◆ INTERNATIONAL NEWS SERVICE v. ASSOCIATED PRESS

248 U.S. 215 (1918)

Mr. Justice HOLMES. 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. Property, a creation of law, does not arise from value, although exchangeable — a matter of fact. Many exchangeable values may be destroyed intentionally without compensation. Property depends upon exclusion by law from interference, and a person is not excluded from using any combination of words merely because someone has used it before, even if it took labor and genius to make it. 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. This means that the words are repeated by a competitor in business in such a way as to convey a misrepresentation that materially injures the person who first used them, by appropriating credit of some kind which the first user has earned. The ordinary case is a representation by device, appearance, or other indirection that the defendant's goods come from the plaintiff. But the only reason why it is actionable to make such a representation is that it tends to give the defendant an advantage in his competition with the plaintiff and that it is thought undesirable that an advantage should be gained in that way. Apart from that the defendant may use such unpatented devices and uncopyrighted combinations of words as he likes. The ordinary case, I say, 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.

Fresh news is got only by enterprise and expense. To produce such news as it is produced by the defendant represents by implication that it has been acquired by the defendant's enterprise and at its expense. When it comes from one of the great news-collecting agencies like the Associated Press, the source generally is indicated, plainly importing that credit; and that such a representation is implied may be inferred with some confidence from the unwillingness of the defendant to give the credit and tell the truth. 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. It is a question of how strong an infusion of fraud is necessary to turn a flavor into a poison. The dose seems to me strong enough here to need a remedy from the law. 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.

Vandevelde, The New Property of the 19th Century, 29 Buff. L. Rev. 325 (1981)

II. The Creation of New Property

A. *The Dephysicalization of Property*

The courts of Blackstone's era claimed to be protecting the possession of things. If no physical thing was possessed, as with an incorporeal hereditament or a chose in action, one was fictionalized. Courts in the nineteenth century continually encountered situations in which the protection of some intangible form of wealth was far more important to the litigants than the protection of any tangible thing in the case. Whatever their motive or justification in finding property, courts frequently found that protecting the possession of a tangible thing rather than intangible wealth was pointless if not counterproductive.[33] Too often there simply was no thing to be protected. Courts thus began to define property as the right to value rather than to some thing.

This tendency to create nonphysical forms of property was encouraged by changes in the structures of two bodies of legal doctrine: the adoption of the fourteenth amendment and changes in equity jurisprudence. First the due process clause of the fourteenth amendment protected citizens against deprivation of life, liberty, or property by the State. New as well as old forms of wealth could thus be protected against state infringement if courts could be persuaded to treat them as property. This encouraged the rapid creation of nonphysical forms of property.[34] Second was the rule in equity that had been established, originally as dictum in the 1818 case of *Gee v. Pritchard*,[35] that equity would act to protect only property rights, not personal rights. Thus, the only way that equity could protect valuable interests was to designate them as property. One late nineteenth century commentator noted the court's changing attitude toward equity's protection of property:

> The principle, followed so long by courts of equity, that Chancery interferes only to protect rights of property, has recently lost much of its vigor because the courts, though often professing allegiance to the rule, have stretched the term "property" almost beyond recognition in the effort to do justice in the constantly arising situations where personal and political rights demand adequate protection. Accordingly, the injunctive method of abating nuisances, originally designed to prevent injuries to property, has been used where what was actually protected was the individual's personal comfort, health, or safety.[36]

This commentator listed rights in dead bodies, unpublished private letters, and privacy as examples of newly created property rights.[37]

The collective effect of these developments was the creation of numerous species of nonphysical property such as business goodwill and accession. Courts gradually recognized that the value of business goodwill was not necessarily linked to the premises, or to any tangible incidents of the business. This recognition led to a decision by the courts that property in goodwill could exist and be alienated even though unattached to a thing. The law of accession presents a slightly different situation. In all the accession cases, the disputants agreed that a thing was the object of the controversy. However, one side would claim that the property rights were in the original possessor of the thing while the other side would claim that the property rights were in the one who had contributed the

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34. For a seminal discussion of the creation of nonphysical forms of property under the due process clause, see J. COMMONS, LEGAL FOUNDATIONS OF CAPITALISM (1924).

35. 2 Swanst. 402, 36 Eng. Rep. 670 (1818).

36. 7 COLUM. L. REV. 533 (1907) (citations omitted).

37. *Id.* at 533-34. *See also* 19 COLUM. L. REV. 413 (1919).

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most value to the thing. By the end of the nineteenth century the courts no longer conceived of property rights as relative to the thing; they concluded that, as in business goodwill, legal property rights of property protected the value rather than the thing. Other forms of nonphysical property were created to develop new property rights where no tangible thing was involved in order to protect the value of an investment, such as trademarks and trade secrets. These four examples of dephysicalization of property suggest the diverse approaches used by nineteenth century courts. In the case of business goodwill, there was a gradual abandonment of the need for the tangible things which had supported that property right. In the law of accession, a thing remained the object of the dispute, but the nature of the thing ceased to affect the resolution of the dispute. Finally, in trademarks and trade secrets, courts created property where no tangible thing existed. All these paths led to the same destination: the dephysicalization of property. Property was no longer solely rights over things, but rights to any valuable interest.

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B. *Limiting of Property Rights*

Courts in the nineteenth century began to extend property protection to interests which previously had been protected only in a very limited fashion or not at all. This section will examine two such interests, trademarks and trade secrets. In 1800, trademarks were protected only against fraud while trade secrets were not protected at all. Yet by the end of the nineteenth century, both were considered property. Courts decided, however, that extending absolute protection to these valuable interests was undesirable. With trademarks, courts recognized that absolute protection of one man's use of a trademark prevented even harmless use of the same mark by others notwithstanding that others had invested substantially in the use of the trademark. Faced with competing claims of absolute property rights, the courts limited property protection by limiting the categories of people against whom an infringement action could be brought. In trade secret cases, courts realized that absolute protection of trade secrets would vitiate the legislature's patent policy of limiting the duration of an idea's protection. In contrast with trademarks, which were originally protected *in rem*, trade secrets received only limited protection from the moment of their designation as property. The owner of the trade secret was limited to bringing an action for violation of the secret only against persons in breach of trust.

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The examples of trademarks, trade secrets and oil and gas illustrate the variety of situations in which limited property rights were created. The object of the property to be limited might be a tangible thing, such as oil, or an intangible thing, such as a secret. The limitations sometimes occurred gradually, after an early period of absolute protection, as with trademarks, or may have been created simultaneously with the property rights, as with trade secrets. The nature of the limitation varied and included limitations on the number of persons against whom protection was available, as in trademark law, and on the uses to which the owner might put the object of the property rights, as in oil and gas law. The common element is that by the end of the nineteenth century these various chapters in the law, multiplied a hundred times throughout the *corpus juris,* made it impossible to believe Blackstone's thesis that property rights were absolute.

Chafee, "Unfair Competition," 53 Harv. L. Rev. 1289 (1940).

In 1410, the masters of a long-established grammar school in the cathedral town of Gloucester were annoyed because an interloper had started a rival school in the town. As a result, their tuition fees from each child had dropped from two shillings a term to one shilling. So the old masters sued the newcomer, only to discover that they had thrown good money after bad. Judge Hill declared that the defendant's conduct was "a virtuous and charitable thing, and an ease to the people." Judge Hankford said, "It would be against reason for a master to be hindered from keeping school where he pleases." [2]

We jump nearly five centuries to 1706. Keeble owned a meadow with a pond to which wild fowl used to come, so he put out live decoy ducks and maintained nets and "other engines" for taking wild fowl. One Hickeringill, in order to ruin this profitable occupation, went to the head of the pond "and did discharge six guns laden with gunpowder, and with the noise and stink of the gunpowder did drive away the wild fowl then being in the pond." This shooting went on for three days, "whereby the wild fowl were frighted away, and did foresake the said pond." Keeble got a verdict for £20.[3] Lord Holt said: "To learn the trade of seducing other ducks to come there in order to be taken is not prohibited either by law of the land or the moral law. . . . This is his trade; and he that hinders another in his trade or livelihood is liable to an action for so hindering him." If Hickeringill had spoiled Keeble's sport by using decoys too, no action would lie; it would be like the old Schoolmasters' case. But what Hickeringill did, said the judge, was like lying in the way to school with guns and frightening the boys, so that their parents would not let them go any more; then the master could recover for the loss of his scholars.

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In Blackstone's time, there was no law of Torts at all, only a law for each kind of private wrong and its appropriate forms of actions. The first treatise in English on Torts was published in 1859 by Francis Hilliard of Cambridge, who was followed a year later by Addison in England. Even as late as 1871, the leading American legal periodical stated: "We are inclined to think that Torts is not a proper subject for a law book." [31] The first course in Harvard Law School on Torts was established under Langdell in 1870. For many years thereafter this union of private injuries under a single name must have been a very loose federation indeed. Then, by a singular coincidence, the existence of principles running through the whole subject-matter of Torts was disclosed by the two greatest legal thinkers of our time, Holmes [32] and Wigmore,[33] only six months apart in the same volume of the Harvard Law Review in 1894. Wigmore's "Tripartite Division of Torts" formed the basis of his casebook in 1912 [34] and was expounded in detail in the summary at the back. Despite some divergences, Holmes and Wigmore agreed that a tort should be analyzed into three elements: (1) Did the plaintiff suffer legal harm? (2) Was the defendant responsible therefor? (3) Was the harm excused or justified? Apply their theory to suits between competitors: (1) All competition is harmful to the plaintiff.[35] (2) The defendant is responsible for the harm since he intended competition. (3) Most competition is justified, as in the old Schoolmasters' case, by the policy in favor of free social rivalries; but no such justification exists for competition by unfair or socially undesirable methods, whatever their nature.[36]

This analysis is persuasively illustrated by a comparison of

[31] 5 AM. L. REV. 341.

[32] *Privilege, Malice, and Intent* (1894) 8 HARV. L. REV. 1. See also Holmes, J., in Aikens v. Wisconsin, 195 U. S. 194, 204 (1904): "It has been considered that, *prima facie*, the intentional infliction of temporal damage is a cause of action, which, as a matter of substantive law, whatever may be the form of pleading, requires a justification if the defendant is to escape."

[33] *The Tripartite Division of Torts* (1894) 8 HARV. L. REV. 200. See also his *A General Analysis of Tort Relations* (1895) 8 HARV. L. REV. 377.

[34] WIGMORE, SELECT CASES ON THE LAW OF TORTS (2 vols. 1912).

[35] 2 *id.* at 845: "A person has an Interest in the formation and maintenance, with another person, of any relation such that he obtains from the favoring society of the other person some temporal good thing. [citing *Keeble v. Hickeringill*]. . . . The Right protects against any loss of the benefit of such a relation. . . . The harms to the interest consist in the relation being so interfered with that the benefit ceases to be received."

[36] 2 *id.* at 889: "Harm caused to profitable social relations may be excused by the necessities for free social rivalries, including the pursuit of a livelihood, insofar as such harm is (1) in extent, not so excessive as to destroy the industrial and social efficiency of the individual plaintiff, or, (2) in method, not so unfair, either to the plaintiff or to third persons, as to violate fundamental principles of ethics, or, (3) in method and extent, not inconsistent with the accepted economic system."

the Schoolmasters' case with *Tuttle v. Buck*,[37] decided almost exactly five centuries later. The plaintiff was the only barber in a Minnesota village. The village banker took a grudge against the barber and set up another barbershop next door to him for the sole purpose of ruining his business and driving him out of the village. The court held the banker liable for heavy damages. Doubtless any rival shop with two barbers in it to save customers from waiting would have taken trade away from the plaintiff. The vital point, in Wigmore's analysis, is that in ordinary competition this harm would have been excused by the policy for free social rivalries, but the banker's evil motive deprived him of this justification.

On this theory, we can easily say justification is absent in the standardized passing off case, and also whenever the defendant competes by telling other kinds of falsehoods or violating the criminal law or practicing any other "dirty tricks." All competition is *prima facie* tortious. Only desirable methods of rivalry are encouraged by social policy. So competition by any undesirable method shall always be actionable.

Attractive as this argument for Conquest sounds, there is something queer about it. It is silly to say all the leading cigarette companies are committing *prima facie* torts every day by trying to take business away from each other; that they could start suits for damages or injunctions and force the defendant to establish justification. In extending the scope of Unfair Competition, we have at the same time extended the scope of Torts to include most commercial transactions. Of course, in nine hundred and ninety-nine cases out of a thousand, the tort is justified; but is it worth while to take all this trouble to march up the hill and then march down again?

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Turn from this theoretical discussion to a very practical influence favoring the policy of Conquest. Although we are concerned with private suits between competitors, the judges deciding such suits are necessarily affected by what is going on in other branches of the law. In several departments of public law, many kinds of objectionable competitive activities, besides standardized passing off, have become unlawful. Furthermore, such unlawful activities have frequently been grouped under the name, Unfair Competition.

In proceedings under the Sherman Anti-trust Law, the courts often found that large businesses were seeking to establish or maintain a monopoly through ruining the independents by all sorts of damaging practices. These practices often constituted an important reason for a decree in favor of dissolution. In 1917, W. H. S. Stevens published a study of these practices in a book named "Unfair Competition," which has nothing to do with the standardized passing off that we have been considering. Instead,

37 107 Minn. 145, 119 N. W. 946 (1909), 22 HARV. L. REV. 616.

he takes up such competitive tactics as local price cutting, operation of bogus "independent" concerns, tying clauses, exclusive arrangements, blacklists, boycotts, rebates and preferential arrangements, espionage, and coercion, threats, intimidations, etc.

The Federal Trade Commission was established by Congress in 1914 to exercise administrative control over monopolies and objectionable business methods.[42] The statute provides that "unfair methods of competition in commerce" and (as amended in 1938)[43] "unfair or deceptive acts or practices in commerce" are unlawful. When the Commission has reason to believe that any person is using such unfair methods or practices, it has power to issue an order requiring such person to cease and desist. If the order is not obeyed, it can be enforced by court proceedings. Among the unfair methods of competition covered by the Commission's cease and desist orders are: misrepresentation of the quality and character of goods; misrepresentation of quantity; fictitious price reductions and other misleading price claims; misrepresentation of business status; misrepresentation of geographical origin; false claims to testimonials and endorsements; sale of rebuilt or second quality articles as new.[44] Several of these condemned activities are clearly not the standardized passing off case. Consider the following proceeding: — The local storekeepers in a small city were greatly disturbed by their loss of business to large mail-order houses. So they announced a children's show to be held in the local theatre with excellent performers; the only admission ticket required was the surrender of the family Sears-Roebuck catalogue, and well-thumbed copies brought candy. On complaint by Sears-Roebuck, the Commission forbade the performance.[45] If Sears-Roebuck had gone to court, it would probably have failed to get an injunction.

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The real need for careful thought arises when a court is asked to enjoin a kind of trade injury which, although novel, is bound to arise again and again. Then, if the court goes ahead, it will be undertaking the regulation of competition, and not just stopping objectionable acts by this single defendant. The court will be beginning a permanent job of business management. That is what happened when courts took over the protection of trademarks and secondary meanings. That is what will happen if thev consent to enjoin trade practices now unfamiliar to them like false advertising or the piracy of dress designs. So before courts start on such a big job, they want to be sure that it can be handled well in private litigation. Moral indignation against the defendant and his " dirty tricks " does not suffice to make relief wise.

Despite the defendant's shabby conduct, there are four reasons of social policy which render judges cautious. These four reasons operate in varying degrees according to the nature of the particular trade practice.

1. The scope of protection should be capable of reasonably accurate definition. Trade regulation is liable to have bad results unless the court is surefooted and knows the ground well. In a way, the plaintiff's interest should be of such a nature that it can be cut out from the general texture of ideas. This is true in patents and copyrights, which have been defined, first by Congress and then by a long process of judicial interpretation. In trademarks and secondary meanings, the limits on liability have been gradually worked out by the courts. But in new types of unfairness it is hard to say how far to go. Something of this sort worried Judge Hand in the *Cheney* necktie case and made Mr. Justice Brandeis dissent in the *Associated Press* case.

Similar problems are created by the proposal to enjoin false advertising. Are you going to forbid all lying, or if not, where will you stop? Section 761 of the Restatement of Torts faces this difficulty boldly, and tries to draw a sharp line. It imposes liability for false advertising only as to qualities which the defendant's wares don't possess and the plaintiff's do. Beyond this line the Restatement expressly refuses to commit itself. This formula would have allowed recovery in the *Mosler Safe* case, which seems rather desirable. But is a Boston tobacconist who sells domestic cigars as Havanas liable to hundreds of competitors whose Havanas really come from Cuba? If *A* sells tea in packages labelled ½ lb. and containing ⅜ lb., is he liable to all the tea merchants who state the weight correctly? The Federal Trade Commission is used to handling such a wrongdoer, in one administrative proceeding. Do we need multiple private suits as well?

2. There is a policy against monopolies. It may seem shabby for a defendant to appropriate valuable ideas from the plaintiff,

as in the Cheney necktie case and the Phenolax case, but in the words of the song:

"The best things in life are free."

Most of us get along by developing the ideas of others. That is how the world progresses. As Dionysius of Halicarnassus puts it: "A dwarf standing on the shoulders of a giant can see farther than the giant himself." Columbus discovered America, but here we are.

"The general rule of law," says Mr. Justice Brandeis,[70] "is, that the noblest of human productions — knowledge, truths ascertained, conceptions, and ideas — become, after voluntary communications to others, free as the air to common use."

The Constitution and Congress have made some exceptions to this general rule, by the patent and copyright laws. They have rewarded inventors and authors for their creativeness by granting them monopolies for a limited time and under carefully fixed conditions. The courts will be creating new and perpetual monopolies of their own if they enjoin non-passing-off appropriation of unpatented and uncopyrighted material. This they are properly reluctant to do. They may want to stop a particular defendant, but if so they ought to stop everybody.

It is true that protection against passing off does in a way create judicial monopolies, but these do not impede progress. If *A* goes into the watch business, it's no trouble to call his wares something besides Waltham, Elgin, Bulova, etc. He mustn't steal good will, but he can lift unpatented ideas from all the watches in existence. The way to protect originality is to patent or copyright. Passing off cases — the greater part of Unfair Competition — protect good will. Some people are always trying to protect originality under the guise of good will. Their ideas are not patentable or they haven't taken the trouble to patent them — they haven't paid $2 for a copyright — so Congress has denied them protection. And then they go running to the courts and ask them to fill the hole left by Congress or by the plaintiff's own carelessness. My contention is that when Congress has said what original ideas shall be protected and how they shall be protected, the court should not do anything different.

Cases like the *Cheney* necktie case are pretty hard on the plain-

[70] International News Service v. Associated Press, 248 U. S. at 250 (1918).

tiff, especially if the designs were not patentable. But it was unpleasant for Dickens to see pirated American editions selling like hot cakes and for Victor Herbert to have his songs put on gramophone records in the days when the copyright law didn't extend to English novels or canned music. Yet the courts did not give Dickens and Herbert the protection which Congress had denied them. The courts waited until Congress had amended the Copyright Act to include them.

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3. There is a policy in favor of centralizing the protection of morality in the government, — in a prosecuting attorney or the Federal Trade Commission. Suppose the defendant is competing by criminal methods. He is running a filling-station by handing a numbered ticket to each buyer of gasoline, having a drawing each month, and giving a new Ford to the winner. Assume that this constitutes a lottery, but nobody bothers to prosecute him. Can he be enjoined by another filling-station owner, who doesn't use lotteries? Two recent cases say, "Yes."[74] Again, I am doubtful. The plaintiff is not Cato the Censor, the guardian of public morals. How far do we want to encourage snooping into the methods of competitors? Can one manufacturer enjoin another from not paying his Social Security taxes and thus underselling? Can a department store which obeys the Wages and Hours Law stop another from saving money by non-compliance? Do we want to stimulate a whole flock of commercial Watch and Ward Societies to make everybody toe the mark by threats of Unfair Competition suits? Or do we want to leave crimes to the government?

4. Some trade practices are better handled by administrative agencies, such as the Federal Trade Commission, than by the courts. Perhaps a wise solution of the problem demands a careful investigation of the whole industry, so as to know how the evil arose and how it can best be stopped. A private suit does not readily permit such an investigation, for all the evidence comes from the two parties and the court has no economists at its disposal to survey what is going on all over the United States. The Federal Trade Commission does have the experts, and is experienced in such surveys. So the court may deny relief against the defendant's "dirty tricks," and tell the plaintiff to make his complaint to the Commission and persuade it to look into the defendant and many others who are playing the same tricks.

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74 Glover v. Malloska, 238 Mich. 216, 213 N. W. 107 (1927); Featherstone v. Independent Service Station Ass'n, 10 S. W.(2d) 124 (Tex. Civ. App. 1928); Note (1929) 42 Harv. L. Rev. 693.