

Intellectual Property
Law 470
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Supplementary Materials

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MASLINE v. NEW YORK, N. H. & H. R. CO.
112 A. 639 (Conn. 1921)

Action upon contract by Charles A. Masline against the New York, New Haven & Hartford Railroad Company. * * * The court sustained the demurrer, and * * * judgment was rendered for the defendant. * * *

The facts as alleged in the second substituted complaint and deemed to be admitted by the demurrer are as follows: The plaintiff had been engaged for more than 15 years as railway brakeman and baggagemaster upon the defendant's road, and claimed, by his observation and experience and study, to have acquired valuable ideas with reference to the operation of railroads. On or about January 19, 1914, the defendant was informed by the plaintiff that he had information of value in the operation of the defendant's road by which, if applied by the defendant, it could earn at least \$100,000 a year therefrom without any expense on the part of the defendant, and that the plaintiff would furnish the defendant this information for a valuable consideration. * * * [O]n or about February 9, 1914, the plaintiff and the defendant, the latter acting by one of its vice presidents and another officer, met and entered into an oral agreement by which it was contracted and agreed that, if the plaintiff would submit his proposition, and if said proposition was adopted and acted upon by the defendant, the plaintiff should receive, as compensation for imparting said information, [5 per cent.] of the receipts therefrom. * * * Thereupon the plaintiff, in reliance upon the agreement, submitted and imparted to the defendant his proposition, to wit:

“The selling of advertising space by the defendant and the displaying by it of advertisements on its railway stations, depots, rights of way, cars, and fences.”

* * * The defendant immediately adopted and acted upon said proposition and sold advertising space as proposed on its railway stations, depots, rights of way, cars, and fences. Prior thereto the defendant had not sold advertising space or displayed advertisements as above. By reason of so selling advertising space and displaying advertisements the defendant has made several millions of dollars and will continue to earn similar large sums in the future. The defendant has refused to live up to its agreement, [and] nothing has been paid. * * *

GAGER, J.: * * * Under the plaintiff's proposition to furnish “information of value,” what should the defendant look for, what should it be entitled to learn in return for the conditional 5 per cent.? Clearly information of value in the operation of the road. What did it get? The bald proposition “sell advertising space.” The defendant * * * claims that this information furnishes no consideration for the claimed contract, because the idea was not new nor exclusively within the plaintiff's knowledge, but was perfectly obvious and well known to all men, and that it could have no market value so as to form the consideration for a contract; that it does not appear that the plan suggested was not already known to the defendant and a matter of common knowledge, and that the idea was not property nor did it constitute consideration for a promise.

“Information” is defined to be knowledge communicated concerning some particular fact, subject, or event, and its synonyms are “intelligence” and “news.” Murray, New English Dictionary. In Webster's International Dictionary it is defined as “news, advice, or knowledge communicated by others or obtained by personal study and investigation; intelligence, knowledge derived from reading, observation, and instruction;” and an “informant” is one who “imparts information.” When information is proffered as the consideration for a contract, it is necessarily implied, is indeed of the essence of the proffer, that the information shall be new to the one to whom it is proffered. A state-

ment to one of what he already knows is not as to him information, but merely a statement of a fact already known. The imparting of information in a situation like this must involve an active process resulting in arousing or suggesting ideas or notions not before existent in the mind of the recipient; otherwise it is not information in the true sense of the term, although it may be a statement of fact.

When the representatives of the defendant met the plaintiff and made the agreement, they were entitled to assume that before they could be bound or in any way obligated to the plaintiff they were to obtain information in the true sense of the word, and further to assume that it would be a statement of something which they did not know and which was not generally known in the railway world. If the information in fact furnished by the plaintiff does not come up to the standard of his proposition, it counts for nothing. The defendant was not to be precluded from the use thereafter of any common or well-known idea without payment to the plaintiff of a royalty or commission merely because he chose to impart it as the information of value he had proposed to furnish and on the faith of which the defendant had entered into this agreement. In fact, there was nothing new or novel, nothing valuable, in the abstract proposition "sell advertising space." No way or method was suggested by the plaintiff of making the idea effective or valuable. No system of selling or of reaching advertisers was devised by the plaintiff or explained to the defendant. His proposition gave the defendant no more information than if he had said, "Carry more passengers or haul more freight."

We take judicial notice that the idea of selling advertising space is in the common knowledge and use of the people of this country as well as of foreign countries. It appears from the encyclopedias that wall space, natural or artificial, has been used for advertising purposes at least from before the destruction of Pompeii to the present time. To such an extent has this use gone that many attempts have been made to stop its abuse. See article "Advertising," New International Encyclopaedia. It is said that in England posters and placards in railway stations and upon public vehicles still embarrass the travelers who desire to find the name of a station or the destination of a vehicle. Encyclopaedia Britannica (11th Ed., 1910) article "Advertising." Nothing in fact is better known than the use of space wherever available and obtainable for the display of advertisements, whether it is inside of buildings or on the outside, on billboards erected for the purpose, or on the natural rock; the only limitation apparently being that it shall be open to a more or less extensive public view. We can recall no mercantile or trade practice, a practice also often extending to the inculcation of political and religious doctrines, more universally practiced and known than this of the use of space, necessarily wall space, natural or artificial, for advertising purposes. To communicate this idea gives no new knowledge, no information in the sense in which that word must be used in the present case. * * *

The plaintiff contends that * * * "There is no rule of law that one can refuse to pay for what he has agreed to pay because it tells him nothing." And counsel say, well enough, one cannot refuse to pay for a book he has ordered because it tells him nothing new. But suppose, as here, that the agreement to pay is based on a condition implied in the nature of the proposition made that information of value is to be furnished and the information furnished is not such because long known to everybody and suggestive of nothing new; then what is offered as consideration for the agreement turns out to be no consideration, and the agreement falls. It is like the case of the book ordered because it is represented that it will give certain specific information, and may be rejected for false representations.

Perhaps the most plausible argument of the plaintiff is that the defendant had for several decades been running a railroad without carrying into effect the plan outlined by the plaintiff; that

it received the plan from the plaintiff agreeing to pay for it if used, and at once availed itself of the plan with financial benefit to itself. The fallacy here is that the plaintiff furnished no plan within the meaning of the proposition. The proposition to sell advertising space on defendant's property is an idea pure and simple. The plaintiff, assuming that the idea was his, the result of his studies, observation, and experiment as brakeman and baggagemaster for 15 years, attempted to protect this idea by the contract in question. An idea may undoubtedly be protected by contract. *Haskins v. Ryan*, 75 N. J. Eq. 332, 78 Atl. 566. But it must be the plaintiff's idea. Upon communication to the defendant it at once did appear that the idea was not original with the plaintiff, but was a matter of common knowledge, well known to the world at large. He had thought of nothing new, and had therefore no property right to protect which would make his idea a basis of consideration for anything. His valuable information was a mere idea, worthless so far as suggesting anything new was concerned, known to every one, to the use of which the defendant had an equal right with himself. The idea was not information of value which the defendants were entitled to expect under the proposition; for it is to be remembered that the claimed agreement was made before the disclosure of this idea. Now, this idea, which was no more his than the defendant's, was his only stock in trade. He offered no physical plan or device of his own for carrying the idea into effect. To furnish a consideration for a contract of this kind the plaintiff must upon his proposition either offer a new idea to be protected by the contract, or, if the idea is common, he must present a specific method of his own for the use and application by the defendant of the common idea. *Stein v. Morris*, 120 Va. 390, 91 S. E. 177; *Bristol v. Equitable Life Assurance Society*, 52 Hun, 161, 5 N. Y. Supp. 131. The plaintiff has done neither of these things. Whether the defendant sees fit thereafter to sell space for advertising is immaterial. It manifestly uses no scheme or device of the plaintiff, and the idea itself is common to all, and the plaintiff, by stating such idea, cannot estop the defendant from the right to use it which it already had. His statement cannot impose upon the defendant the obligation of compensation for the use of an idea as much its own as the plaintiff's. * * *

Finally the plaintiff claims novelty and originality for his idea because it was applied to steam railroads. We can see no such distinction between wall space and billboards on steam railroad property and on street railway and other property as will justify the claim. The situation is analogous to the often cited case of *Brown v. Piper*, * * * in which it was held, in substance, that the application of judicially noticed process of freezing ice cream to the freezing of fish showed no exercise of inventive faculty or any new and original idea. The suggestion of placing circus posters upon a railroad freight house instead of upon a farmer's horse shed, or that railroad property may be used for posting posters as well as any other property furnishing suitable space, carries no consideration as importing into the plaintiff's proposition an original element of value which would take it out of the general notion of selling advertising space. * * *

The contract alleged is fundamentally defective for want of consideration.

There is no error.

The other Judges concurred.

Notes and Questions

1. What steps, if any, could Masline have taken to protect his idea from expropriation by the railroad? What, if anything, could Masline have done to exploit the value of his idea himself?

2. Scott Adams, creator of the “Dilbert” comic strip, wrote this:

Making money from an idea requires two things: an idea and someone who does something about it. Because two things are necessary, people assume that each of the two things—the idea and the “doing something”—have economic value. It would be great if you could sell your ideas and skip the bothersome “doing something” phase that is sometimes referred to as work.

In my experience, 99% of all ideas—even brilliant ones—have no financial value. It's the “doing something” that pays. Good ideas are so plentiful that, usually, their market value is zero. . . .

About a hundred times a year I get an e-mail message from someone (usually a guy) who claims to have a great idea that can make lots of money. All he wants is a cut of the action and for me to do all the work. I say no without listening to the idea. Like most people, I already have more ideas than I have time for.

Do you agree? Does this passage influence your views about the *Masline* case?

BACKGROUND NOTE FOR THE *V SECRET* CASE

Federal law did not protect against trademark dilution until 1996. In that year, the Federal Trademark Dilution Act took effect. At the time of the *V Secret* decision (p. 310 of your casebook), 15 U.S.C. § 1125(c) provided:

(c)(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to –

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36, subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

- (A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.
- (B) Noncommercial use of a mark.
- (C) All forms of news reporting and news commentary.

In addition, 15 U.S.C. § 1127 provided that "The term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of – (1) competition between the owner of the famous mark and other parties, or (2)

likelihood of confusion, mistake, or deception.”

Read the above statute, particularly the first sentence of § 1125(c)(1) and the definition of dilution in § 1127. Then read the *V Secret* case in your casebook. Then come back to this note.

Following the *V Secret* case, Congress amended the Federal Trademark Dilution Act. The Trademark Dilution Revision Act of 2006 took effect October 6, 2006. The 2006 Act amended § 1125(c) and struck the definition of “dilution” from § 1127.

Read the new 15 U.S.C. § 1125(c) in your statutory supplement.

Consider these questions:

What changes did the 2006 amendment accomplish?

Did the amendment clarify what dilution is?

What must a trademark owner now show to prove trademark dilution?

INTERNATIONAL NEWS SERVICE v. ASSOCIATED PRESS

248 U.S. 215 (1918)

MR. JUSTICE PITNEY delivered the opinion of the Court.

* * * [Both parties were wire services that gathered and distributed news to newspapers for publication. Plaintiff Associated Press contracted with its member newspapers that they would not furnish any of plaintiff's news to any non-member prior to publication. Defendant International News Service would sometimes take articles published in early papers by plaintiff's members on the east coast (or posted there on public bulletin boards) and redistribute them (sometimes rewriting them, sometimes not) to defendants' members on the west coast. The redistributed stories were not sold as AP stories and gave no credit to AP. AP's stories were *not* copyrighted. Federal jurisdiction was based on diversity, and, in this pre-*Erie* case, the Court applied federal common law.]

In considering the general question of property in news matter, it is necessary to recognize its dual character, distinguishing between the substance of the information and the particular form or collocation of words in which the writer has communicated it.

No doubt news articles often possess a literary quality, * * * [b]ut 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 to their respective writings and discoveries' (Const. art. 1, § 8, par. 8), intended to confer upon one who might happen to be the first to report a historic event the exclusive right for any period to spread the knowledge of it.

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. * * *

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 question here is not so much the rights of either party as against the public but their rights as between themselves. See *Morison v. Moat*, 9 Hare, 241, 258. And, although we may and do assume that neither party has any remaining property interest as against the public in uncopyrighted news matter after the moment of its first publication, it by no means follows that there is no remaining property interest in it as between themselves. For, to both of them alike, news matter, however little susceptible of ownership or dominion in the absolute sense, is stock in trade, to be gathered at the cost of enterprise, organization, skill, labor, and money, and to be distributed and sold to those who will pay money for it, as for any other merchandise. Regarding the news, therefore, as but the material out of which both parties are seeking to make profits at the same time and in the same field, we hardly can fail to recognize that for this purpose, and as between them, it must be regarded as quasi property, irrespective of the rights of either as against the public.

* * * [T]he 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. * * *

Not only do the acquisition and transmission of news require elaborate organization and a large expenditure of money, skill, and effort; not only has it an exchange value to the gatherer,

dependent chiefly upon its novelty and freshness, the regularity of the service, its reputed reliability and thoroughness, and its adaptability to the public needs; but also, as is evident, the news has an exchange value to one who can misappropriate it. * * *

Defendant insists that when, with the sanction and approval of complainant, and as the result of the use of its news for the very purpose for which it is distributed, a portion of complainant's members communicate it to the general public by posting it upon bulletin boards so that all may read, or by issuing it to newspapers and distributing it indiscriminately, complainant no longer has the right to control the use to be made of it; that when it thus reaches the light of day it becomes the common possession of all to whom it is accessible; and that any purchaser of a newspaper has the right to communicate the intelligence which it contains to anybody and for any purpose, even for the purpose of selling it for profit to newspapers published for profit in competition with complainant's members.

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. The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant—which is what defendant has done and seeks to justify—is a very different matter. In doing this defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money, and which is salable by complainant for money, and that defendant in appropriating it and selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself and a court of equity ought not to hesitate long in characterizing it as unfair competition in business. * * *

The contention that the news is abandoned to the public for all purposes when published in the first newspaper is untenable. Abandonment is a question of intent, and the entire organization of the Associated Press negatives such a purpose. The cost of the service would be prohibited if the reward were to be so limited. No single newspaper, no small group of newspapers, could sustain the expenditure. Indeed, it is one of the most obvious results of defendant's theory that, by permitting indiscriminate publication by anybody and everybody for purposes of profit in competition with the news-gatherer, it would render publication profitless, or so little profitable as in effect to cut off the service by rendering the cost prohibitive in comparison with the return. The practical needs and requirements of the business are reflected in complainant's by-laws which have been referred to. Their effect is that publication by each member must be deemed not by any means an abandonment of the news to the world for any and all purposes, but a publication for limited purposes; for the benefit of the readers of the bulletin or the newspaper as such; not for the purpose of making merchandise of it as news, with the result of depriving complainant's other members of their reasonable opportunity to obtain just returns for their expenditures.

It is to be observed that the view we adopt does not result in giving to complainant the right to monopolize either the gathering or the distribution of the news, or, without complying with the copyright act, to prevent the reproduction of its news articles, but only postpones participation by complainant's competitor in the processes of distribution and reproduction of news that it has not gathered, and only to the extent necessary to prevent that competitor from reaping the fruits of complainant's efforts and expenditure, to the partial exclusion of complainant. * * *

It is said that the elements of unfair competition are lacking because there is no attempt by defendant to palm off its goods as those of the complainant, characteristic of the most familiar, if not the most typical, cases of unfair competition. * * * But we cannot concede that the right to equitable relief is confined to that class of cases. In the present case the fraud upon complainant's rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money, and treating it, therefore, as quasi property for the purposes of their business because they are both selling it as such, defendant's conduct differs from the ordinary case of unfair competition in trade principally in this that, instead of selling its own goods as those of complainant, it substitutes misappropriation in the place of misrepresentation, and sells complainant's goods as its own.

Besides the misappropriation, there are elements of imitation, of false pretense, in defendant's practices. The device of rewriting complainant's news articles, frequently resorted to, carries its own comment. The habitual failure to give credit to complainant for that which is taken is significant. Indeed, the entire system of appropriating complainant's news and transmitting it as a commercial product to defendant's clients and patrons amounts to a false representation to them and to their newspaper readers that the news transmitted is the result of defendant's own investigation in the field. But these elements, although accentuating the wrong, are not the essence of it. It is something more than the advantage of celebrity of which complainant is being deprived.

* * *

There is some criticism of the injunction that was directed by the District Court upon the going down of the mandate from the Circuit Court of Appeals. In brief, it restrains any taking or gainfully using of the complainant's news, either bodily or in substance from bulletins issued by the complainant or any of its members, or from editions of their newspapers, '*until its commercial value as news to the complainant and all of its members has passed away.*' The part complained of is the clause we have italicized; but if this be indefinite, it is no more so than the criticism. Perhaps it would be better that the terms of the injunction be made specific, and so framed as to confine the restraint to an extent consistent with the reasonable protection of complainant's newspapers, each in its own area and for a specified time after its publication, against the competitive use of pirated news by defendant's customers. But the case presents practical difficulties; and we have not the materials, either in the way of a definite suggestion of amendment, or in the way of proofs, upon which to frame a specific injunction; hence, while not expressing approval of the form adopted by the District Court, we decline to modify it at this preliminary stage of the case, and will leave that court to deal with the matter upon appropriate application made to it for the purpose.

The decree of the Circuit court of Appeals will be Affirmed.

MR. JUSTICE CLARKE took no part in the consideration or decision of this case.

MR. JUSTICE HOLMES, dissenting.

When an uncopyrighted combination of words is published there is no general right to forbid other people repeating them—in other words there is no property in the combination or in the thoughts or facts that the words express. * * * If a given person is to be prohibited from making the use of words that his neighbors are free to make some other ground must be found. One such ground is vaguely expressed in the phrase unfair trade. * * * The ordinary case * * * is palming off the defendant's product as the plaintiff's but the same evil may follow from the opposite falsehood—from saying whether in words or by implication that the plaintiff's product is the defendant's, and that, it seems to me, is what has happened here.

* * * If the plaintiff produces the news at the same time that the defendant does, the defendant's presentation impliedly denies to the plaintiff the credit of collecting the facts and assumes that credit to the defendant. If the plaintiff is later in Western cities it naturally will be supposed to have obtained its information from the defendant. The falsehood is a little more subtle, the injury, a little more indirect, than in ordinary cases of unfair trade, but I think that the principle that condemns the one condemns the other. * * * But as, in my view, the only ground of complaint that can be recognized without legislation is the implied misstatement, it can be corrected by stating the truth; and a suitable acknowledgment of the source is all that the plaintiff can require. I think that within the limits recognized by the decision of the Court the defendant should be enjoined from publishing news obtained from the Associated Press for hours after publication by the plaintiff unless it gives express credit to the Associated Press; the number of hours and the form of acknowledgment to be settled by the District Court.

MR. JUSTICE MCKENNA concurs in this opinion.

MR. JUSTICE BRANDEIS, dissenting. * * *

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

The knowledge for which protection is sought in the case at bar is not of a kind upon which the law has heretofore conferred the attributes of property. * * *

[Plaintiff] contended that defendant's practice constitutes unfair competition, because there is 'appropriation without cost to itself of values created by' the plaintiff; and it is upon this ground that the decision of this court appears to be based. To appropriate and use for profit, knowledge and ideas produced by other men, without making compensation or even acknowledgment, may be inconsistent with a finer sense of propriety; but, with the exceptions indicated above, the law has heretofore sanctioned the practice. * * *

The means by which the International News Service obtains news gathered by the Associated Press is also clearly unobjectionable. It is taken from papers bought in the open market or from bulletins publicly posted. No breach of contract * * * or of trust * * * and neither fraud nor force is involved. * * *

It is also suggested that the fact that defendant does not refer to the Associated Press as the source of the news may furnish a basis for the relief. But the defendant and its subscribers, unlike members of the Associated Press, were under no contractual obligation to disclose the source of the

news; and there is no rule of law requiring acknowledgment to be made where uncopyrighted matter is reproduced. The International News Service is said to mislead its subscribers into believing that the news transmitted was originally gathered by it and that they in turn mislead their readers. There is, in fact, no representation by either of any kind. * * *

The great development of agencies now furnishing country-wide distribution of news, the vastness of our territory, and improvements in the means of transmitting intelligence, have made it possible for a news agency or newspapers to obtain, without paying compensation, the fruit of another's efforts and to use news so obtained gainfully in competition with the original collector. The injustice of such action is obvious. But to give relief against it would involve more than the application of existing rules of law to new facts. It would require the making of a new rule in analogy to existing ones. The unwritten law possesses capacity for growth; * * * [b]ut with the increasing complexity of society, the public interest tends to become omnipresent; and the problems presented by new demands for justice cease to be simple. Then the creation or recognition by courts of a new private right may work serious injury to the general public, unless the boundaries of the right are definitely established and wisely guarded. In order to reconcile the new private right with the public interest, it may be necessary to prescribe limitations and rules for its enjoyment; and also to provide administrative machinery for enforcing the rules. It is largely for this reason that, in the effort to meet the many new demands for justice incident to a rapidly changing civilization, resort to legislation has latterly been had with increasing frequency. * * *

Legislators might conclude that it was impossible to put an end to the obvious injustice involved in such appropriation of news, without opening the door to other evils, greater than that sought to be remedied. Such appears to have been the opinion of our Senate which reported unfavorably a bill to give news a few hours' protection. * * *

Or legislators dealing with the subject might conclude, that the right to news values should be protected to the extent of permitting recovery of damages for any unauthorized use, but that protection by injunction should be denied. * * * If a Legislature concluded to recognize property in published news to the extent of permitting recovery at law, it might, with a view to making the remedy more certain and adequate, provide a fixed measure of damages, as in the case of copyright infringement. * * *

Courts are ill-equipped to make the investigations which should precede a determination of the limitations which should be set upon any property right in news or of the circumstances under which news gathered by a private agency should be deemed affected with a public interest. * * * Considerations such as these should lead us to decline to establish a new rule of law in the effort to redress a newly disclosed wrong, although the propriety of some remedy appears to be clear.

Notes and Questions

1. INS did not get all of its product by reading AP newspapers; like AP, it had a worldwide network of reporters preparing their own stories. Apparently, the primary motivation for INS's actions that gave rise to this case was that, during World War I, British military censors barred INS from transmitting news from Great Britain to the U.S., because INS had reported (falsely, in the British government's view) that the British Navy had admitted to an "overwhelming defeat" by the German Navy in a particular naval battle.

2. Did INS engage in any “passing off”? Was it attempting to trade on AP’s good will?

3. How can the tortious misappropriation found in this case be distinguished from the permitted copying of business knowledge and ideas mentioned by Justice Brandeis? What distinguishes INS’s copying of AP’s uncopyrighted news stories from William Warner’s copying of Eli Lilly’s unpatented formula for Coco-Quinine (which the Supreme Court said was permitted), or from the copying of Aronson’s new and improved key chain design, mentioned by the Supreme Court in *Aronson v. Quick Point Pencil*?

SPORTY'S FARM L.L.C. v. SPORTSMAN'S MARKET, INC.,
202 F.3d 489 (2d Cir. 2000)

CALABRESI, Circuit Judge: * * * Sportsman's is a mail order catalog company that is quite well-known among pilots and aviation enthusiasts for selling products tailored to their needs. In recent years, Sportsman's has expanded its catalog business well beyond the aviation market into that for tools and home accessories. The company annually distributes approximately 18 million catalogs nationwide, and has yearly revenues of about \$50 million. Aviation sales account for about 60% of Sportsman's revenue, while non-aviation sales comprise the remaining 40%.

In the 1960s, Sportsman's began using the logo "*sporty*" to identify its catalogs and products. In 1985, Sportsman's registered the trademark *sporty's* with the United States Patent and Trademark Office. Since then, Sportsman's has complied with all statutory requirements to preserve its interest in the *sporty's* mark. *Sporty's* appears on the cover of all Sportsman's catalogs; Sportsman's international toll free number is 1-800-4*sportys*; and one of Sportsman's domestic toll free phone numbers is 1-800-*Sportys*. Sportsman's spends about \$10 million per year advertising its *sporty's* logo.

Omega is a mail order catalog company that sells mainly scientific process measurement and control instruments. In late 1994 or early 1995, the owners of Omega, Arthur and Betty Hollander, decided to enter the aviation catalog business and, for that purpose, formed a wholly-owned subsidiary called Pilot's Depot, LLC ("Pilot's Depot"). Shortly thereafter, Omega registered the domain name *sportys.com* with NSI. Arthur Hollander was a pilot who received Sportsman's catalogs and thus was aware of the *sporty's* trademark.

In January 1996, nine months after registering *sportys.com*, Omega formed another wholly-owned subsidiary called Sporty's Farm and sold it the rights to *sportys.com* for \$16,200. Sporty's Farm grows and sells Christmas trees, and soon began advertising its Christmas trees on a *sportys.com* web page. When asked how the name Sporty's Farm was selected for Omega's Christmas tree subsidiary, Ralph S. Michael, the CEO of Omega and manager of Sporty's Farm, explained, as summarized by the district court, that

in his own mind and among his family, he always thought of and referred to the Pennsylvania land where Sporty's Farm now operates as *Spotty's farm*. The origin of the name ... derived from a childhood memory he had of his uncle's farm in upstate New York. As a youngster, Michael owned a dog named Spotty. Because the dog strayed, his uncle took him to his upstate farm. Michael thereafter referred to the farm as Spotty's farm. The name Sporty's Farm was ... a subsequent derivation.

* * * There is, however, no evidence in the record that Hollander was considering starting a Christmas tree business when he registered *sportys.com* or that Hollander was ever acquainted with Michael's dog Spotty.

In March 1996, Sportsman's discovered that Omega had registered *sportys.com* as a domain name. Thereafter, and before Sportsman's could take any action, Sporty's Farm brought this declaratory action seeking the right to continue its use of *sportys.com*. Sportsman's counterclaimed and also sued Omega as a third-party defendant for, *inter alia*, (1) trademark infringement, (2)

trademark dilution pursuant to the [Federal Trademark Dilution Act], and (3) unfair competition under state law. Both sides sought injunctive relief to force the other to relinquish its claims to sportys.com. While this litigation was ongoing, Sportsman's used "sportys-catalogs.com" as its primary domain name.

* * * [The district court rejected Sportsman's trademark infringement claim on the ground that consumer confusion was unlikely because the parties were in unrelated businesses, but it held for Sportsman's on the trademark dilution claim. The district court awarded injunctive relief only. Both sides appealed. While the appeal was pending, Congress passed the Anticybersquatting Consumer Protection Act (ACPA).]

* * *

[ACPA] amends the Trademark Act of 1946, creating a specific federal remedy for cybersquatting. New 15 U.S.C. § 1125(d)(1)(A) reads:

A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person--

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that--

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; ...

The Act further provides that "a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark," 15 U.S.C. § 1125(d)(1)(C), if the domain name was "registered before, on, or after the date of the enactment of this Act," Pub.L. No. 106- 113, § 3010. It also provides that damages can be awarded for violations of the Act, but that they are not "available with respect to the registration, trafficking, or use of a domain name that occurs before the date of the enactment of this Act." *Id.*

* * *

[W]e think it is clear that the new law was adopted specifically to provide courts with a preferable alternative to stretching federal dilution law when dealing with cybersquatting cases. Indeed, the new law constitutes a particularly good fit with this case. * * *

Under the new Act, we must first determine whether *sporty's* is a distinctive or famous mark and thus entitled to the ACPA's protection. See 15 U.S.C. § 1125(d)(1)(A)(ii)(I), (II). The district court concluded that *sporty's* is both distinctive and famous. We agree that *sporty's* is a "distinctive" mark. As a result, and without casting any doubt on the district court's holding in this respect, we need not, and hence do not, decide whether *sporty's* is also a "famous" mark.

Distinctiveness refers to inherent qualities of a mark and is a completely different concept from fame. A mark may be distinctive before it has been used--when its fame is nonexistent. By the same token, even a famous mark may be so ordinary, or descriptive as to be notable for its lack of distinctiveness. See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215- 26 (2d Cir.1999). We have no doubt that *sporty's*, as used in connection with Sportsman's catalogue of merchandise and

advertising, is inherently distinctive. Furthermore, Sportsman's filed an affidavit under 15 U.S.C. § 1065 that rendered its registration of the *sporty's* mark incontestable, which entitles Sportsman's "to a presumption that its registered trademark is inherently distinctive." *Equine Technologies, Inc. v. Equitechology, Inc.*, 68 F.3d 542, 545 (1st Cir.1995). We therefore conclude that, for the purposes of § 1125(d)(1)(A)(ii)(I), the *sporty's* mark is distinctive.

The next question is whether domain name sportys.com is "identical or confusingly similar to" the *sporty's* mark.¹¹ 15 U.S.C. § 1125(d)(1)(A)(ii)(I). * * * [A]postrophes cannot be used in domain names. * * * As a result, the secondary domain name in this case (sportys) is indistinguishable from the Sportsman's trademark (*sporty's*). * * * We therefore conclude that, although the domain name sportys.com is not precisely identical to the *sporty's* mark, it is certainly "confusingly similar" to the protected mark under § 1125(d)(1)(A)(ii)(I). * * *

We next turn to the issue of whether Sporty's Farm acted with a "bad faith intent to profit" from the mark *sporty's* when it registered the domain name sportys.com. 15 U.S.C. § 1125(d)(1)(A)(i). The statute lists nine factors to assist courts in determining when a defendant has acted with a bad faith intent to profit from the use of a mark.¹² But we are not limited to considering just the listed factors when making our determination of whether the statutory criterion has been

¹¹ We note that "confusingly similar" is a different standard from the "likelihood of confusion" standard for trademark infringement adopted by this court in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.1961). See *Wella Corp. v. Wella Graphics, Inc.*, 37 F.3d 46, 48 (2d Cir.1994).

¹² These factors are:

- (I) the trademark or other intellectual property rights of the person, if any, in the domain name;
- (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
- (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
- (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
- (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
- (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;
- (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;
- (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and
- (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection(c)(1) of section 43.

15 U.S.C. § 1125(d)(1)(B)(i).

met. The factors are, instead, expressly described as indicia that “may” be considered along with other facts. *Id.* § 1125(d)(1)(B)(i).

We hold that there is more than enough evidence in the record below of “bad faith intent to profit” on the part of Sporty’s Farm (as that term is defined in the statute), so that “no reasonable factfinder could return a verdict against” Sportsman’s. *Norville v. Staten Island Univ. Hosp.*, 196 F.3d 89, 95 (2d Cir.1999). First, it is clear that neither Sporty’s Farm nor Omega had any intellectual property rights in sportys.com at the time Omega registered the domain name. *See id.* § 1125(d)(1)(B)(i)(I). Sporty’s Farm was not formed until nine months after the domain name was registered, and it did not begin operations or obtain the domain name from Omega until after this lawsuit was filed. Second, the domain name does not consist of the legal name of the party that registered it, Omega. *See id.* § 1125(d)(1)(B)(i)(II). Moreover, although the domain name does include part of the name of Sporty’s Farm, that entity did not exist at the time the domain name was registered.

The third factor, the prior use of the domain name in connection with the bona fide offering of any goods or services, also cuts against Sporty’s Farm since it did not use the site until after this litigation began, undermining its claim that the offering of Christmas trees on the site was in good faith. *See id.* § 1125(d)(1)(B)(i)(III). Further weighing in favor of a conclusion that Sporty’s Farm had the requisite statutory bad faith intent, as a matter of law, are the following: (1) Sporty’s Farm does not claim that its use of the domain name was “noncommercial” or a “fair use of the mark,” *see id.* § 1125(d)(1)(B)(i)(IV), (2) Omega sold the mark to Sporty’s Farm under suspicious circumstances * * *; 15 U.S.C. § 1125(d)(1)(B)(i)(VI), and, (3) as we discussed above, the *sporty’s* mark is undoubtedly distinctive, *see id.* § 1125(d)(1)(B)(i)(IX).

The most important grounds for our holding that Sporty’s Farm acted with a bad faith intent, however, are the unique circumstances of this case, which do not fit neatly into the specific factors enumerated by Congress but may nevertheless be considered under the statute. We know from the record and from the district court’s findings that Omega planned to enter into direct competition with Sportsman’s in the pilot and aviation consumer market. As recipients of Sportsman’s catalogs, Omega’s owners, the Hollanders, were fully aware that *sporty’s* was a very strong mark for consumers of those products. It cannot be doubted, as the court found below, that Omega registered sportys.com for the primary purpose of keeping Sportsman’s from using that domain name. Several months later, and after this lawsuit was filed, Omega created another company in an unrelated business that received the name Sporty’s Farm so that it could (1) use the sportys.com domain name in some commercial fashion, (2) keep the name away from Sportsman’s, and (3) protect itself in the event that Sportsman’s brought an infringement claim alleging that a “likelihood of confusion” had been created by Omega’s version of cybersquatting. Finally, the explanation given for Sporty’s Farm’s desire to use the domain name, based on the existence of the dog Spotty, is more amusing than credible. Given these facts and the district court’s grant of an equitable injunction under the FTDA, there is ample and overwhelming evidence that, as a matter of law, Sporty’s Farm’s acted with a “bad faith intent to profit” from the domain name sportys.com as those terms are used in the ACPA. * * *

Based on the foregoing, we hold that under § 1125(d)(1)(A), Sporty’s Farm violated Sportsman’s statutory rights by its use of the sportys.com domain name. The question that remains is what remedy is Sportsman’s entitled to. The Act permits a court to “order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark,” §

1125(d)(1)(C) for any “domain name [] registered before, on, or after the date of the enactment of [the] Act,” Pub.L. No. 106-113, § 3010. That is precisely what the district court did here, albeit under the pre-existing law, when it directed a) Omega and Sporty’s Farm to release their interest in sportys.com and to transfer the name to Sportsman’s, and b) permanently enjoined those entities from taking any action to prevent and/or hinder Sportsman’s from obtaining the domain name. That relief remains appropriate under the ACPA. We therefore affirm the district court’s grant of injunctive relief.

We must also determine, however, if Sportsman’s is entitled to damages either under the ACPA or pre-existing law. Under the ACPA, damages are unavailable to Sportsman’s since sportys.com was registered and used by Sporty’s Farm prior to the passage of the new law. * * *

But Sportsman’s might, nonetheless, be eligible for damages under the FTDA since there is nothing in the ACPA that precludes, in cybersquatting cases, the award of damages under any pre-existing law. *See* 15 U.S.C § 1125(d)(3) (providing that any remedies created by the new act are “in addition to any other civil action or remedy otherwise applicable”). Under the FTDA, “[t]he owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought *willfully* intended to trade on the owner’s reputation or to cause dilution of the famous mark.” *Id.* § 1125(c)(2) (emphasis added). Accordingly, where willful intent to dilute is demonstrated, the owner of the famous mark is--subject to the principles of equity--entitled to recover (1) damages (2) the dilutor’s profits, and (3) costs. * * *

We conclude, however, that damages are not available to Sportsman’s under the FTDA. The district court found that Sporty’s Farm did not act willfully. We review such findings of “willfulness” by a district court for clear error. *See Bambu Sales, Inc. v. Ozak Trading Inc.*, 58 F.3d 849, 854 (2d Cir.1995). Thus, even assuming the *sporty’s* mark to be famous, we cannot say that the district court clearly erred when it found that Sporty’s Farm’s actions were not willful. To be sure, that question is a very close one, for the facts make clear that, as a Sportsman’s customer, Arthur Hollander (Omega’s owner) was aware of the significance of the *sporty’s* logo. And the idea of creating a Christmas tree business named Sporty’s Farm, allegedly in honor of Spotty the dog, and of giving that business the sportys.com domain name seems to have occurred to Omega only several months after it had registered the name. Nevertheless, given the uncertain state of the law at the time that Sporty’s Farm and Omega acted, we cannot say that the district court clearly erred in finding that their behavior did not amount to willful dilution. It follows that Sportsman’s is not entitled to damages under the FTDA.

* * *

[The court also declined to grant damages under state law, noting that “until today’s holding interpreting the new ACPA, the line between business tactics with respect to domain name use that were unfair and those that, if hard-nosed, were nonetheless legitimate was blurry.”]

In sum, then, we hold that the injunction issued by the district court was proper under the new anticybersquatting law, but that damages are not available to Sportsman’s. * * *

