



## INTELLECTUAL PROPERTY LITIGATION

## Expert Analysis

# District Court Finds AP Has 'Quasi-Property' Right to News

Relying on an 80-year-old doctrine, the U.S. District Court for the Southern District of New York recently held that a news agency possesses a “quasi-property” right in the news.

In *Associated Press v. All Headline News Corp.*, 2009 WL 382690 (Feb. 17, 2009), the Associated Press (AP), the agency that gathers and licenses news content to thousands of newspapers, magazines, Web sites and other publications around the world, brought suit against All Headline News (AHN) over its alleged “free-riding.”

According to the complaint, AHN employed “poorly paid individuals” to scour the Internet for AP news stories for re-publication under AHN’s banner, sometimes rewriting stories in part and often copying stories in their entirety. The articles were then marketed as originating with AHN and peddled to client Web sites who pay AHN a fee.

AP sued, claiming that AHN’s free-riding imperiled its business. Collecting news required massive continuing investments. For news services to continue collecting and reporting the news, AP argued, they must be able to recoup their costs, which they cannot do “in the face of parasites like AHN.”

AP’s argument was anchored in a basic appeal to fairness, and in the seldom-used “hot news” doctrine, which the U.S. Supreme Court first articulated in *International News Service v. Associated Press*, 248 U.S. 215 (1918). Though 80 years separate *International News Service* from *All Headline News*, the facts of the cases are similar.

In 1918, of course, there was no television or Internet. But with U.S. forces battling in World War I, the demand for breaking news was just as high. AP met that demand by employing an army of reporters stationed all over Europe

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who transmitted breaking war stories almost instantaneously to U.S. editors using overseas telegraph cables. The edited stories were then cabled to AP member newspapers who satisfied public demand for “hot” war news by publishing multiple daily editions.

With the demand for news so high and the required investment to meet that demand so significant, the incentive to free-ride was great. INS—unlike AHN—was a real news service, but had been barred from using the French and English mail and cables after it was accused of violating wartime censorship restrictions.

To fill the gap, INS took bulletins and editions of AP news stories and sold those stories to INS clients as its own. It also bribed employees of AP and AP member newspapers to provide it with news before that news was published by AP member newspapers.

The Supreme Court held that while news cannot be copyrighted and AP could not prevent the general public from using its published “hot news,” news is the “stock in trade” of a news agency. Consequently, news gathered by one service is “quasi property” as against another.

Although *International News Service* has not been overruled, it has often been criticized and has seldom been applied. Moreover, the *International News Service* Court itself was sharply divided, with two giants of U.S. jurisprudence, Justices Oliver Wendell Holmes and Louis Brandeis, dissenting. They reasoned that if AP’s product was not protected under copyright, patent, trade secret or contract law, AP had no legal right to restrict its use. They argued that the fact that a product has cost its producer money and labor, and has a value to others, does not make it property.

As Justice Brandeis famously stated, “the noblest of human productions—knowledge, truths ascertained, conceptions, ideas—become voluntary communication to others, free as the air to common use.”

Relying on the *International News Service* dissent as well as the high court’s more recent decision in *Feist Publ’ns Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991), AHN argued that *International News Service* was wrongly decided, and that, even if it was correct in 1918, the hot news doctrine had been preempted by federal law.

Southern District Judge P. Kevin Castel denied AHN’s motion to dismiss AP’s misappropriation claim, finding that the hot news doctrine remained good law. Although *International News Service* could not apply directly—because it was decided in the pre-Erie period when the Supreme Court was developing federal common law—a number of states, including New York, had adopted the hot news doctrine as part of the state law of misappropriation. See *Nat’l Basketball Ass’n v. Motorola Inc.*, 105 F.3d 841 (2d Cir. 1997).

As *All Headline News* works its way through the judicial process, commentators will continue to wonder whether a quasi-proprietary right in the news can exist alongside the rest of our copyright jurisprudence, which has consistently held that only expressions of facts and ideas—not facts and ideas themselves—are eligible for copyright protection, and that the copyright laws have broad preemption power.

But the hot news doctrine has emotional appeal, and has withstood 80 years of criticism. *All Headline News* suggests that the doctrine will remain an example of the courts’ willingness to reward effort and ingenuity and punish free-riding.

### Copyright

In *Situation Management Systems Inc. v. ASP Consulting LLC*, 2009 WL 709422 (March 19, 2009), the U.S. Court of Appeals for the First Circuit stressed the low standard for originality under the Copyright Act.

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Defendant ASP Consulting had copied portions of copyrighted training materials designed to teach “communication and negotiation within the workplace” authored by a competitor, Situation Management. Deriding the materials as “aggressively vapid—hundreds of pages filled with generalizations, platitudes, and observations of the obvious,” the district court found most of the work not copyrightable.

Reversing, the First Circuit stressed that entitlement to copyright protection does not depend on “the court’s subjective assessment of its creative worth.” The circuit also found that the work could not be denied protection under §102(b) of the act, which declares that copyright does not extend to any idea, procedure, process or system. While a system or process of teaching workplace skills would not itself be copyrightable, the expression of such a system or process may be.

Would-be plaintiffs wishing to vindicate intellectual property rights in state court were dealt a blow in *Scranton Times L.P. v. Wilkes-Barre Publishing Co.*, 2009 WL 585502 (M.D. Pa. March 6, 2009).

Plaintiff Scranton Times sued competitor Wilkes-Barre Publishing Co. for copying obituaries originally published in the Times newspaper and on its Web site. Wilkes-Barre removed the case to federal court, and Scranton Times moved to remand, arguing that it had pleaded only state law causes of action.

Denying remand, the trial court held that four of Scranton Times’ claims were in fact federal law causes of action masquerading as issues of state law. Citing *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 22 (1983), the district court noted that where a state law cause of action is “really” a federal cause of action, it may be removed to federal court “if the federal cause of action completely preempts the state cause of action.”

Although Scranton Times had styled its claims as hot-news “misappropriation,” state law “unfair competition,” “tortious interference with existing business relations” and “unjust enrichment,” these claims were all examples of copyright infringement couched as state law claims. The result might have been different had Scranton Times been able to convince the court that it had a viable “hot news” claim.

#### Lanham Act

While the Lanham Act creates a broad cause of action for false advertising, such suits ordinarily cannot be brought based on advertisements that falsely claim authorship of an idea.

*Baden Sports Inc. v. Molten USA Inc.*, 2009 WL 349358 (Feb. 13, 2009), overturned a jury award of \$8.1 million for false advertising.

Baden Sports Inc. owns patents in basketballs with “raised seams” and padding under the outer covering,” which it marketed

as “cushion control technology.” Molten USA Inc. imported a ball that infringed the Baden patent, claiming its product used “innovative” “dual-cushion technology.”

Rejecting Baden’s claim, the U.S. Court of Appeals for the Federal Circuit found that the term “innovative” merely suggests that the product was new and says nothing about how, where or by whom it was made. Following *Dastar v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2007), such advertising is not actionable under the Lanham Act. The Federal Circuit cautioned that §43(a) of the act is not a federal counterpart of state unfair competition laws: the provision “does not have boundless application as a remedy for unfair trade practices.”

#### Sound as Trademark

In *In re Vertex Group LLP*, 2009 WL 625581 (TTAB Feb. 13, 2009), the Trademark Trial and Appeal Board (TTAB) rejected an attempt to register an alarm sound as a trademark.

Vertex created AmberWatch, a child safety bracelet intended to deter abductions. When activated, it emits a loud warning noise.

Although sounds may qualify for trademark protection, see *In re General Electric Broadcasting Co.*, 199 USPQ 560 (TTAB 1978), Vertex failed to demonstrate entitlement to that protection.

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The Associated Press’ argument was anchored in a basic appeal to fairness, and in the seldom-used ‘hot news’ doctrine, which the U.S. Supreme Court first articulated some eight decades ago.

First, Vertex failed to show that the AmberWatch sound had acquired the requisite “distinctiveness.” Under *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995), “color and trade dress in the nature of product design can never be inherently distinctive and can only be registered on a showing of secondary meaning.”

Vertex had not shown the sound had acquired secondary meaning—“it is not clear that listeners would perceive the sound...to be anything more than an alarm sound.” Moreover, a product feature that is functional cannot serve as a trademark “if it is essential to the use or purpose of the article or if it affects the cost of quality of the article.”

Granting Vertex’s application would improperly put competitors at a disadvantage by denying them the use of sound frequencies in the optimal range.

#### Business Method Patent

In *In re Ferguson*, 2009 WL 565074 (March 6, 2009), the Federal Circuit handed down another defeat to the holder of a business method patent.

The applicants sought to patent a “paradigm” for bringing products to market, comprising developing a “shared marketing force,” including “marketing channels” that “enable marketing a number of related products.”

Under the Federal Circuit’s en banc decision in *In re Bilski*, 545 F.3d 943 (2008), a process embraces “patent-eligible subject matter” under §101 of the Patent Act if it (1) is tied to a particular machine or apparatus, or (2) transforms a particular article into a different state or thing.

Methods such as that claimed by *Ferguson*—which “are directed to organizing business or legal relationships in the structuring of a sales force (or marketing company)” —fail this test. A construct such as a “shared marketing force” does not qualify as a “machine or apparatus,” and structuring a sales force does not “transform any article into a different state or thing.”

The Supreme Court’s landmark decision in *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), emphasized the responsibility of courts to invalidate patents that are obvious combinations of prior art references.

#### Stent Claim

In *Boston Scientific Scimed Inc. v. Cordis Corp.*, 554 F.3d 982 (2009), the Federal Circuit overturned a jury verdict and declared invalid several claims of a patent covering a drug-eluting stent.

After a close examination of the prior art, the circuit found that all of the limitations of the claims were disclosed in two separate embodiments of stents pictured in Wolff, a prior art patent.

The court held that “combining two embodiments disclosed adjacent to each other in a prior art patent does not require a leap of inventiveness.” This “strong prima facie showing” of invalidity was sufficient to overcome “weak” secondary considerations of nonobviousness.

While the patentee argued that the failure of the owner of the Wolff patent to develop the claimed invention showed the invention was not obvious, the circuit found that this failure was due to the inability to find a suitable drug, not to matters claimed in the patent.