COMPETITION

## *The* Associated Press *Doctrine After Forty Years*

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The last fifty years have witnessed a tremendous surge in American businesses, both in number and in size. With this development, new methods of doing business have been devised. Although these methods are generally designed to increase competition in our economy, not all of them are considered ethical or fair. Some of these unfair or unethical practices are now controlled, within limitations, by the Federal Trade Commission. The remaining acts or practices must be controlled by other means within the framework of the law. The legal touchstone in such instances is "unfair competition."

One of the greatest problems in this area is the fact that these acts which are considered unfair are not easily catalogued or typed. They are limited in kind and method only by man's ingenuity. Furthermore, any particular act is difficult to classify as "fair" or "unfair." "The line of demarcation between fair and unfair competition is seldom easy to draw. Subtlety rather than openness characterizes the encroachment upon the rights of a competitor legally in possession of the market."[1] Probably the best statement on this matter was made by Mr. Justice Pitney in *International News Service v. The Associated Press:*[2] "Obviously, the question of what is unfair competition in business must be determined with particular reference to the character and circumstances of the business."

The law of unfair competition has been developed to protect interests which are not given specific protection by other legal principles, such as patents, copyrights, trade-marks or contracts, express or implied. Our economy is one based on free competitive enterprise. Our public policy is designed to promote this competition.[3] The law restrains this free competition only when some element of unfairness is added. In fact, it can well be said that it is no longer free competition when this element is present.

In these situations, equity intervenes to enforce fairness in commercial competition. Equity seeks to enjoin the unfair, inequitable and unconscionable acts designed to gain for the actor an advantage

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1. Note, 26 GEO. L.J. 1056 (1938).
2. 248 U.S. 215, 236 (1918).
3. Avon Periodicals, Inc. v. Ziff-Davis Pub. Co., 113 N.Y.S.2d 737, 742 (Sup. Ct. 1952).

over his competitor.[4] "The rules relating to liability for harm caused by unfair trade practices developed from the established principles in the law of torts."[5] The original tort principle which formed much of the basis for the law of unfair competition was the rule imposing liability on one who diverts business from another by fraudulently misrepresenting that his goods are the goods of the other.[6] "Palming off" is an essential element under this tort rule but the law of unfair competition has encompassed an area greater than the "palming off" cases.[7]

It is readily apparent from an examination of decisions in the area of unfair competition that, although the law has its basis in the law of torts, the law lacks the standardization for measuring this type of commercial conduct that is present in the standard of reasonable care in negligence cases. "In part this is due to differing standards of commercial morality in the various industries; in part it is due to the fact that this branch of the law developed eclectically from the law dealing with the older wrongs which were not directly related to trade practices and competition."[8]

Whenever equity power is invoked by the courts in these cases the controlling question is whether the acts complained of are fair or unfair. The fairness or unfairness is determined by equitable principles and not by the morals of the market place.[9] Generally, mere similarity of product or scheme will not be sufficient to constitute an unfair competition.[10] However, appropriation of the business organization or distribution system of a competitor[11] or his customer lists[12] to one's beneficial use is actionable.

The questions one may ask are: What is the present status of the doctrine of misappropriation? What impact has the *International News Service v. The Associated Press* case had upon this present status? In attempting to answer these questions, it is logical to

4. 1 CALLMAN, UNFAIR COMPETITION AND TRADE MARKS 72-75, 133-35 (2d ed. 1950) and cases cited therein; 1 NIMS, UNFAIR COMPETITION AND TRADE-MARKS 36-51 (4th ed. 1947) and cases cited therein.

5. Edmondson Village Theatre, Inc. v. Einbinder, 208 Md. 38, 116 A.2d 377, 379 (1955).

6. RESTATEMENT, TORTS § 760 (1939).

7. See discussion page ... *infra* regarding the present status of the "palming off" requirement.

8. RESTATEMENT, TORTS, Introductory Note, c. 35 at 539 (1938).

9. Oneida, Ltd. v. National Silver Co., 25 N.Y.S.2d 271, 276 (Sup. Ct. 1940). See also Santa's Workshop, Inc. v. Sterling, 282 App. Div. 328, 122 N.Y.S.2d 488 (3d Dep't 1953).

10. See, *e.g.*, Seltzer v. Sunbrock, 22 F. Supp. 621, 632 (S.D. Cal. 1938) (held not to be unfair competition for defendant to conduct roller skating races similar to those conducted by plaintiff where there was no misleading of public as to who was conducting the spectacle); Grombach Productions, Inc. v. Waring, 293 N.Y. 609, 59 N.E.2d 425 (1944), 40 ILL. L. REV. 130 (1945).

11. Meyer v. Hurwitz, 5 F.2d 370 (E.D. Pa. 1925).

12. W. Walley, Inc. v. Saks & Co., 266 App. Div. 193, 41 N.Y.S.2d 739 (1st Dep't 1943).

review that case and many of the decisions that have been handed down since that case was decided by the United States Supreme Court in 1918.[13]

### THE *Associated Press* DECISION

In *International News Service v. The Associated Press*[14] the United States Supreme Court declared it to be unfair competition for International News Service to secure news items from Associated Press bulletin boards and first editions of their newspapers and transmit them to its news service members. This practice often resulted in western papers serviced by International News Service publishing the news items before or simultaneously with publication by western papers serviced by the Associated Press. In delivering the opinion of the Court, Mr. Justice Pitney stated:

> We need spend no time, however, upon the general question of property in news matter at common law, or the application of the copyright act, since it seems to us the case must turn upon the question of unfair competition in business. And, in our opinion, this does not depend upon any general right of property analogous to the common-law right of the proprietor of an unpublished work to prevent its publication without his consent; nor is it foreclosed by showing that the benefits of the copyright act have been waived. We are dealing here not with restrictions upon publication but with the very facilities and processes of publication.[15]

The Court stated that "the right to acquire property by honest labor or the conduct of a lawful business is as much entitled to protection as the right to guard property already acquired. . . . It is this right that furnishes the basis of the jurisdiction in the ordinary case of unfair competition."[16]

The defendant argued that once the news had been published by The Associated Press it was public property and no longer subject to control by the publisher. In answering this point, the Court stated:

> The fault in the reasoning lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves. . . . . 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

13. Although many cases have been reviewed, not all cases are cited herein, since the decisions have been numerous.

14. 248 U.S. 215 (1918). This case is noted in numerous reviews, including 4 CORNELL L.Q. 223 (1919), 13 ILL. L. REV. 708 (1919), 17 MICH. L. REV. 490 (1919), 67 U. PA. L. REV. 191 (1919), 28 YALE L.J. 387 (1919). The lower court decision, International News Service v. The Associated Press, 245 Fed. 244 (2d Cir. 1917), is noted in 18 COLUM. L. REV. 257 (1918).

15. 248 U.S. at 234-35.

16. *Id.* at 236.

> selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business.[17]

The Court concluded that it had all the characteristics of property required for holding that a misappropriation of it by a competitor is unconscionable and unfair competition.

Mr. Justice Brandeis delivered a dissenting opinion which has undoubtedly had an effect on the development and application of the doctrine in later cases. He noted that the knowledge for which protection was sought in the case was not of a kind which had theretofore been recognized as possessing the attributes of property. In noting that the manner of its acquisition and use and purpose to which it was applied had previously not been a basis for relief, he stated:

> Such taking and gainful use of a product of another which, for reasons of public policy, the law has refused to endow with the attributes of property, does not become unlawful because the product happens to have been taken from a rival and is used in competition with him. The unfairness in competition which hitherto has been recognized by the law as a basis for relief, lay in the manner or means of conducting the business; and the manner or means held legally unfair, involves either fraud or force or the doing of acts otherwise prohibited by law.[18]

Mr. Justice Brandeis pointed out that the plaintiff was contending for a rule which would be "an important extension of property rights and a corresponding curtailment of the free use of knowledge and of ideas. . . ."[19]

Although the question of what is unfair competition is one determinable by reference to the particular character and circumstances of the case, it has been recognized that the doctrine of unfair competition as applied in the *Associated Press* case was novel to the doctrine as that doctrine was originally conceived by legal writers.[20] The case altered the doctrine by placing basic emphasis on the "unfair" aspect of the practice. By thus expanding the doctrine, the Court

17. *Id.* at 239-40.
18. *Id.* at 258.
19. *Id.* at 263.
20. See 4 CORNELL L. Q. 223, 225 (1919).

provided a new basis for relief in cases which had previously been without remedy. The holding demonstrated both the elasticity of the term "unfair competition" and the ability of courts to adapt themselves to changing conditions.[21]

Certain factors concerning this case should be noted. First, it involved news and the processes involved in gathering and disseminating news. Second, news is not copyrightable and its publication places it in the public domain. Third, the public has a general interest in news and its dissemination. Fourth, the acts of International News Service did not involve any "palming" or "passing off." Rather, they were an appropriation of the fruits of another's labor to the benefit of International News Service. The news was put on the market as news collected by International News.

## THE MISAPPROPRIATION DOCTRINE

### *General Applicability*

The misappropriation doctrine in unfair competition law applies to those instances where the acts complained of are not protected against by other legal means. It does not apply to cases of patent infringement, the patent laws affording specific relief against such acts. It is not applicable to the case of a statutory copyright infringement. Here the copyright laws form the basis for relief.[22] Likewise, it does not apply to an exact copying of a copyrighted work after the expiration of the copyright, in the absence of some further conduct beyond the copying.[23] Technically, it is not applicable to the trade secret cases since special rules have been developed in this area.[24] The trademark cases, involving use of a registered trademark, are not within the purview of the misappropriation doctrine. However, it may be applied in cases where one uses a mark or name deceptively similar to

21. See Callman, *Unjust Enrichment in Unfair Competition,* 55 HARV. L. REV. 595 (1942); Comment, 17 MICH. L. REV. 490, 491 (1919).

22. There is much room for argument as to the adequacy of present copyright law protection in some areas, such as in designs or ideas. See, Fashion Origimators Guild, Inc. v. FTC, 114 F.2d 80 (2d Cir. 1940), *aff'd,* 312 U.S. 457 (1941); Caruthers v. R.K.O. Radio Pictures, Inc., 20 F. Supp. 906 (S.D.N.Y. 1937); Kemp & Beatley, Inc. v. Hirsch, 34 F.2d 291 (E.D.N.Y. 1929); Weikart, *Design Piracy,* 19 IND. L.J. 235 (1944); Note, 49 YALE L.J. 1290 (1940).

23. See, *e.g.,* G. Ricordi & Co. v. Haendler, 194 F.2d 914 (2d Cir. 1952).

24. See Mycalex Corp. v. Pemco Corp., 159 F.2d 907 (4th Cir. 1947); A. O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531 (6th Cir. 1934); Shellmar Products Co. v. Allen-Qualley Co., 36 F.2d 623 (7th Cir. 1929); California Intelligence Bureau v. Cunningham, 83 Cal. App. 197, 188 P.2d 303 (1948); L. M. Rabinowitz & Co. v. Dasher, 82 N.Y.S.2d 431 (Sup. Ct. 1948); Cornibert v. Cohn, 169 Misc. 285, 7 N.Y.S.2d 351 (Sup. Ct. 1938); Vincent Horwitz Co. v. Cooper, 352 Pa. 7, 41 A.2d 870 (1945); RESTATEMENT, TORTS §§ 757, 758-59 (1939); RESTATEMENT, AGENCY §§ 395-96 (1933). See also Herald, *Trade Secrets as an Alternative to Patents,* 9 AM. L.S. REV. 1107 (1941); Hannigan, *The Implied Obligation of an Employee,* 77 U. PA. L. REV. 970 (1929).

that used by a competitor, thereby gaining an advantage over the said competitor.[25]

One area in which the doctrine has been argued but generally not applied is where one voluntarily discloses an idea or scheme to another with the view in mind of selling it to the other. Generally, in these instances, courts have denied recovery either on the ground that there is no property right in a mere idea or scheme[26] or on the ground that a voluntary disclosure without the protection of contractual safeguards against its use by the person to whom disclosure is made places the idea in the public domain, subject to use by the recipient.[27] The courts are reluctant to imply the contract against use or further disclosure in these cases.[28] The tendency in some cases is to strictly construe such contractual limitations.[29]

Also, the misappropriation doctrine in unfair competition is not applicable to the instances where one party has agreed with another, either as an incident to employment or the sale of a business, not to compete.[30] Here the remedy is based on contract principles. Generally, such agreements are enforceable if reasonable as to time and territory[31] and are not part of a monopolistic scheme.[32] What is reasonable in each case depends upon the nature of the business, type of service involved and the character and station of the party against whom the contract operates.[33]

*Elements*

If emphasis is to be placed upon the necessity of a property right, then some legally recognized right must be found in order to apply the misappropriation doctrine. In many of the cases, the mere ex-

25. Bond Stores, Inc. v. Bond Stores, Inc., 104 F.2d 124 (3d Cir. 1939); Marcucci v. United Can Co., 278 Fed. 741 (E.D.N.Y. 1921), *aff'd*, 279 FED. 1019 (2d Cir. 1922); Coca-Cola Co. v. Old Dominion Beverage Corp., 271 Fed. 600 (4th Cir. 1921), *cert. denied*, 256 U.S. 703 (1921).

26. Plus Promotions, Inc. v. R.C.A. Mfg. Co., 49 F. Supp. 116 (S.D.N.Y. 1943).

27. Liggett & Meyer Tobacco Co. v. Meyer, 101 Ind. App. 420, 194 N.E. 206 (1935); Bristol v. Equitable Life Assurance Society, 132 N.Y. 264, 30 N.E. 506 (1892).

28. Lueddecke v. Chevrolet Motor Co., 70 F.2d 345 (8th Cir. 1934); Carver v. Harr, 132 N.J. Eq. 207, 27 A.2d 895 (ch. 1942); 31 CORNELL L.Q. 382 (1946). See also Thomas v. R. J. Reynolds Tobacco Co., 350 Pa. 262, 38 A.2d 61 (1944), 18 TEMP. L.Q. 540 (1944), where the Pennsylvania Court said that the plaintiff would be entitled to recovery on the basis of implied contract where the idea is such that the plaintiff had a salable property right therein.

29. See, *e.g.*, Laughlin Filter Corp. v. Bird Machine Co., 319 Mass. 287, 65 N.E.2d 545 (1946) where licensee of machine patent after termination of license held entitled to make and sell such machines unless prevented by the terms of the patent. No confidential relationship was expressed in the contract or otherwise and the court did not imply one.

30. Notes, 18 IOWA L. REV. 546 (1933), 17 MARQ. L. REV. 230 (1933).

31. Milwaukee Linen Supply Co. v. Ring, 210 Wis. 467, 246 N.W. 567 (1933).

32. See Byram v. Vaughn, 68 F. Supp. 981 (D.D.C. 1946), 47 COLUM. L. REV. 1071 (1947), 36 GEO. L.J. 268 (1948); RESTATEMENT, CONTRACTS § 516 (1933).

33. Chemical Fireproofing Corp. v. Krouse, 155 F.2d 422, 423 (D.C. Cir. 1946).

istence of a relational interest is sufficient to invoke the doctrine. In some cases, no real emphasis is placed on the property right concept, the courts being concerned basically with the fairness or unfairness of the activity.

It appears well settled that one can acquire no property right in an idea until it has been reduced to concrete form.[34] Even then, the right can exist only in the manner in which the idea is expressed, and not in the idea itself.[35] The common law recognizes the property right of an author, musician or artist in his intellectual productions prior to publication or dedication to the public.[36] However, absent a copyright or some other restriction enforceable at law, the property interest is terminated by a publication, such publication operating as a dedication.[37] This same general principle is applicable to formulas[38] and manufacturing processes.[39] Under these circumstances, to hold that the common-law right has been lost, it must be found that there was a voluntary unqualified disclosure. If the information is used in violation of contract,[40] through breach of confidence, or has been obtained surreptitiously or by fraud,[41] there is no destruction of this common-law right.

The problem of effect of publication is presented in some of these cases. It had been well established even before the *Associated Press* case that private or limited publication does not constitute such an act as to give the public a right to its use.[42]

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34. Liggett & Meyer Tobacco Co. v. Meyer, 101 Ind. App. 420, 194 N.E. 206 (1935); Stone v. Liggett & Meyers Tobacco Co., 260 App. Div. 450, 23 N.Y.S. 2d 210 (1st Dep't 1940); 20 HARV. L. REV. 143 (1906).

35. Funkhouser v. Loew's, Inc., 108 F. Supp. 476 (W.D. Mo. 1952), *aff'd*, 208 F.2d 185 (8th Cir. 1953); Bowen v. Yankee Network, Inc., 46 F. Supp. 62, 63 (D. Mass. 1942).

36. Glazer v. Hoffman, 153 Fla. 809, 16 So. 2d 53 (1943).

37. See Affiliated Enterprises Inc. v. Gruber, 86 F.2d 958 (1st Cir. 1936); Haskins v. Ryan, 71 N.J. Eq. 575, 64 Atl. 436 (ch. 1906), 20 HARV. L. REV. 143 (1906).

38. Chadwick v. Covell, 151 Mass. 190, 23 N.E. 1068 (1890).

39. Peabody v. Norfolk, 98 Mass. 452 (1868). *But see* Tabor v. Hoffman, 118 N.Y. 30, 23 N.E. 12 (1889), where sale of unpatented machine does not destroy exclusive property in the patterns by which such machines are made, where these pattern measurements cannot be obtained by merely measuring the completed machine.

40. Spiselman v. Rabinowitz, 270 App. Div. 548, 61 N.Y.S.2d 138 (1st Dep't 1946); Madison Square Garden Corp. v. Universal Pictures Co. 255 App. Div. 459, 7 N.Y.S.2d 845 (1st Dep't 1938), 16 N.Y.U.L.Q. REV. 503 (1939); Dior v. Milton, 155 N.Y.S.2d 443 (Sup. Ct. 1956), *aff'd*, 2 App. Div. 2d 878, 156 N.Y.S.2d 996, (1st Dep't 1956); Margolis v. National Bellas Hess Co., 139 Misc. 738, 249 N.Y. Supp. 175 (Sup. Ct. 1931).

41. Exchange Telegraph Co. v. Gregory & Co., [1896] 1 Q.B. 147. This case has been frequently cited in the misappropriation cases. Here the plaintiff contracted to supply certain information *re* stock prices collected from the London Stock Exchange. Defendant obtained such information surreptitiously and published it in same form before plaintiff. Defendant was enjoined from continuing the practice. See also, Montegut v. Hickson, Inc., 178 App. Div. 94, 164 N.Y. Supp. 858 (1st Dep't 1917).

42. Board of Trade v. Christie Grain & Stock Co., 198 U.S. 236 (1905); Illinois Commission Co. v. Cleveland Tel. Co., 119 Fed. 301 (7th Cir. 1902);

One of the more significant cases on the question of property rights was *Pittsburgh Athletic Co. v. KQV Broadcasting Co.*[43] Certain advertisers, by contract with the baseball club, were given the exclusive right to broadcast play-by-play accounts of baseball games. The radio station defendant broadcast descriptions of the games with information it obtained from paid observers stationed at points outside of the park. The court held that this conduct was an interference with the property right acquired by the advertisers in their contract with the baseball club and hence amounted to unfair competition. The court declared that it rested its opinion concerning the unfair competition feature on the decision in *International News Service v. The Associated Press.* It held that the communication of baseball game news by the baseball club or its licensee is not such a general publication as to destroy its right.[44] Support for this view can be found in the "ticker-tape" cases.[45]

One of the contentions advanced by the defendant was that it could not be held to be unfairly competing with any of the plaintiffs in view of the fact that it obtained no compensation from a sponsor or otherwise from such broadcasts. It did concede that such broadcasts were designed to promote public good will for its station. The court stated: "The fact that no revenue is obtained directly from the broadcast is not controlling, as these broadcasts are undoubtedly designed to aid in obtaining advertising business."[46] The defendant claimed it could lawfully broadcast information it received from observers so long as there was no trespass on plaintiff's property. Some of the cases which it cited in support of this contention were English cases and the court readily noted that since the English common law does not recognize the doctrine of unfair competition these decisions are not controlling authority here. The case of *National Exhibition Co. v. Tele-Flash, Inc.*[47] was also cited. The court recognized

Board of Trade v. Hadden-Krull Co., 109 Fed. 705 (E.D. Wis. 1901), *aff'd,* 124 Fed. 1017 (7th Cir. 1903); F. W. Dodge Co. v. Construction Information Co., 183 Mass. 62, 66 N.E. 204 (1903). *But see* Board of Trade v. C. B. Thomson Commission Co., 103 Fed. 902 (E.D. Wis. 1900); New York & C. Grain & Stock Exchange v. Board of Trade, 127 Ill. 153, 19 N.E. 855 (1889).

43. 24 F. Supp. 490 (W.D. Pa. 1938), 24 CORNELL L.Q. 288 (1939), 27 GEO. L.J. 381 (1939), 37 MICH. L. REV. 988 (1939), 23 MINN. L. REV. 395 (1939), 13 TEMP. L.Q. 261 (1939), 17 TEXAS L. REV. 370 (1939).

44. See Loeb v. Turner, 257 S.W.2d 800 (Tex. 1953), where a broadcast by a Texas station taken from an Arizona station's broadcast was not held to violate any property right.

45. The court cites several of them, including Board of Trade v. Christie Grain & Stock Co., 198 U.S. 236, (1905); Moore v. New York Cotton Exchange, 270 U.S. 593 (1926). See also National Telegraph News Co. v. Western Union Telegraph Co., 119 Fed. 294 (7th Cir. 1902).

46. 24 F. Supp. at 493, See also Veatch v. Wagner, 116 F. Supp. 904 (D. Alaska 1953), 40 A.B.A.J. 329 (1954); Associated Press v. Emmett, 45 F. Supp. 907 (S.D. Cal. 1942); Associated Press v. KVOS, 80 F.2d 575 (9th Cir. 1935), *cert. granted,* 298 U.S. 650, (involving piracy of news from Associated Press and broadcast by radio), *rev'd for want of jurisdiction,* 299 U.S. 269 (1936).

47. 24 F. Supp. 488 (S.D.N.Y. 1936).

the similarity of that case to the present case but stated: "However, we are unable to follow the court's ruling, because we do not believe that the District Judge correctly interpreted the law as to unfair competition as applicable to cases of this kind."[48] The *Pittsburgh Athletic Co. v. KQV* decision follows closely the holding and philosophy of the *Associated Press* case. It reflects the more advanced view of the law of unfair competition.[49]

In *Waring v. WDAS Broadcasting Station, Inc.*,[50] the Pennsylvania Supreme Court protected the right of plaintiff in certain phonograph recordings. The court stated:

> It appears from the Associated Press Case that while, generally speaking the doctrine of unfair competition rests upon the practice of fraud or deception, the presence of such elements is not an indispensable condition for equitable relief, but, under certain circumstances, equity will protect an unfair appropriation of the product of another's labor or talent. In the present case, while defendant did not obtain the property of plaintiff in a fraudulent or surreptitious manner, it did appropriate and utilize for its own profit the musical genius and artistry of plaintiff's orchestra in commercial competition with the orchestra itself. In line with the theory of the Associated Press Case, the 'publication' of the orchestra's renditions was a dedication of them only to purchasers for use of the records on phonographs, and not to competitive interests to profit therefrom at plaintiff's expense.[51]

It was noted that in the *Associated Press* case the intent against unqualified abandonment was inferred from the circumstances. In this case, the records carried an express notice on the labels restricting their use. The concurring opinion did not feel that the *Associated Press* case was controlling because here the parties were not in competition and there was no indication of deception or fraudulent conduct. The rationale it adopted was that defendant had, by its use of the records in such a manner, invaded the plaintiff's right of privacy.

Another of the significant cases applying the *Associated Press* doctrine is *Metropolitan Opera Ass'n. v. Wagner-Nichols Recorder Corp.*[52] The defendant made and sold phonograph records of performances of the plaintiff from radio broadcasts. In holding that such allegations

48. 24 F. Supp. 490 at 493.
49. See also National Exhibition Co. v. Fass, 133 N.Y.S.2d 379 (Sup. Ct. 1954), 143 N.Y.S.2d 767 (Sup. Ct. 1955); Mutual Broadcasting System, Inc. v. Muzak Corp., 177 Misc. 489, 30 N.Y.S.2d 419 (Sup. Ct. 1941). In Rudolph Mayer Pictures, Inc. v. Pathe News, Inc., 235 App. Div. 774, 255 N.Y. Supp. 1016 (1st Dep't 1932), a memorandum decision, an injunction was sustained against the taking of motion pictures of a boxing exhibition in Ebbetts Field from an overlooking building. See also Twentieth Century Sporting Club v. Transradio P. Service, 165 Misc. 159, 300 N.Y.S. Supp. 159 (Sup. Ct. 1937) (*semble*).
50. 327 Pa. 433, 194 Atl. 631 (1937).
51. *Id.* at 452-53, 194 Atl. at 640.
52. 199 Misc. 786, 101 N.Y.S.2d 483 (Sup. Ct. 1950).

constitute a cause of action for unfair competition, the Court quoted extensively from the *Associated Press* case. Here also was raised the contention that the parties were not in actual competition. In dismissing this objection, the court stated:

> The modern view as to the law of unfair competition does not rest solely on the ground of direct competitive injury, but on the broader principle that property rights of commercial value are to be and will be protected from any form of commercial immorality, and a court of equity will penetrate and restrain every guise resorted to by the wrongdoer. The courts have thus recognized that in the complex pattern of modern business relationships, persons in theoretically non-competitive fields may, by unethical business practices, inflict as severe and reprehensible injuries upon others as can direct competitors.[53]

There are numerous other cases recognizing property or quasi-property rights and granting them protection against unjust or unfair interference. The right to carry on a lawful business in itself is such a protectable right.[54]

In *Uproar Co. v. National Broadcasting Co.*[55] the use of an announcer's name where that announcer had granted its exclusive use to another was held to constitute an unfair business practice, the court recognizing that the right was of a pecuniary nature partaking of the elements of property rights. The protection may extend to a name not copyrighted.[56] The use of one's own name may be unfair if its effect is to operate upon the good will and reputation of a competitor.[57]

In *Prest-O-Lite Co. v. Davis*[58] the court protected a distribution system from unfair use by a competitor. This decision and several others of a similar nature which preceded the *Associated Press* case involved competitors using deceptive practices or imitation. Actually, the cases involving copying,[59] imitation,[60] deception[61] or "palming

53. 101 N.Y.S.2d at 492. See Capitol Records v. Mercury Records Corp., 221 F.2d 657 (2d Cir. 1955). See also Beecham v. London Gramophone Corp., 104 N.Y.S.2d 473 (Sup. Ct. 1951) regarding use of injunction in advance of trial in these unfair competition cases.

54. Lash v. State, 244 Ala. 48, 54, 14 So. 2d 229, 233 (1943); Federal Waste Paper Corp. v. Garment Center Capitol, 268 App. Div. 230, 234, 51 N.Y.S.2d 26, 29 (1st Dep't 1944).

55. 8 F. Supp. 358 (D. Mass. 1934), 36 COLUM. L. REV. 1011 (1936), 30 ILL. L. REV. 1076 (1936), *aff'd as modified on appeal*, 81 F.2d 373 (1st Cir. 1936).

56. Purcell v. Summers, 145 F.2d 979 (4th Cir. 1944).

57. Gottdiener v. Joe's Restaurant, Inc., 111 Fla. 741, 149 So. 646 (1933).

58. 209 Fed. 917 (S.D. Ohio 1913), *aff'd*, 215 Fed. 349 (6th Cir. 1914).

59. Haeger Potteries v. Gilner Potteries, 123 F. Supp. 261 (S.D. Cal. 1954); Fonotipia Limited v. Bradley, 171 Fed. 951, 961-62 (C.C.E.D.N.Y. 1909).

60. See Note, 45 HARV. L. REV. 542 (1932).

61. Fisher v. Star Co., 231 N.Y. 414, 132 N.E. 133 (1921), and annot. thereto in 19 A.L.R. 937 (1922). See also Gotham Music Service, Inc. v. D. & H. Music Publishing Co., 259 N.Y. 86, 181 N.E. 57 (1932), 2 BROOKLYN L. REV. 103 (1932), discussed *Developments In The Law—Unfair Competition*, 46 HARV. L. REV. 1171 (1933).

off" are within the framework of the narrower concept of unfair competition as that idea existed generally prior to the *Associated Press* decision.

Today, in those cases decided on the broad principle of the *Associated Press* case, the factors which were felt to limit the holding to its own facts have in numerous cases been ignored or expressly negated.[62] No insurmountable problem is presented by the fact that the parties are not direct competitors.[63] If the conduct interferes with a relational interest of the plaintiff, equity will usually afford relief to the party so injured. The question of damages in such cases is one for the jury.[64] The fact that the plaintiff could have copyrighted the material, which could not be done in the *Associated Press* case, has likewise been held to be immaterial in an action based on unfair competition.[65] In these cases there need be no element of fraud or deception, but in some cases the language of the courts would seem to require a showing of actual intent to appropriate the property of another.[66]

### *Palming Off*

As pointed out above, the doctrine of unfair competition in its inception was based on the tort principle that prohibits one from diverting another's business by the fraudulent misrepresentation that such goods are those of the other. This necessarily involved the requirement of a "palming off" or "passing off" by the tortfeasor. When the law of unfair competition was in its early stages of development, this was likewise a necessary element.[67] Later development of the doctrine of unfair competition resulted in an expansion of the concept beyond the limits of misrepresentation to include misappropriation. Hence, under the misappropriation doctrine, "palming off" is not a requirement for equitable relief.[68]

There are some jurisdictions which by local law do not accept the *Associated Press* doctrine and which continue to define "unfair com-

62. See, *e.g.*, McCord Co. v. Plotnick, 108 Cal. App. 2d 393, 239 P.2d 33 (1951).

63. Brooks Bros. v. Brooks Clothing, Ltd., 60 F. Supp. 442 (S.D. Cal. 1945), *aff'd*, 158 F.2d 798 (9th Cir. 1947); Remick Music Corp. v. American Tobacco Co., 57 F. Supp. 475 (S.D.N.Y., 1944).

64. See Healey v. R. H. Macey & Co., 251 App. Div. 440, 297 N.Y. Supp. 165 (1st Dep't 1937), *aff'd without opinion*, 277 N.Y. 681, 14 N.E.2d 388 (1938).

65. McCord Co. v. Plotnick, 108 Cal. App. 2d 393, 239 P.2d 33 (1951).

66. Metro Associated Services v. Webster City Graphic, 117 F. Supp. 224, 235 (N.D. Iowa 1953).

67. Hanover Milling Co. v. Metcalf, 240 U.S. 403 (1916); Howe Scale Co. v. Wyckoff, Seamans & Benedict, 198 U.S. 118 (1905); Goodyear Mfg. Co. v. Goodyear Rubber Co., 128 U.S. 598 (1888); Upjohn Co. v. Wm. S. Merrell Chemical Co., 269 Fed. 209 (6th Cir. 1920), *cert. denied*, 257 U.S. 638 (1921).

68. Schechter Corp. v. United States, 295 U.S. 495, (1935); Lone Ranger, Inc. v. Cox, 124 F.2d 650 (4th Cir. 1942); Carolina Aniline & Extract Co. v. Ray, 221 N.C. 269, 274, 20 S.E.2d 59, 62 (1942).

petition" in terms of misrepresentation. Here the necessity of showing a "palming off" still exists.[69]

*Rejection of the Doctrine*

Although the doctrine as enunciated in the *International News Service v. Associated Press* decision provided an elastic principle for application in unfair competition cases, it has not been universally accepted and applied in situations which might logically impel its use. Seemingly, this "free-ride" doctrine, as it is sometimes called,[70] has created fears that it is too sweeping in its scope.[71] Underlying much of this concern is a basic policy question. Mr. Justice Brandeis' dissent in the *Associated Press* case has obviously been influential in cases where the doctrine has been denied application. His feeling that recognition of protectable property interests in these cases expands the property concept is probably stating a truism. The more basic consideration involved is the fear that such expansion will tend to restrict competition and increase monopolistic practices of a legally ordained nature.[72] This feeling seems to pervade many of the decisions refusing application of the doctrine.[73]

Examples of this may be found in the design cases. The leading case is *Cheney Bros. v. Doris Silk Corp.*[74] In that case Cheney Brothers, a silk manufacturer, introduced at the beginning of the season a set of new design creations, developed at considerable expense. Defendant discovered that one of these designs was well received by the public and so it copied the design and sold it at a price which undercut plaintiff's price. Plaintiff sought an injunction to protect its design during the season, it appearing that the value lay primarily in the design's novelty. The plaintiff's design was not subject to protection of the copyright laws[75] or the patent laws.[76] The circuit court affirmed the lower court's denial of the injunction.

The court, in an opinion by Judge Hand, refused to follow the *Associated Press* rule. Instead it followed cases requiring "passing-off" as a necessary element. Judge Hand held that the *Associated*

69. See, *e.g.*, Addressograph-Multigraph Corp. v. American Expansion Bolt & Mfg. Co., 124 F.2d 706 (7th Cir. 1941), *cert. denied*, 316 U.S. 682 (1942) (involving Illinois law); Triangle Publications v. New England Newspaper Pub. Co., 46 F. Supp. 198 (D. Mass. 1942) (discussing the Massachusetts view as to the unfair competition doctrine).

70. Alexander v. Irving Trust Co., 132 F. Supp. 364, 368 (S.D.N.Y.), *aff'd*, 228 F.2d 221 (2d Cir. 1955), *cert. denied*, 350 U.S. 996, (1956).

71. See Note, 47 HARV. L. REV. 1419 (1934).

72. See, *e.g.*, Germanow v. Standard Unbreakable Watch Crystals, 283 N.Y. 1, 27 N.E.2d 212 (1940).

73. See generally, Chafee, *Unfair Competition*, 53 HARV. L. REV. 1289 (1940).

74. 35 F.2d 279 (2d Cir. 1929), 30 COLUM. L. REV. 135 (1930), 43 HARV. L. REV. 330, 16 VA. L. REV. 617 (1930), *cert. denied*, 281 U.S. 728 (1930).

75. 17 U.S.C.A. § 5 (1952).

76. 35 U.S.C.A. § 73 (1952).

*Press* rule is limited to its own facts. In recognizing the plight of the plaintiff, he stated:

> True, it would seem as though the plaintiff had suffered a grievance for which there should be a remedy, perhaps by an amendment of the Copyright Law, assuming that this does not already cover the case. . . . It seems a lame answer in such a case to turn the injured party out of court, but there are larger issues at stake than his redress. Judges have only a limited power to amend the law; when the subject has been confined to a Legislature, they must stand aside, even though there be an hiatus in completed justice.[77]

In *Millinery Creators' Guild v. FTC*[78] the same general issue was discussed, namely style or design piracy. The court stated:

> The Guild emphasizes the immorality of style piracy, and urges that it is an abuse which honest and respectable merchants may permissibly combine to elimmate. But there are larger issues at stake here, and there were larger issues at stake in the Cheney case, than the ethical propriety of copying. The law of unfair competition has a simple rubric: an ungentlemanly practice will be condemned so long as its condemnation will not injure the consuming public more than the ungentlemanly practice itself. Style piracy was not outlawed in the Cheney case, because to outlaw it would afford a virtual monopoly to the creator of an unpatented and uncopyrighted design. The holder of a patent or copyright has contributed valuable information to the public, and in return he has been granted a limited monopoly; Congress has not yet, however, seen fit to extend the privileges of a monopolist to the inventor of an unpatentable idea.[79]

Generally, the misappropriation doctrine will not be applied in these design cases. The rationale usually involves the basic problem of alleged judicial legislation in granting monopolies in these cases not otherwise covered by the law.[80] The cases denying application of the *Associated Press* doctrine cover not only fabric designs but other types.[81]

Another of Judge Hand's decisions asserting that the *Associated Press* doctrine is limited to the facts of that case is *R. C. A. Manu-*

77. 35 F.2d at 281. See also Callman, *Style and Design Piracy,* 22 J. PAT. OFF. SOC'Y 557 (1940), dealing with inadequacies of existing laws regarding design protection.

78. 109 F.2d 175 (2d Cir. 1940), *aff'd,* 312 U.S. 469 (1941).

79. 109 F.2d at 177.

80. See, *e.g.,* United Merchants and Manufacturers, Inc. v. Bromley Fabrics, Inc., 148 N.Y.S. 2d 22, 23 (Sup. Ct. 1955) where the court states: "No basis exists to grant a monopoly in a design or pattern to the originator of an unpatented or unpatentable idea; anyone may copy fabric designs or patterns not protected by a design patent or copyright."

81. See, *e.g.,* Pagliero v. Wallace China Co., 198 F.2d 339 (9th Cir. 1952) (design of hotel china); Raenore Novelties, Inc. v. Superb Stitching Co., 47 N.Y.S.2d 831 (Sup. Ct. 1944) (placket closure for women's garments to replace zipper closures).

*facturing Co. v. Whiteman*[82] which involved the right of a purchaser of phonograph records to use them in radio broadcasting. In discussing the inapplicability of the *Associated Press* doctrine to the case, Judge Hand stated:

> That much discussed decision really held no more than that a western newspaper might not take advantage of the fact that it was published some hours later than papers in the east, to copy the news which the plaintiff had collected at its own expense. In spite of some general language it must be confined to that situation (Cheney Bros. v. Doris Silk Corp., 2 Cir., 35 F. 2d 279, 281); certainly it cannot be used as a cover to prevent competitors from ever appropriating the results of the industry, skill, and expense of others. 'Property' is a historical concept; one may bestow much labor and ingenuity which inures only to the public benefit; 'ideas', for instance, though upon them all civilization is built, may never be 'owned'. The law does not protect them at all, but only their expression; and how far that protection shall go is a question of more or less; an author has no 'natural right' even so far, and is not free to make his own terms with the public.[83]

In two other opinions, Judge Hand also denied the applicability of the doctrine. In *National Comics Publications v. Fawcett Publications*[84] he refused to prohibit the copying of comic strips, stating that to allow "the first producer of such pictures to prevent others from copying them, save as he can invoke the Copyright Law, would sanction a completely indefensible monopoly."[85]

In *G. Ricordi & Co. v. Haendler*[86] he held the doctrine inapplicable to defendant's copying of plaintiff's book after expiration of the copyright, at the same time recognizing that to constitute "unfair competition" in use of plaintiff's work, defendant would have to do something other than mere copying. He reiterated his belief that the *Associated Press* decision is confined to the facts of that case.[87]

## CONCLUSION

An examination of the many cases decided in the last forty years leads to an inconclusive determination as to the extent of the impact and effect of the *Associated Press* doctrine on the law of unfair competition. There is no doubt that the decision went beyond the previous limits in holding conduct to be unfair competition. It presented an elastic concept workable in an area of changing circumstances.

82. 114 F.2d 86 (2d Cir. 1940), 9 DUKE B.J. 57 (1941), 29 GEO. L. J. 380, 35 ILL. L. REV. 546 (1941), 20 ORE. L. REV. 372 (1941), 26 WASH. U.L.Q. 272 (1941), *cert. denied*, 311 U.S. 712 (1940).
83. 114 F.2d at 90.
84. 191 F.2d 594 (2d Cir. 1951).
85. *Id.* at 603.
86. 194 F.2d 914 (2d Cir. 1952).
87. *Id.* at 916.

> In a world where trade and commerce now make use of modern scientific developments, and have become possessed of instrumentalities of almost unlimited influence, the court must insist that fair dealing and ethical conduct be observed within the market place. To accomplish this, the blades of equitable remedies must be kept sharp, keen and flexible.[88]

It would appear without question that the law, particularly in the last half century, "both legislative and common, has been in the direction of enforcing increasingly higher standards of fairness or commercial morality in trade."[89] This standard of fairness should be one based on equitable principles and not on the ethics of the market place itself.

Starting with the premise that the basic value in our economy is the preservation of free competition, it is submitted that the law of unfair competition is consonant with this value. The doctrine of misappropriation in its application serves to further this value rather than to mitigate against it.[90] One can hardly say that a decision which requires International News Service to develop its own system of news collection and dissemination rather than siphon off the efforts of Associated Press serves to create a monopoly or work against free competition. Free competition cannot exist in the climate of unfair or commercially immoral conduct by one competitor against another. Such conduct destroys rather than promotes competition and can itself create a monopoly. Free competition impels honest, fair conduct by the parties.

Perhaps the most significant factor in the picture has been the law's slavish acceptance of labels and adherence to them. In copyright, patent, trademark and tradesecret cases, we have specific rights and specific remedies prescribed. There is an element of certainty which seems to be desirable in our jurisprudence. The *Associated Press* doctrine does not possess that degree of certainty.[91] The American Law Institute has recognized the difficulties in setting standards in this area which possess the concreteness which the "reasonable man" test has presumably acquired in negligence cases. It may be seriously questioned whether there need be such clarity or definiteness in the unfair competition cases. Accepting the doctrine as an equitable one, it is difficult to conceive of any reason why it need be defined with particularity any more than fraud, which courts of equity have refused to define and which has been a significant instrument against unconscionable dealing.[92]

88. Remick Music Corp. v. American Tobacco Co., 57 F. Supp. 475, 478 (S.D.N.Y. 1944).
89. RESTATEMENT, TORTS, Introductory note, c. 35 at 540 (1938).
90. Ramirez & Feraud Chili Co. v. Las Palmas Food Co., 146 F. Supp. 594, 605 (S.D. Calif. 1956).
91. See Grismore, *Are Unfair Methods of Competition Actionable at the Suit of a Competitor?* 33 MICH. L. REV. 321, 333 (1935).
92. Note, 4 CORNELL L.Q. 223, 226 (1919).

The argument that such a doctrine expands the area of monopoly and hence should be a matter for the legislature is fallacious.[93] Monopoly is the antithesis of free competition. To say that any attempt to prevent unfair competition is to create a monopoly is so obviously false that no real analysis need be given. With this consideration removed, the matter is purely one of rights and who should recognize them and enforce them. What indication is there that legislatures could better handle the problem? To attempt statutory definitions of what constitutes unfair competition in general or misappropriation in particular would be a futile effort. As stated at the outset, the possibilities in this area are limited only by human ingenuity and vary with the times, the differing natures of businesses and the individual competitors. The particular value of the *Associated Press* doctrine lies in its comparative flexibility and hence applicability to the changing problems of commerce.[94]

In this field, it is unquestionably true that courts are much better equipped to balance "public" rights against those of individuals than is the legislature. Changing community values have their effect on such a balancing. To say that this may require some burden on courts should not condemn it. The ultimate result obtainable should render such additional effort imperative and valuable. Mr. Justice Brandeis' concern about the difficulty of administration of the doctrine seems unwarranted.

A study of the cases in this area leads to the conclusion that some courts have difficulty in attempting to apply the doctrine because of a traditional and somewhat outmoded analysis. They struggle with the property concept in its more limited aspect. Furthermore, the interest sought to be protected may not be the tangible product itself. The United States Supreme Court refused to become enmeshed in this feature. Instead it recognized a relational interest, "an interest of equal dignity with a property interest,"[95] and sought to protect it against unfair encroachment. Much of the difficulty can be avoided by taking this broader view of the property concept.[96] The Supreme Court approached the matter from the standpoint of defendant's conduct rather than the plaintiff's right.[97] Certainly this is not an unorthodox approach for equity courts, since equity acts in personam on the defendant.

It is submitted that courts would have little difficulty in these cases if they initially looked at the defendant's conduct. In so doing, if they find parasitical or unethical conduct on the part of the defendant which

93. See Haendler, *Unfair Competition*, 21 IOWA L. REV. 175 (1936).
94. Note, 7 GEO. WASH. L. REV. 868, 879 (1939).
95. Note, 30 ILL. L. REV. 1076, 1077-78 (1936).
96. Note, 40 ILL. L. REV. 130, 133 (1945).
97. See Comment, *Unfair Competition*, 17 MICH. L. REV. 490, 494 (1919).

is contrary to the best moral interests of society they should enjoin such activity. Recognition must be given to the fact that in our complex modern business world unethical business practices can inflict injuries and losses even though the parties are technically not in competition with each other. Therefore the doctrine should not be limited to the direct competition cases.

Although the *Associated Press* doctrine has not been universally applied, it is submitted that it has had an influence beyond its recognized acceptance. The principle appears to have received much acceptance, despite the langnage in some cases, particularly in the Second Circuit, to the effect that it must be limited to the facts of the particular case in which it was enunciated. Later cases have gone further in applying it to situations where the parties were not in direct competition and even to situations where no direct pecuniary benefit was derived by the wrongdoer. In a vastly complex commercial market, there is an absolute need for a doctrine capable of curbing practices which impinge upon free competition and which are not within the orbit of specific legal protections. The *Associated Press* doctrine serves this need well. In those cases in which it has been recognized, the courts appear to have had no difficulty in its application and the results promote competition rather than monopoly. The future should find even greater acceptance and application of the doctrine. The law of unfair competition should keep pace with the general development of commercial practices which it is designed to protect against unfairness. The misappropriation doctrine is a very significant part of that law of unfair competition.