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National Basketball Association v. Motorola, Inc.

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With each advance in communications technology, those who sell commercially valuable information can convey their product more rapidly or conveniently. Recently, for example, the Internet has enabled users to distribute and sell information very widely at a negligible marginal cost to the distributor. This advance, like others before it, has attracted free riders who seek to appropriate the content of others' communications, and sell it for their own profit. Not surprisingly, content providers have often sought relief from such opportunists. Copyright law provides a remedy in some circumstances, but because copyright protection does not extend to certain types of subject matter, content providers must often turn to broader equitable doctrines such as the misappropriation branch of unfair competition.
Such a claim can often intrude upon the domain of federal copyright protection because plaintiffs use doctrines like misappropriation to remedy conduct that fails to qualify as copyright infringement. As a general matter, federal copyright law occupies the field and eliminates equivalent rights provided by the states (a doctrine known as "preemption" and codified in the Copyright Act of 1976), and defendants frequently avoid liability by invoking the Copyright Act’s displacement of state remedies. This comment explores how new communications technologies have influenced the limits of federal copyright law’s preemptive impact on misappropriation.

National Basketball Association v. Motorola, Inc. represents one court’s recent attempt to reassess that impact with respect to New York’s version of misappropriation. In NBA II, Judge Winter of the Second Circuit Court of Appeals decided that federal copyright law preempted all but a narrow class of misappropriation claims, and formulated several elements necessary to that type of claim. After presenting the circumstances and reasoning of the case, this comment will argue that, despite Judge Winter’s recognition of changes in copyright law in response to new technologies, and the resulting limits on misappropriation, his formulation fails to save a claim of misappropriation from copyright preemption. Judge Winter problematically assumed that the hallmark of permissible misappropriation claims is some “extra element” defining a claim distinct from federal copyright infringement, rather than a dispute over subject matter that copyright law does not cover. As a result, Judge Winter designated “extra elements” that were, in the end, unnecessary to a valid misappropriation claim.

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6. 17 U.S.C. § 301 (1994). Subsection (a) provides,
On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

Id.

7. See Mayer, 601 F. Supp. at 1534 (listing a broad range of actions held preempted).

8. 105 F.3d 841 (2d Cir. 1997) [hereinafter NBA II].

9. Id. at 852 (holding that only "hot news" misappropriation survives copyright preemption). "Hot news" refers to the time-value of the content that a defendant appropriates for its own profit. See id. at 853.
I. THE ORIGINS OF MISAPPROPRIATION DOCTRINE

Misappropriation of commercial value is a broad and somewhat amorphous doctrine that originated from within the even broader umbrella of "unfair competition."¹⁰ Unfair competition encompasses a variety of different theories for obtaining judicial relief from injuries caused by wrongful conduct in the marketplace.¹¹ Misappropriation theories, as explained below, often raise special issues with respect to federal copyright laws.

In 1918, the misappropriation theory found its origin in International News Service v. Associated Press,¹² where the United States Supreme Court held that an unfair competition claim could survive under a theory of misappropriation despite the absence of the traditional element of "palming off" another's property as one's own. In International News, the Associated Press (AP) used telegraph dispatches to send to the East Coast of the United States the latest news on World War I events in Europe.¹³ From there, the AP wired the news to subscribing newspapers on the West Coast.¹⁴ International News Service (INS) reporters copied that news (in both verbatim and rewritten form) from public bulletin boards maintained by the AP, and from early editions of newspapers on the East Coast; then they wired it to INS subscribers on the West Coast.¹⁵ This practice enabled INS subscribers to publish the news at the same time or earlier than their AP competitors.¹⁶

The Court recognized that a copyright could not protect underlying facts (even if it could extend to the expressive form of the news articles), but went no further in its copyright analysis.¹⁷ Instead, the Court resolved the case by allowing the AP to recover against INS on a theory of unfair competition. Traditionally, unfair competition claims required a showing

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¹⁰. See Mayer, 601 F. Supp. at 1534 (noting the breadth of misappropriation doctrine in New York law); see also generally Tsai, supra note 5 (describing misappropriation as a branch of unfair competition).
¹³. See id. at 229-30.
¹⁴. See id.
¹⁷. Id. at 234-35.
that the defendant misrepresented its goods as those of the plaintiff.\(^8\) In *International News*, however, the Court held that such a showing was not imperative—that misappropriation satisfactorily substituted for misrepresentation.\(^9\) In essence, the Court held that a plaintiff could recover in equity where the defendant:

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 ... defendant in appropriating it and selling it as its own is endeavoring to reap where it has not sown ....\(^20\)

Many states adopted this form of unfair competition, preserving the misappropriation theory beyond the elimination of federal common law by *Erie Railroad v. Tompkins*.\(^21\) New York's courts embraced the doctrine and, over the years, expanded the tort beyond the scope of *International News*.\(^22\) For example, in *Metropolitan Opera Association, Inc. v. Wagner-Nichols Recorder Corp.*,\(^23\) the court held that plaintiffs could obtain judicial relief where a defendant simply usurps, for commercial advantage, property rights of commercial value deriving from the efforts and expenditures of the plaintiff.\(^24\) Other courts may require elements beyond these (such as actual competition between the parties, fraud, or that the information be time-sensitive "hot news"), but the requirements vary by jurisdiction.\(^25\)

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18. See generally Tsai, *supra* note 5.
20. *Id.* at 239-40.
21. 304 U.S. 64 (1938).
24. *Id.* at 489. Nimmer describes the broad New York version of unfair competition announced in Metropolitan Opera as requiring, "unfairness and an unjustifiable attempt to profit from another's expenditure of time, labor and talent." MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 1.01[B][1][f][iv], at 1-36 (1997).
25. See generally Tsai, *supra* note 5 (annotations trace the varying requirements by jurisdiction and type of property claimed); Keller, *supra* note 1, at 189-202 (providing a snapshot of the major cases in the development New York's misappropriation law after *International News*.) Requirements have also evolved within the various jurisdictions, including New York. Keller, for example, shows the broad application of misappropriation by many New York courts, and the *NBA II* case's attempt to reign in those theories by strictly construing *International News* to require, among other elements, direct competition and "hot news." See *id*. 

II. THE CASE

A. Factual Background

The National Basketball Association (the NBA) "produces, organizes, and markets [all] basketball games involving all its twenty-nine member teams."26 It derives great commercial value from the sale of broadcasting and distribution licenses and from admission fees for access to the live games.27 Hence, it zealously guards against unauthorized distribution of information about the events.28

In addition to contracting with others to disseminate information during the events, the NBA also provides its own information service. During the 1994-1995 season, the NBA installed a system called "Gamestats" for the capture and dissemination of data about on-going games.29 That system (which the NBA was still developing as the case was litigated) captured and distributed various categories of game data to licensees.30 The ultimate goal for the system was "creating and collecting game statistics and interfacing these statistics with arena clocks and scoreboards, networking this information among the arenas, and making this information available for commercial use."31 According to the NBA, it intended at the time of this case "to provide a Gamestats data feed to a pager product once [the system had] the capability to provide real-time information beyond the particular arena in which the game [was] being played."32

In January 1996, Motorola, Inc. (Motorola) began selling specialized pagers33 to the general public.34 These pagers, sold and marketed under
the name, “SportsTrax,” enabled their owners to receive various types of statistical information about NBA games. Owners could select between “modes” (current, statistics, final scores, or demonstration) and “channels” (each displaying information about different basketball games). The “current” mode (which instigated this dispute) provided almost instantaneous updates on which teams were playing each other, the latest scores, the game-time remaining, and other information. In marketing this product, Motorola occasionally used the NBA acronym to describe the type of information the pager could receive, but there was no record that Motorola ever claimed the NBA licensed, sponsored, or approved of the product.

Another company, Sports Team Analysis and Tracking Systems, Inc. (STATS), gathered and relayed the information to the pagers. STATS reporters obtained the information from radio and television broadcasts, and then uploaded that data via modem to STATS’s host computers. From there, STATS compiled the information and relayed it via satellite to local FM radio networks, and those networks emitted a signal received by the SportsTrax Pagers.

Concurrently with the launch of the professional basketball SportsTrax product, STATS also began a basketball information web site times per minute, to once every two or three minutes, depending on the importance of developments to a game. See NBA I, 939 F. Supp. at 1080-81.

34. See NBA II, 105 F.3d at 843.
35. See id. at 844.
36. See id. at 843.
37. See id. at 843-44.
38. See NBA I, 939 F. Supp. at 1081-82.
39. STATS’s relationship to Motorola’s basketball statistics project began after lengthy negotiations between Motorola, STATS, and the NBA. See id. at 1083-84. According to the district court, Motorola commenced negotiations with STATS with respect to the SportsTrax professional basketball pager while simultaneously engaging in negotiations with the NBA. See id. at 1084. Apparently, the NBA was still developing its own statistics broadcasting system, “Gamestats,” and Motorola did not want to delay its launch date to conform to the NBA’s production schedule for the Gamestats system. See id. at 1078, 1084. Thus, STATS agreed to provide the information and Motorola launched the product without the NBA’s involvement, but only after obtaining an assurance from STATS that Motorola would be protected from potential NBA claims. See id. at 1085.
40. See NBA II, 105 F.3d at 844.
41. See id.
42. See id.
through America Online (AOL).\textsuperscript{44} That site allowed users to access more comprehensive and rapidly updated information on the games through the on-line service.\textsuperscript{45}

B. Procedural History

After sending a "cease and desist" letter to Motorola and AOL, the plaintiffs (NBA and NBA Properties, Inc.)\textsuperscript{46} filed a lawsuit against Motorola and STATS.\textsuperscript{47} The NBA's complaint demanded relief on six grounds:

(i) state law unfair competition by misappropriation; (ii) false advertising under Section 43(a) of the Lanham Act; (iii) false representation of origin under Section 43(a) of the Lanham Act; (iv) state and common law unfair competition by false advertising and false designation of origin; (v) federal copyright infringement; and (vi) unlawful interception of communications under the Communications Act of 1934.\textsuperscript{48}

Motorola filed a counterclaim, asserting that the NBA unlawfully interfered with Motorola's contractual relationship with four individual NBA teams that had initially indicated they would sponsor and advertise SportsTrax.\textsuperscript{49}

District Judge Preska dismissed Motorola's counterclaim, and all but one of the NBA's claims: that of state law misappropriation.\textsuperscript{50} The court found Motorola and STATS liable for misappropriation, rejecting the contention that the claim was preempted by the federal Copyright Act, and permanently enjoined them from distributing data about ongoing NBA games via the pagers, the AOL site, or equivalent means.\textsuperscript{51} It then stayed

\textsuperscript{44} See id.
\textsuperscript{45} See id.
\textsuperscript{46} "Plaintiff NBA Properties Inc. ... has the exclusive worldwide rights to market and promote NBA games and, accordingly, controls and manages [the NBA's] intellectual property rights." NBA I, 939 F. Supp. at 1076. For the purposes of this comment, "the NBA" should be understood to encompass both the National Basketball Association and NBA Properties, Inc.
\textsuperscript{47} See id. at 1076, 1085. Various amici also filed documents with the district court; they included the National Football League, the Office of the Commissioner of Baseball, the National Hockey League, the Associated Press, America Online, Inc., and The New York Times Company. See id. at 1076.
\textsuperscript{48} NBA II, 105 F.3d at 844.
\textsuperscript{49} See NBA I, 939 F. Supp. at 1083; NBA II, 105 F.3d at 844.
\textsuperscript{50} NBA II, 105 F.3d at 844.
\textsuperscript{51} NBA I, 939 F. Supp. at 1097-98, 1107; NBA II, 105 F.3d at 843-44.
the execution of the injunction pending an appeal by both the plaintiffs and defendants.\(^5^2\)

Motorola and STATS appealed from the injunction, and the NBA cross-appealed from the district court’s dismissal of their false advertising claims under the Lanham Act.\(^5^3\) Writing for the Second Circuit Court of Appeals, Judge Winter affirmed the district court’s dismissal of the false advertising claims (finding that misstatements by Motorola about its product were immaterial), but reversed the district court’s determination that Motorola was liable for misappropriation under New York law on the ground that federal copyright law preempted the claim.\(^5^4\)

C. Summary of the Opinion

The Second Circuit’s decision dealt with a complicated and hotly disputed issue surrounding misappropriation: when plaintiffs should be able to obtain relief for a wrong similar to copying, but not redressed by copyright law.\(^5^5\) Federal copyright law expressly preempts certain state claims. As the court explained,

Under 17 U.S.C. § 301, a state law claim is preempted when: (i) the state law claim seeks to vindicate ‘legal or equitable rights that are equivalent’ to one of the bundle of exclusive rights already protected by copyright law …; and (ii) the particular work to which the state law claim is being applied falls within the type of works protected by the Copyright Act under Sections 102 and 103.\(^5^6\)

Misappropriation claims have often led courts to undertake this analysis because such claims, in essence, provide relief from conduct very similar to copying or distribution (exclusive rights granted under the Copyright Act).\(^5^7\)

Before conducting the preemption analysis, the court explained that the game broadcasts were copyrightable (as opposed to the underlying games) pursuant to a legislative allowance for copyright protection of live-

\(^{52}\) NBA II, 105 F.3d at 844.

\(^{53}\) Id.

\(^{54}\) Id. at 843, 854-55.

\(^{55}\) Id. at 848-52.

\(^{56}\) Id. at 848.

\(^{57}\) See 17 U.S.C. § 106(1), (3) (1994) (setting out exclusive rights); see also Nimmer & Nimmer, supra note 24, § 1.01[B][1][f], at 1-27 to 1-36 (1997) (analyzing the 1976 legislative debate on what form of misappropriation should survive the preemption provision, and discussing various cases grappling with the issue).
performance broadcasts. After reaching this conclusion, the court rejected the NBA’s argument that it only sought to protect the underlying facts with its misappropriation claim, explaining that “[c]opyrightable material often contains uncopyrightable elements within it, but Section 301 bars state law misappropriation claims with respect to uncopyrightable as well as copyrightable elements [of copyrightable works].”

After determining that the work in question came within the subject matter of copyright, the court went on to discuss whether and to what extent misappropriation claims (such as the NBA’s) vindicate rights equivalent to those provided by copyright law. In other words, the court sought to establish when those claims lie outside the “general scope” of copyright law’s exclusive rights. The court invoked the commonly-used test of whether an “extra-element” defines the state law claim, thereby removing the claim from the scope of copyright. Quoting Computer Associates International, Inc. v. Altai, Inc., the court stated the rule as follows: “[I]f an extra element is required instead of or in addition to the acts of reproduction, performance, distribution or display, in order to constitute a state-created cause of action, then the right does not lie within the general scope of copyright, and there is no preemption.”

58. NBA II, 105 F.3d at 847. As the court explained, Congress accomplished this through the device of “simultaneous fixation.” Generally, copyright protection is available for original works of authorship fixed in a tangible medium of expression. See 17 U.S.C. § 102(a). The definition of “fixation” provided by section 101 of the Act now includes the following language: “A work consisting of sounds, images, or both, that are being transmitted, is ‘fixed’ for purposes of this title if a fixation of the work is being made simultaneously with its transmission.”

59. NBA II, 105 F.3d at 846-48.

60. Id. at 849. Judge Winter described this separation of the copyrightable expression from the uncopyrightable elements contained within that expression, for the purposes of Section 301 analysis, as “partial preemption.” To explain further, he wrote, Congress, in extending copyright protection only to the broadcasts and not to the underlying events, intended that the latter be in the public domain. Partial preemption turns that intent on its head by allowing state law to vest exclusive rights in material that Congress intended to be in the public domain ....

61. See id. at 850-53.


63. See Nimmer & Nimmer, supra note 24, § 1.01[B][1], 1-11 to 1-12 (“if a state-created right is ‘within the general scope of copyright,’ it is subject to pre-emption”).

64. 982 F.2d 693 (2d Cir. 1992).

65. NBA II, 105 F.3d at 850 (internal quotation marks omitted).
According to the Second Circuit, a narrowly construed "hot news" form of misappropriation (from International News) could survive copyright preemption because certain extra elements made the claim qualitatively different from copyright.\(^6\) The court found that these elements were a critical part of the International News form of misappropriation that Congress intended to preserve.\(^6\) The court rejected the broader formulations of misappropriation advanced by prior New York cases, explaining that those cases permitted such claims under a more limited copyright regime.\(^6\) "Those cases were decided at a time when simultaneously-recorded broadcasts were not protected under the Copyright Act and when the state law claims they fashioned were not subject to federal preemption."\(^6\)

The court announced that plaintiffs must prove the following elements if a misappropriation claim was to survive preemption:\(^7\)

[T]he surviving "hot-news" INS-like claim is limited to cases where: (i) a plaintiff generates or gathers information at a cost; (ii) the information is time sensitive; (iii) a defendant's use of the information constitutes free riding on the plaintiff's efforts; (iv) the defendant is in direct competition with a product or service offered by the plaintiffs; and (v) the ability of other parties to free-ride on the effort of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.\(^7\)

Finally, the court held that the NBA had not proven these necessary elements, and its attempt to assert a misappropriation claim, based on prior New York law, was preempted.\(^7\) Although the information in question was time-sensitive and the NBA did (or would shortly) compete for Motorola's statistics-distribution business, the court found no evidence of any competitive effects with regard to the actual games and the broadcasts be-

\(^6\) NBA II, 105 F.3d at 853. The court stated, We therefore find the extra elements—those in addition to the elements of copyright infringement—that allow a "hotnews" [sic] claim to survive preemption are: (i) the time-sensitive value of factual information, (ii) the free riding by a defendant, and (iii) the threat to the very existence of the product or service provided by the plaintiff.

\(^7\) Id.
cause the pager market was no substitute for attending the games or watching them on television. Furthermore, it found no evidence of free riding with respect to the transmission of statistical information because “Motorola and STATS expend their own resources to collect purely factual information generated in NBA games to transmit to SportsTrax pagers.”

III. DISCUSSION

The court’s announcement of the five elements of a non-preempted misappropriation claim are perhaps the most prominent aspect of its holding. The court’s elements, however, do nothing to differentiate those misappropriation claims that should be preempted from those that should not. As a result, the court’s formulation permits some unworthy claims to succeed. Though the court reached the correct result, it did so on the wrong grounds, failing to draw an important lesson from the history of misappropriation: that such claims have survived copyright preemption inquiries when the subject matter at issue was not covered by copyright law. Instead, the court followed a questionable path in searching for an “extra element” to preserve “hot news” misappropriation.

First, one must assess precisely how the court approached the question of when misappropriation can survive copyright preemption. As shown above, the court relied heavily on International News to define a misappropriation claim that survives preemption. Its justification for doing so was the general agreement by most courts, and an indication from the legislative history of section 301, that the International News category of misappropriation should survive preemption. These propositions are relatively unremarkable; many commentators agree that misappropriation based on the International News case probably does survive preemption.

73. Id. at 853.
74. Id. at 854.
75. Interestingly, the NBA II court’s opinion seems to hinge on the Restatement (Third) of Unfair Competition’s conclusion that misappropriation retains legitimacy only to the extent it includes factors like time-sensitivity and direct threat to the existence of a product. NBA II, 105 F.3d at 852. This is curious because the Restatement merely opines that “[s]uch circumstances present the most compelling case for protection against appropriation . . . .” RESTATEMENT (THIRD) OF THE LAW OF UNFAIR COMPETITION § 38, cmt. c (1995). It does not analyze what part of a misappropriation claim allows it to survive statutory copyright preemption.
76. See, e.g., Katherine F. Horvath, NBA v. Motorola: A Case for Federal Preemption of Misappropriation?, 73 NOTRE DAME L. REV. 461, 487-88 (1998); NBA II, 105 F.3d at 850 (“We turn, therefore, to the question of the extent to which a “hot news” misappropriation claim based on International News involves extra elements and is not the
The court then attempted, however, to define what feature of an *International News* misappropriation claim allows it to survive preemption under section 301. It concluded that the distinctive features from that case were the "hot news," free riding, and competition elements. According to the court, something about those elements makes a misappropriation claim qualitatively different from copyright infringement.

Unfortunately, the court's opinion makes no attempt to explain precisely how these elements form an "extra element" and thereby define a right not equivalent to copyright. Once again, "if an extra element is required instead of or in addition to the acts of reproduction, performance, distribution or display, in order to constitute a state-created cause of action, then the right does not lie within the general scope of copyright, and there is no preemption." Thus, a state law requiring the presence of intent or unfairness in addition to copying would not survive preemption because the act of copying is still the real focus of the law. If one carefully examines the elements identified by the court, one soon discovers they probably do no more than recite possible components of copying and distribution.

Even the *NBA II* court did not contend that direct competition between the parties or cost in generating the information constitute extra elements in a preemption analysis. Those components of a claim are preexisting conditions. They are not acts that produce liability defining a right different from the exclusive rights provided by copyright law. It is unclear, then, why the "time-sensitivity" of information is any more successful at

equivalent of exclusive rights under a copyright. Courts are generally agreed that some form of such a claim survives preemption.

77. *NBA II*, 105 F.3d at 852.
78. *Id.* at 853.
79. *Id.* at 850 (internal quotation marks omitted).
80. See *Nimmer & Nimmer*, supra note 24, § 1.01[B][1], 1-12.
81. See Jane C. Ginsburg, *Copyright, Common Law, and Sui Generis Protection of Databases in the United States and Abroad*, 66 U. CIN. L. REV. 151, 162-63 (1997) (criticizing the elements from the *NBA II* case as ineffective in providing an "extra element" sufficient to avoid preemption). Ginsburg's article argues that "hot news" misappropriation and contract claims already provide significant protection for databases, and sui generis protection may be unnecessary to preserve incentives to produce such databases. *Id.* at 152.
82. See *NBA II*, 105 F.3d at 853 (concluding three (not five) elements allow a claim of "hot-news" misappropriation to survive).
defining an extra element. Time-sensitivity merely classifies the underlying subject matter—another preexisting condition. In a similar vein, the threat to a plaintiff's business based on diminished incentives is merely a consequence of an act.

Finally, free riding, the only element the court identified that could potentially constitute a qualitatively different wrongful act, is virtually indistinguishable from the right to reproduce a work in copies and distribute it. Assume free riding, in essence, involves unfairly appropriating something generated by another, and reaping its benefits. Such traits are components of any wrongful copying and distribution. In fact, one commentator, Jane C. Ginsburg, in reviewing the "extra elements" the NBA II court identified, wrote, "The second element—free-riding—may be a pejorative description of copying, but it is still copying." Thus, the court's elements, upon inspection, contribute nothing to avoiding preemption under the "general scope" branch of Section 301.

The court overlooked the more persuasive significance of International News for purposes of copyright preemption analysis. The defendants in that case appropriated information not contained within the subject matter of copyright law: "the history of the day." News itself, then and now, is uncopyrightable fact. Though the court recognized that news articles could receive copyright protection under the 1909 Act, the defendants had not misappropriated that expression because, as the court found, the articles were not copyrighted. Thus, all the defendants really took in International News was pure factual information—subject matter entirely outside the coverage of copyright laws.

This conclusion may appear to gloss over concerns such as the negative implications (for state laws) of Congress' refusal to protect facts with

83. Ginsburg, supra note 81, at 162.
85. See id.; Feist Publications, Inc. v. Rural Telephone Service Co., Inc., 499 U.S. 340 (1991); NIMMER & NIMMER, supra note 23, § 1.01[B][2][b], 1-49 ("[P]roprieters may claim federal protection only in the particular expression of facts, or in their selection and arrangement.").
86. See International News, 248 U.S. at 233. The articles probably lacked a copyright because they were published without notice, effectively thrusting the works into the public domain under the 1909 Act. See ROBERT A. GORMAN & JANE C. GINSBURG, COPYRIGHT FOR THE NINETIES, 360-64 (1993).
87. See NIMMER & NIMMER, supra note 24, § 1.01[B][1][f][ii], 1-30 to 1-31 (arguing that a claim on the International News facts might avoid preemption, not on the basis of an extra element, but "because of a failure to satisfy the other condition of preemption. That is, the subject matter arguably did not involve 'works of authorship that ... come within the subject matter of copyright.'").
federal copyright law. A brief exploration of this issue, however, helps illustrate why this possibility was not an issue in *International News*. Under section 301(b)(1), the Copyright Act does not preempt state laws protecting "subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression." Most agree that the failure of a work to display the required modicum of original expression should not mean state copyright laws can step in to protect that work. On the other hand, some argue that purely factual material, even if it is fixed in a tangible medium of expression, is expressly excluded from preemption. This debate, however, does not affect the *International News* case because those writings had lost any possibility for copyright protection through publication without notice. Thus, *International News* dealt with facts divorced from any expression conceivably protected by copyright law. Those circumstances are analogous to a situation where most would agree copyright law does not preempt state law protection: live performances not fixed in a tangible medium of expression.

Some may respond to these observations by pointing out the emphasis on the "hot" aspect of the news in the *International News* claim from the legislative history on section 301. It is true that the House Report contains language indicating that time-sensitivity is what sets an *International News* claim apart from other misappropriation claims in a preemption analysis. But, "hot news," is just as much a type of subject matter as other news is. Perhaps time-sensitive news deserves state protection more

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88. *See Gorman & Ginsburg, supra* note 86, at 853.
89. *See id.* at 852.

'Misappropriation' is not necessarily synonymous with copyright infringement, and thus a cause of action labeled as 'misappropriation' is not preempted if it is in fact based neither on a right within the general scope of copyright as specified by section 106 ... nor on a right equivalent thereto. For example, state law should have the flexibility to afford a remedy (under traditional principles of equity) against a consistent pattern of unauthorized appropriation by a competitor of the facts (i.e., not the literary expression) constituting 'hot' news, whether in the traditional mold of *International News*, or in the newer form of data updates from scientific, business, or financial databases.

*Id.* Notably, the language of this passage implies an *International News* misappropriation claim should survive both because it involves a claim based on a right not within the general scope of copyright, and because misappropriation involves facts, not "literary expression." This type of phrasing suggests only the truism that, to the extent misappropriation does not fit within the two prongs of section 301, it survives preemption.
than other news,\footnote{91} but, more likely, those involved in drafting the House Report simply did not carefully examine exactly why International News-type claims should survive preemption.\footnote{92} As Ginsburg has noted, "the House Report accompanying the 1976 Copyright Act should not be taken as persuasive evidence of Congress’s intent."\footnote{93} Any rigorous analysis of copyright preemption of International News misappropriation must turn on the language Congress eventually adopted.

The changing scope of copyright protection over time, and a corresponding diminution of permitted state law misappropriation claims, bears out this emphasis on the “subject matter” prong of misappropriation. Periodically, Congress has added to the range of subject matter that falls within the sweep of copyright law. For example, in 1971, Congress provided some copyright protection to sound recordings. Owners of the copyright in a sound recording were allowed to prevent others from re-capturing "the actual sounds fixed in the recording."\footnote{94} Before that time, plaintiffs were allowed to recover for defendants’ unauthorized reproduction and sale of tapes or phonorecords under state record piracy laws.\footnote{95} Now that federal copyright extends to sound recordings fixed after 1972, state record piracy laws in those works are expressly preempted by section 301(c). Thus, the subject matter of copyright expanded to cover sound recordings, and misappropriation laws receded with respect to those works.

\footnote{91}{In support of a theory that “hot” news involves a sub-category of uncopyrightable subject matter, one might note that the International News court wrote, “Complainant’s news matter is not copyrighted. It is said that it could not, in practice, be copyrighted, because of the large number of dispatches that are sent daily .... Defendant, ... apparently concess[es] this.” International News Service v. Associated Press, 248 U.S. 215, 233 (1918). Thus, the Court took as fact the proposition that copyright was, in essence, unavailable for this category of news. Perhaps, the short-term value of the information meant huge content providers like the Associated Press had almost no time to ensure compliance with the formalities of the 1909 Act (such as strict notice requirements to preserve copyright upon publication, or deposit demands by the Register of Copyrights on penalty of forfeiture). Therefore, one could argue, the real importance of “time sensitivity” to Congress was the practical inability to obtain a copyright in the work.}

\footnote{92}{See Nimmer & Nimmer, supra note 24, § 1.01[B][1][f][i-ii], 1-27 to 1-31 (concluding that the legislative history was ambiguous with respect to misappropriation, and that one should turn to the finally enacted language for guidance).}

\footnote{93}{Ginsburg, supra note 81, at 162 n.46.}

\footnote{94}{17 U.S.C. § 114(b) (1994).}

\footnote{95}{See, e.g., Goldstein v. California, 412 U.S. 546 (1973) (holding, under the 1909 Act, that federal copyright law did not preempt state record piracy laws); see also 17 U.S.C. § 301(c) (expressly withholding preemption of such laws in pre-1972 works until 2047).}
Furthermore, in the Copyright Act of 1976, Congress allowed protection for live broadcasts, despite the fact that transmission occurred before the broadcast was "fixed in a tangible medium of expression," and therefore, technically, before copyright attached. The Act accomplished this result by simply defining "fixed" to include "simultaneous fixation." The development of simultaneous broadcasting technology, however, created an industry that needed some form of legal protection for its product before Congress expanded the Copyright Act to such a product. Until the adaptation of copyright law to absorb those communications, plaintiffs successfully turned to misappropriation doctrine to remedy the unauthorized copying and redistribution for profit of radio broadcasts. Today, however, such claims are probably preempted. As the NBA II court wrote:

[T]he 1976 amendments to the Copyright Act were specifically designed to afford copyright protection to simultaneously-recorded broadcasts, and Metropolitan Opera and Muzak could today be brought as copyright infringement cases. Moreover, we believe that they would have to be brought as copyright cases because the amendments affording broadcasts copyright protection also preempted the state law misappropriation claims under which they were decided.

Interestingly, this statement shows the Second Circuit recognized that the subject matter of copyright law has expanded to preempt such cases, but it still ignored the essence of that lesson for an International News-type claim. It failed to recognize the evidence from a history of technological advances and attendant changes in what constitutes copyrightable subject matter. The evidence pointed to a conclusion that the continuing viability of a given misappropriation claim depends on the subject matter requirement of section 301 (not whether there was an extra element).

96. See NBA II, 105 F.3d at 847.
98. See generally Keller, supra note 1, at 189-95.
100. See NBA II, 105 F.3d at 848-49, 851.
101. Id.
Simple misappropriation, by definition, constitutes copying and distribution.\textsuperscript{102}

**IV. CONCLUSION**

The Second Circuit reached the correct decision in the *NBA II* case, but it went too far to get there. As this comment has argued, misappropriation in the *International News* context provides, in essence, rights against reproduction and distribution of information. Under most circumstances, that type of claim should not survive preemption, no matter how "hot" the news is, or what effect it has on the incentives of the plaintiff. Misappropriation of the type identified by the court has no "extra element." Thus, the court should have rested its conclusion on the finding that the facts appropriated in *International News* were a component of copyrightable subject matter.

Because the court sought some extra element, however, it created a list of elements it believed distinguished an *International News*-type claim from copyright infringement. Unfortunately, those elements now create a false safe-harbor because, as history has taught, the essence of a valid misappropriation claim is subject matter unprotected by copyright law, not an element distinct from copying or distribution. Thus, a plaintiff whose claim fits those elements could succeed on a misappropriation theory even when his or her product is protected by the Copyright Act. This is a result at odds not only with the statute governing preemption, but also with the lessons a history of technological advances in communication has taught.

\textsuperscript{102} See NIMMER & NIMMER, supra note 24, § 1.01[B][1][f][iii], 1-34 ("It must be concluded, then, that in this context, misappropriation is but another label for reproduction, and as such, is a pre-empted right ....").