Separating Commercial Parroting from Pirating: Board of Trade v. Dow Jones & Co.

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SEPARATING COMMERCIAL PARROTING FROM PIRATING:
V. DOW JONES & CO.

Imitation as a form of flattery is antithetical to the principles behind a misappropriation claim. Few plaintiffs would feel flattered if their property were wrongfully appropriated to the commercial advantage of a competitor in the same enterprise. The typical plaintiff in a misappropriation case claims an interest in protecting its property, produced through great labor and expense, from wrongful appropriation. The typical defendant's interest is in fostering competition through imitation in a free market economy.

1. The misappropriation doctrine is a branch of unfair competition. 2 R. Callmann, The Law of Unfair Competition, Trademarks & Monopolies § 15.01 (4th ed. 1982). Traditionally, three elements were essential to prove an unfair competition claim: the plaintiff and defendant must have been competitors; the defendant must have appropriated a business asset in which plaintiff had invested time and money to develop; and the consuming public must have been deceived as to the source of the goods. Id. In a competitive business setting, the originator of a product never welcomes nor enjoys the competition engendered by an imitator. If the imitator is allowed to ride "piggyback" into the marketplace "on the shoulders of one who has legitimately sown, the classical injunction against the reaping of another's harvest is violated." Id. at § 15.07.

2. See International News Serv., Inc. (INS) v. Associated Press (AP), 248 U.S. 215 (1918). The INS Court held that INS had misappropriated news items gathered and written by AP when INS published them in certain west coast newspapers before the AP published there. Id. at 239-41. The INS decision is recognized as the genesis of the misappropriation doctrine under the unfair competition umbrella. Developments in the Law: Competitive Torts, 77 Harv. L. Rev. 888, 933 (1964) [hereinafter cited as Competitive Torts]; see Baird, Common Law Intellectual Property and the Legacy of International News Service v. Associated Press, 50 U. Chi. L. Rev. 411, 412 (1983); Comment, The Misappropriation Doctrine After the Copyrights Revision Act of 1976, 81 Dick. L. Rev. 469, 476 (1977) [hereinafter cited as Comment, Misappropriation Doctrine]; infra note 38. Other branches of unfair competition also include monopoly, interference with business relations, unlawful conduct of a business, and trademark law. For an exhaustive treatment of these areas, see 2 R. Callmann, supra note 1.

3. Sell, The Doctrine of Misappropriation in Unfair Competition, 11 Vand. L. Rev. 483, 483 (1958). The common law tort of unfair competition encompasses misappropriation, and protects property, including intellectual property, that is not specifically protected by patents, copyrights, trademarks, or contracts. Id. The misappropriation doctrine, in turn, furthers the preservation of free competition within our economy by controlling unfair or commercially immoral conduct. The Illinois Appellate Court has observed that "competition is a desideratum in our economic system, but it ceases to serve an economic good when it becomes unfair. The concept of fair play should not be shunted aside on the theory that competition in any form serves the general good. Only fair competition does that." Schulenburg v. Signatrol, Inc., 50 Ill. App. 2d 402, 412, 200 N.E.2d 615, 620 (1964) (emphasis in original), aff'd in part, rev'd in part, 33 Ill. 2d 379, 212 N.E.2d 865 (1965), cert. denied, 383 U.S. 959 (1966).

4. "Free copying and imitation comprise the general rule, while monopolistic, exclusive rights conferred by the laws of patent, trademark, and copyright are the exception." Comment,
evaluating misappropriation claims, courts generally require the plaintiff to prove both that it has suffered injury in the marketplace and that the defendant, a direct competitor, has been unjustly enriched through the wrongful appropriation. The competitive injury requirement, however, has been relaxed as misappropriation has evolved as part of the common law tort of unfair competition. Recently, misappropriation in Illinois has been re-shaped to emphasize the underlying concept of fairness through its application of the misappropriation doctrine to diverse business settings.

When it decided Board of Trade v. Dow Jones & Co., the Illinois Supreme Court became one of the few jurisdictions that does not require the party alleging misappropriation to be a direct competitor of the imitator. The

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5. See, e.g., CBS v. Melody Recordings, 134 N.J. Super. 368, 379, 341 A.2d 348, 353-54 (1975) (competitive injury occurred when defendant appropriated plaintiff's product without incurring any of the associated costs); Mercury Record Prod. v. Economic Consultants, Inc., 64 Wis. 2d 163, 174, 218 N.W.2d 705, 709 (1974) (successful misappropriation claim requires "commercial damage" to plaintiff). One prominent commentator in the field of unfair competition believes the INS decision, see supra note 2, places a new emphasis on the competitive relationship and the "reciprocal rights and duties that are peculiar to it and emanate from it." 2 R. Callmann, supra note 1, at § 15.04.

6. Direct competitors are two companies operating in the same sector of the business community, competing in the sale of the same service or product. The relationship creates a duty for each party to conduct its own business in a way that does not unnecessarily or unfairly injure the other party. International News Serv. v. Associated Press, 248 U.S. 215, 235 (1918). But cf. Intermountain Broadcasting & Television Corp. v. Idaho Microwave, Inc., 196 F. Supp. 315, 325 (D. Idaho 1961) (companies must have same "primary purpose" in their business operations to be considered direct competitors for purpose of misappropriation claim).


8. See, e.g., CBS v. Melody Recordings, 143 N.J. Super. 368, 375, 341 A.2d 348, 352 (1975) (common law has developed expansive view of unfair competition); Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 796, 101 N.Y.S.2d 483, 492 (1950) (unfair competition claim does not require direct competitive injury), aff'd per curiam, 279 A.D. 632, 107 N.Y.S.2d 795 (1951); Comment, Misappropriation Doctrine, supra note 2, at 475; see also infra note 38 (INS decision discarded the "passing off" requirement of an unfair competition claim).


10. See, e.g., Roy Export Co. Establishment of Vaduz v. CBS, Inc., 672 F.2d 1095 (2d Cir.) (television network had misappropriated compilation of Charlie Chaplin film clips in a show that did not compete with plaintiff's planned show), cert. denied, 103 S. Ct. 60 (1982);
court refused to allow the Chicago Board of Trade (CBT) to use the Dow Jones stock market index as the basis for the CBT's recently-created stock market index futures contract, even though the two companies do not compete in the same field. The Dow Jones decision departed from the traditional misappropriation analysis, espoused by numerous courts, which focused on the competitive relationship of the parties. Rather, the court balanced the competing concepts of protecting those who develop intellectual property and promoting the free market economy through innovations based on imitation and duplication. Ruling in favor of expanded intellectual property rights, the court concluded that this increased protection would act as a stimulus to the economy. The flexible balancing approach used by the Dow Jones court is commendable because it is responsive to a fast-changing economy. Future decisions are needed, however, to establish guidelines for the application of Illinois' new approach to misappropriation claims.

FACTS AND PROCEDURAL HISTORY OF DOW JONES

The Chicago Board of Trade, the nation's largest and oldest commodities exchange, recently created a stock market index futures contract, which镜于 the Dow Jones Industrial Average, a stock market index that measures the changes in the value of a designated selection of stocks. The Dow Jones Industrial Average is based on 30 stocks that the publisher regards as representative of the wide selection of industrial stocks traded on the New York Stock Exchange. To compute the average increase or decrease in the stock values, Dow Jones uses a divisor that accounts for the number of stock splits each of the 30 selected stocks has had. The Dow Jones Industrial Average is probably the most familiar of stock price measures and the most widely quoted by professional investors and taxicab drivers.

11. A stock market index measures changes in the value of a designated selection of stock, which, in turn, indicates general fluctuations in the market. The Dow Jones Industrial Average is based on the value of 30 stocks that the publisher regards as representative of the wide selection of industrial stocks traded on the New York Stock Exchange. To compute the average increase or decrease in the stock values, Dow Jones uses a divisor that takes into account the number of stock splits each of the 30 selected stocks has had. The Dow Jones Industrial Average "is probably the most familiar of stock price measures and the most widely quoted by professional investors and taxicab drivers." J. LORIE & M. HAMILTON, THE STOCK MARKET: THEORIES AND EVIDENCE 60 (1973). For a discussion of the history of the industrial averages, see McSherry, Preface to Dow Jones & Co., THE DOW JONES AVERAGES, 1885-1980 at i-iii (1982) [hereinafter cited as Dow Jones Averages].

12. A futures contract, traded on a commodities exchange, is a contract to pay a specified price for a certain commodity at a designated future date. "Commodity" no longer merely means domestic agricultural goods such as wheat, soybeans, and corn; the definition was broadened by the Commodity Exchange Act in 1974 to include "all services, rights and interest in which contracts for future delivery are presently or in the future dealt in." 7 U.S.C. § 2 (1982). Under this more expansive definition, commodities futures contracts include trading in financial instruments such as Government National Mortgage Association certificates and security indices. 1 P. JOHNSON, COMMODITIES REGULATION § 4.39 (1982). A particular stock market index is the "commodity" traded; it is based on the value of the index at a designated future date. Board of Trade v. Dow Jones & Co., 108 Ill. App. 3d 681, 685, 439 N.E.2d 526, 529 (1982).


exchange, sought preliminary approval in February 1980 from the Commodities Futures Trading Commission (CFTC) to introduce a stock market index futures contract on its exchange. Before seeking the CFTC’s approval, the CBT had spent two years devising its own stock index to use as the underlying commodity for its new futures contract. The index, however, did not receive CFTC approval.

The CBT had a long-term subscription agreement with Dow Jones to receive its financial news service, allowing the CBT to compute and display all the Dow Jones Averages on its trading floor. In an effort to acquire an exclusive rights agreement to use the Dow Jones Averages as the basis

15. Id. at 111, 456 N.E.2d at 85.

16. The CFTC is a five-member federal administrative body that regulates activities of all commodities exchanges in the United States. The source of the Commission’s vast regulatory powers is the Commodity Exchange Act. 7 U.S.C. §§ 1-26 (1982). The Commission’s approval is required for all futures contract trading on each commodity exchange designated as a contract market. For a complete discussion of the history and duties of the CFTC, see 1 P. JOHNSON, supra note 12, at §§ 4.25, 4.32; McDonnell & Freund, The CFTC’s Large Trader Reporting System: History and Development, 38 BUS. LAW. 917, 917-18 (1982).

17. Board of Trade v. Dow Jones, 108 Ill. App. 3d 681, 685, 439 N.E.2d 526, 529 (1982). Although other commodities futures contracts, such as for corn or wheat, are settled by delivery of the commodity, futures contracts for stock indices cannot be delivered. These latter contracts are settled four times annually by the exchange of promissory notes for the appropriate sums. Id. Under this method of settlement, the value of the proposed CBT Index futures contract would have been 50 times the value of the Dow Jones Average on the last day of the trading period. Id.; Brief for Appellee at 4, Chicago Board of Trade v. Dow Jones & Co., 98 Ill. 2d 109, 456 N.E.2d 84 (1983) [hereinafter cited as Brief for Appellee].

Experts testified at trial that the “overriding purpose” of trading in stock market index futures contracts is to manage the risk of a large stock investment portfolio. 98 Ill. 2d at 112, 456 N.E.2d at 85. Trading in stock index futures contracts controls the risk associated with the “broad general movements of the stock market as a whole,” because the contracts act as a hedge against a precipitous decline in the stock market. Id. at 113, 456 N.E.2d at 86. Dow Jones, however, contended that many persons familiar with commodities regard stock index futures merely as a form of wagering on the ebb and flow of the stock market. Brief for Appellee, supra, at 6-7.

18. 98 Ill. 2d at 113, 456 N.E.2d at 86.

19. Board of Trade v. Dow Jones & Co., 108 Ill. App. 3d 681, 685, 439 N.E.2d 526, 529 (1982). After the trading of futures contracts in financial instruments began, the Securities and Exchange Commission (SEC) “mounted a vigorous campaign to wrestle jurisdiction from the [CFTC] over futures contracts in at least some type of securities.” 1 P. JOHNSON, supra note 12, at § 4.25. In a jurisdictional accord between the two commissions in December 1981, it was agreed that the CFTC would regulate trading of this new kind of futures contract, limiting trading to those stock index futures contracts that are based on widely-known and well-recognized indices. 98 Ill. 2d at 113-14, 456 N.E.2d at 86.

20. Dow Jones & Co., headquartered in New York City, publishes the Wall Street Journal, Barrons, and the Asian Wall Street Journal. The company also compiles stock market indices to measure trading activity in several categories and publishes the Dow Jones News Service for distribution to subscribers. The company’s indices include the Dow Jones Industrial Average, Transportation Average, and Utilities Average. 98 Ill. 2d at 111, 456 N.E.2d at 85. For a history of the company, see DOW JONES AVERAGES, supra note 11, at ii-iii.

21. The contract provided that the CBT would pay a monthly charge in order to display the Dow Jones News Service on the trading floor. 98 Ill. 2d at 122, 456 N.E.2d at 90.
of its stock index futures contract, the CBT offered to pay Dow Jones ten cents per transaction. Such an arrangement could have produced between one and two million dollars in annual licensing fees for Dow Jones. Two other prominent publishers of stock indices had signed similar licensing agreements with commodities exchanges. Nonetheless, Dow Jones refused the CBT's licensing offer.

In February 1982, the CBT made formal application to the CFTC for approval to introduce the stock index futures contract, based on a "CBT Index" that was clearly identical to the Dow Jones Industrial Average. The CBT did not reveal in its initial application that its index was based on Dow Jones's. It later amended its application, however, to credit Dow Jones and to include a disclaimer of any association with the financial news firm.

Before the CFTC ruled on the CBT's application, the CBT filed suit in Cook County Circuit Court seeking a declaratory judgment that its use of the Dow Jones Averages did not violate Dow Jones's legal or proprietary rights. The circuit court ruled in favor of the CBT and Dow Jones appealed to Illinois' First Appellate District. The appellate court reversed unanimously, determining that the CBT's use of the Dow Jones index as a trading vehicle went beyond the terms of the subscription agreement between the two parties. Noting that traders in futures contracts would know that

22. Id. at 120, 456 N.E.2d at 89.
23. Standard & Poor's 500 had a licensing agreement with the Chicago Mercantile Exchange, and Value Line Index had a similar agreement with the New York Futures Exchange. Standard & Poor's Corp. v. Commodity Exch., Inc., 683 F.2d 704 (2d Cir. 1982).
24. Dow Jones contended that a licensing agreement for use of its name and averages for stock index futures contracts would link it to the "speculative field of futures trading [and] would damage its image as an advocate of conservatism in investment policy." Board of Trade v. Dow Jones, 108 Ill. App. 3d 681, 685, 439 N.E.2d 526, 529 (1982). Dow Jones had declined licensing requests from three other commodities exchanges that wanted to base their stock index futures contracts on its Averages. Brief for Appellee, supra note 17, at 9.
25. 98 Ill. 2d at 114, 456 N.E.2d at 86. While the CBT had not made any specific reference to the Dow Jones Averages in its application, it had cut out a Dow Jones Average listing from a daily newspaper and pasted in onto its draft proposal to the CFTC. Id.
26. After the CFTC informed the CBT that its proposed index was identical to the one produced by Dow Jones, the CBT amended its application to show that the two indices were the same. Id.
27. Board of Trade v. Dow Jones & Co., No. 82 L 4067 (Cir. Ct. of Cook Cty. June 4, 1982).
29. 108 Ill. App. 3d at 689, 439 N.E.2d at 532. Use of a Dow Jones index as a trading vehicle could not have been a part of the bargain between the two parties because the stock
the CBT Index was identical to the Dow Jones Averages, the court decided that Dow Jones's name and averages carried a substantial commercial value. The appeals panel held that the CBT's use of the index amounted to misappropriation of Dow Jones's intellectual property, even though the two firms were not competing in the same marketplace.

In its appeal to the Illinois Supreme Court, the CBT contended that the appellate court's decision erroneously expanded the common law tort of misappropriation in Illinois by eliminating proof of competitive injury, formerly an essential element of a successful claim. The CBT further contended that it had done nothing wrong in merely creating a new product. Dow Jones, the CBT asserted, would enjoy a monopoly on its product if the court disallowed CBT's use of the index. Dow Jones countered that the tort of misappropriation should be flexible enough to prevent enterprise piracy. Furthermore, preventing the CBT from exploiting Dow Jones's good will, even though the parties were not direct competitors, would maintain an incentive for creating, rather than appropriating, intellectual property. Dow Jones pointed out that it merely sought to protect its property, not to establish a monopoly.

**THE COURT'S DECISION AND ANALYSIS**

The Illinois Supreme Court, in a divided decision, affirmed the appellate court and held that the CBT could not use the Dow Jones index as the basis of its stock index futures contract without Dow Jones's permission. To do otherwise would be misappropriation, a form of unfair competition first recognized by the United States Supreme Court in *International News Service v. Associated Press*. The *Dow Jones* court recognized that while producers of intellectual property deserve protection, our free market economy

market index contract had not yet been devised when the contract was signed in 1978. *Id.* at 688-89, 439 N.E.2d at 532. The stock market index futures contract, the "newest innovation in the relatively young field of financial futures trading," only recently has become a commercial possibility. *Id.* at 689, 439 N.E.2d at 532.

30. *Id.* at 692, 439 N.E.2d at 534.
31. *Id.* at 696, 439 N.E.2d at 537.
32. *Id.* at 697, 439 N.E.2d at 537.
33. 98 Ill. 2d at 116, 456 N.E.2d at 87.
34. *Id.* at 116-18, 456 N.E.2d at 87-88.
35. *Id.* at 118, 456 N.E.2d at 88.
36. Justice Goldenhersh wrote the majority's opinion. Justice Simon was joined in his dissent by Justices Ward and Moran.
37. 98 Ill. 2d at 109, 456 N.E.2d at 84.
38. 248 U.S. 215 (1918), cited in *Dow Jones*, 98 Ill. 2d at 118, 456 N.E.2d at 88. International News Service and Associated Press were "in the keenest competition between themselves in the distribution of news throughout the United States." 248 U.S. at 230. INS was copying original news items from AP bulletin boards and transmitting them to INS-member newspapers on the west coast before some AP members received them. *Id.* at 231. Finding that INS's conduct constituted unfair competition, the Court stated that

[s]tripped of all disguises, the process amounts to an unauthorized interference with
the normal operation of [AP]'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.

Id., at 240. The Court concluded that the interest in providing an incentive to expend labor and money to transmit news outweighed the interest in freely disseminating uncopyrighted material to the masses as part of our free market economy. Id. at 249-50. INS, in attempting to "appropriat[e] to itself the harvest of those who have sown," thus was unjustly enriched while injuring AP's competitive position in the news marketplace. Id.

An unfair competition claim had previously required proof that a party had been injured by a direct competitor, see supra note 1, who had "passed off" the first party's product as its own. INS, rather than misrepresenting AP's product as its own, had "substitute[d] misappropriation in the place of misrepresentation, and [sold] complainant's goods as its own." 248 U.S. at 249-50. The INS decision thus discarded the "passing off" requirement, replacing it with unjust enrichment. See Waxman, Performance Rights in Sound Recordings, 52 TEX. L. REV. 42, 59 (1973) (favoring INS's recognition of AP's quasi property right in news stories that retain commercial value).

After the INS Court had eradicated the "passing off" requirement of an unfair competition claim, the new misappropriation doctrine received a mixed reception among the lower courts. See P. Goldstein, Copyrights, Patents, Trademark and Related State Doctrines 115 (2d ed. 1981) (although widely criticized elsewhere, INS has "enjoyed a broad and continuing acceptance in New York"); Competitive Torts, supra note 2, at 935-36 (detailing that few jurisdictions have wholeheartedly embraced the INS doctrine, while many accept it only grudgingly).

Nevertheless, the INS decision has been recognized generally as broadening the bounds of the tort of unfair competition to encourage ethical business conduct. See Intermountain Broadcasting & Television Corp. v. Idaho Microwave, Inc., 196 F. Supp. 315, 322 (D. Idaho 1961) (Idaho has adopted the broadened view of unfair competition espoused in INS); CBS v. Melody Recordings, 134 N.J. Super. 368, 375, 341 A.2d 348, 352 (1975) (common law, through expansive view of unfair competition, has established more scrupulous standards of business fairness); Waring v. WDAS Station, Inc., 327 Pa. 433, 452, 194 A. 631, 640 (1937) (elimination of "passing off" requirement allows equity courts to grant more protection). Judge Learned Hand, however, refused to enjoin a radio company from broadcasting certain records, stating that INS should be limited to its facts. RCA Mfg. Co. v. Whiteman, 114 F.2d 86, 90 (2d Cir. 1940); see also Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964) (state unfair competition laws protecting unpatented items from imitation run counter to principles behind the federal patent laws and Supremacy Clause); Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964) (same holding as Compco). Application of the Sears and Compco decisions has been very restricted. See 2 R. Callmann, supra note 1, at § 15.07 (despite Sears and Compco decisions, INS misappropriation doctrine remains intact); P. Goldstein, supra, at 137 (identifying trend to "distinguish, dismiss or simply ignore the two decisions"); see also Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 479 (1973) (states may protect intellectual property that forms trade secrets, as long as state regulations do not conflict with federal laws governing patents and copyrights); Goldstein v. California, 412 U.S. 546, 570-71 (1973) (upholding state copyright law to control record and tape piracy); Mercury Record Prod. v. Economic Consultants, Inc., 64 Wis. 2d 163, 178, 218 N.W.2d 705, 712 (1974) (copyright protection can be granted through both common law and state statute).

In addition to the INS case, the Dow Jones court cited Capitol Records, Inc. v. Spies, 130 Ill. App. 2d 429, 264 N.E.2d 874 (1970). Spies was the first Illinois case recognizing the tort of misappropriation. 98 Ill. 2d at 118, 456 N.E.2d at 88. In Spies, the defendant purchased the plaintiff's records and tapes, copied them, and sold the re-recorded tapes. 130 Ill. App. 2d at 430-31, 264 N.E.2d at 875. Thus, the defendant was able to compete directly with the plaintiff at a much lower cost. The court concluded that the defendant's unfair appropriation of the plaintiff's goods was tortious. Id. at 434-35, 264 N.E.2d at 877.

39. 98 Ill. 2d at 119, 456 N.E.2d at 89. The court cited Justice Brandeis's dissent in INS,
tion required by a producer of intellectual property and the degree of freedom needed by a would-be innovator are dependent on the particular type of business involved. The court reasoned that if, for example, the producer anticipated renumeration for the use of its product, and if others in that business community expected to pay for the use, the balance of interests tipped in favor of protection for the producer.

In this case, the CBT offered to pay Dow Jones a per-transaction fee that could have amounted to between one and two million dollars per year. This offer, said the court, acknowledged that Dow Jones had a proprietary interest in its name and averages that was worthy of protection. The court noted that a decision adverse to Dow Jones would not greatly affect its revenues. A decision in favor of Dow Jones, however, would not preclude the CBT from entering the stock index futures contract market with a different index. Furthermore, such a decision would encourage the creation of new indices especially designed to counteract the systematic risk involved in stock market investment. This economic encouragement, the court concluded, outweighed any negative effect that might result from prohibiting

recognizing society's interest in allowing imitation in the marketplace. Id. (citing INS, 248 U.S. at 259 (Brandeis, J., dissenting)). For the proposition that freedom to imitate should prevail over the protection policy, see also Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 122 (1938) (allowing competitor to use "shredded wheat," a formerly patented product, as a partial designation for its product); Intermountain Broadcasting & Television Corp. v. Idaho Microwave, Inc., 196 F. Supp. 315, 326 (D. Idaho 1961) (allowing a microwave company to transmit to its customers television programs which were exclusively licensed to another company); Rahl, The Right to "Appropriate" Trade Values, 23 Osso St. L.J. 56, 72 (1962) ("Imitation is inherent in any system of competition and it is imperative for an economy in which there is rapid technological advance.").

40. 98 Ill. 2d at 120, 456 N.E.2d at 89.

41. Id. In weighing the interests, the court avoided an analytical detour followed by a few of the other courts that have considered misappropriation claims. It did not attempt to stratify the marketplace to determine if both companies could concurrently use the indices without conflict. One court that did stratify the marketplace found that the two parties operated "in different ways for different reasons," so that the competitor did not threaten the "primary purpose" of the originator. Intermountain Broadcasting & Television Corp. v. Idaho Microwave, Inc., 196 F. Supp. 315, 325 (D. Idaho 1961); see also NFL v. Governor of Del., 435 F. Supp. 1372, 1378 (D. Del. 1977) (state lottery based on NFL games scores was "collateral" to professional football performances and thus did not constitute misappropriation).

42. 98 Ill. 2d at 120, 456 N.E.2d at 89. The prospect, however, that Dow Jones would lose the ability to license the index in the future, when it had originally not contemplated such a marketing move, does not create a protectible property right. The court stated that such an argument is "circular." Id.

43. Id.

44. Id. According to the testimony of a stock market expert, the "overriding purpose [of a stock index futures contract] is the management of risk." Id. at 112, 456 N.E.2d at 85-86. The non-systematic risk, that an individual company may have problems, may be countered by a diversified portfolio. Diversification, however, will not protect the investor from systematic risk, which is that "associated with the broad general movements of the stock market as a whole." Id. To deal with systematic risk, the investor must either sell stocks, a strategy that is undesirable for several reasons, or invest in a stock index futures contract that predicts a market decline. Id.
the CBT's proposed use of Dow Jones's intellectual property. Moreover, such use would result in the CBT's unjust enrichment, although it had neither diverted profit from Dow Jones nor competed in the same marketplace.

The dissent argued that the majority's decision wrongly expanded intellectual property rights beyond their common law limits by eliminating the plaintiff's burden of demonstrating that it suffered a competitive injury. The dissent reasoned that Dow Jones could not have suffered a competitive injury through the CBT's use of the index because it did not sell the same type of products or services. The dissent noted that, in fact, the majority acknowledged that the two were not competitors. If such an expansion of intellectual property rights were to be made at all, the dissent asserted, it should be made by the federal or state legislature.

The dissent further admonished that elimination of the competitive injury requirement would reduce the incentive to develop permutations on existing products. Moreover, the majority's concentration on unjust enrichment as the sole requirement of proof could hinder the pace of innovation, leaving little information in the public domain. Rather, the dissent argued, the majority should have emphasized "the unfettered access to ideas in the public domain, a privilege which is essential to our free market economy."
By eliminating the competitive injury requirement, the *Dow Jones* decision has expanded the protection of intellectual property rights in Illinois. The case presents a flexible approach to the adjudication of misappropriation cases that reflects current business realities. The Illinois court, however, did not provide sufficient guidelines for the application of its new misappropriation test.

This new test is a departure from traditional misappropriation law, especially in its support for the originators of intellectual property. Traditionally, some courts have defined the concept of competitive injury narrowly, making it very difficult for misappropriation plaintiffs to prevail. For example, in *NFL v. Governor of Delaware*, the court found that a state's use of the final scores from NFL football games in a lottery was a "collateral service" that was merely incidental to the league's performance. The *NFL* court held that, although the state was clearly profiting from the popularity of the NFL games, one business could not be foreclosed from profiting on a service that is only collateral to another's successful venture.

An even narrower construction of competitive injury worked against the plaintiff in *Intermountain Broadcasting & Television Corp. v. Idaho Microwave, Inc.* The *Intermountain* court determined that the plaintiff broadcasting company's primary source of profit was in the sales of commercials on its television programs, while the defendant microwave company's profit derived from transmitting television signals to home subscribers. The court concluded that, because the two companies did not operate for the same primary purpose, the defendant had not misappropriated the latter's property in transmitting the plaintiff's programs to the defendant's

tect any novel or innovative use that an imitator devised. This approach parallels the "fair use" exception to the copyright body of law. Although the dissent purported to promote the widest dissemination of ideas and intellectual property in a free market economy, id. at 124, 456 N.E.2d at 91 (Simon, J., dissenting), it overlooked the obvious result of an adverse decision for Dow Jones: less development of new stock market indices. The CBT, if allowed to appropriate the well-known and recognized indices produced by Dow Jones, certainly would not be stimulated to devise an index of its own. Thus, the dissent's conclusion is inapposite to the result it prefers to achieve. But see Baird, *supra* note 2, at 413 (questioning whether misappropriation analysis should be analogous to that of copyright infringement cases that recognize some copying as "fair use" of product).

53. See *infra* notes 54-59 and accompanying text.


55. The *NFL* court defined collateral services as those that are merely a by-product of another firm's operation. The *NFL* court likened the state's lottery to other collateral services that extend from NFL games, such as charter bus companies that make money from transporting fans to the games and concessionaries who sell programs and popcorn on the sidewalks leading to football stadiums. Id. at 1378.

56. Id. The *NFL* court, emphasizing that "we live in an age of economic and social interdependence," found that many business operations benefit, to some degree, from the labor of others. Id.


58. Id. at 325.
These cases illustrate the willingness of courts to construct models of the marketplace that obviate a finding of competitive injury and, in turn, misappropriation.

The *Dow Jones* court eliminated competitive injury from its analysis and instead stressed a balancing approach. This approach removed the inflexibility from the Illinois misappropriation doctrine. Rather than treating the type of competition between the parties as determinative, the court focused on the unjust enrichment that would have resulted to the CBT if it were allowed to use the Dow Jones index with impunity. This focus emphasized the broader principle underlying the misappropriation doctrine: that property of commercial value should be protected from another's unauthorized use for profit.

The *Dow Jones* decision is consistent with the recognition that the misappropriation doctrine cannot be reduced to general, all-purpose rules. Like *Dow Jones*, other courts also have based their analyses on the unjust enrichment element. The *Dow Jones* decision correctly recognized that the misappropriation doctrine must be flexible enough to provide courts a panoply of resources to facilitate the eradication of enterprise piracy from the marketplace.

59. *Id.* at 326. The *Intermountain* court interpreted the INS decision to require interference with the primary purpose of the originator's business to support a finding of misappropriation. *Id.* at 325-26. One commentator, noting that the *Intermountain* plaintiff had not demonstrated a "need for protection against frustration of the primary marketing purpose," urged that an emphasis on the primary marketing purpose of a firm affords ample protection to the trade values with little reduction in competition. See Rahl, *supra* note 39, at 62-63.

60. 98 Ill. 2d at 120-22, 456 N.E.2d at 89-90.

61. See Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 794, 101 N.Y.S.2d 483, 492 (1950), *aff'd* per curiam, 279 A.D. 632, 107 N.Y.S.2d 795 (1951); see also *infra* notes 65-68 and accompanying text (discussing New York's rejection of the competitive injury requirement and focus on protection of property). A prominent commentator on the tort of misappropriation asserts that the doctrine "protects the viability of a business system . . . from attack by anyone, competitor or otherwise, who would undermine its structure or operation at some point of particular vulnerability." 2 R. Callmann, *supra* note 1, at § 15.08.

62. See Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 792, 101 N.Y.S.2d 483, 489 (1950) (recognizing critical importance of facts in misappropriation claim), *aff'd* per curiam, 279 A.D. 632, 107 N.Y.S.2d 795 (1951); P. Goldstein, *supra* note 38, at 115 ("question of misappropriation is one of degree"); Sell, *supra* note 3, at 496 (misappropriation doctrine is "elastic concept workable in an area of changing circumstances"); *Competitive Torts, supra* note 2, at 937 (noting that the balance of interests in misappropriation cases varies with facts of each case and type of intangible property).

63. See, e.g., International News Serv. v. Associated Press, 248 U.S. 215, 239 (1918) (essence of misappropriation is profit from another's expense of energy); Standard & Poor's Corp. v. Commodity Exch., Inc. 683 F.2d 704, 711 (1982) (misappropriation is broad tort encompassing attempts to gain through efforts of another); Mercury Record Prod. v. Economic Consultants, Inc., 64 Wis. 2d 163, 175, 218 N.E.2d 705, 709 (1974) (defendant "endeavoring to reap where it has not sown"); see also Dawson, The Self-Serving Intermeddler, 87 Harv. L. REV. 1409, 1412 (1974) (discussing how the imitator enjoys a free ride from the originator's success, which amounts to unjust enrichment).

64. A flexible doctrine allows courts to apply equitable remedies for an apparent wrong
Although few jurisdictions have gone as far as the Dow Jones court in reforming the misappropriation doctrine, the case is not a complete maverick. New York, for example, discarded the competitive injury requirement over thirty years ago in Metropolitan Opera Association v. Wagner-Nichols Recorder Corp. The Metropolitan Opera court held that an opera company did not have to prove that it competed with a recording company to succeed in its misappropriation claim. In rejecting the defendant's assertion that actual competition between the two parties must be demonstrated to support a misappropriation claim, the court focused on modern business operations. With the increasing complexity of business relationships, the court noted, companies operating in "theoretically non-competitive fields" can inflict severe injury upon each other to the same extent as if they were direct competitors. Like the Dow Jones court, the Metropolitan Opera court found that the success of an unfair competition claim need not rest on an allegation of direct competitive injury. Instead, the Metropolitan Opera court determined that the tort should rest on the broader principle of protecting commercially valuable property rights from all forms of commercial immorality, unfair invasion, or infringement. Accordingly, the court deemed that the defendant's recording of opera broadcasts was a misappropriation of the plaintiff's performances.

Dow Jones is also consistent with a recent Second Circuit opinion, Standard & Poor's Corp. v. Commodities Exchange, Inc. The facts of Standard are similar to those found in Dow Jones. Standard & Poor's had entered into an exclusive rights agreement allowing the Chicago Mercantile Exchange to use the S&P 500 Index as the underlying commodity of a stock index futures contract. Defendant Commodities Exchange also tried to trade a stock index futures contract based on the S&P 500 Index that would have been called the Comex 500 Index. Plaintiff Standard & Poor's successfully sued to enjoin the defendant from trading a contract based on the Standard & Poor's

where the legislature has failed to provide protection. Mercury Record Prod. v. Economic Consultants, Inc., 64 Wis. 2d 163, 186, 218 N.W.2d 705, 715 (1974). At the same time, there is no indication that an expansive view of misappropriation has not been used by courts "as a license to cut rough justice wherever they find competitive practices they do not like." Baird, supra note 2, at 422.

66. Id. at 794, 101 N.Y.S.2d at 492.
67. Id. The court stated that "a court of equity will penetrate and restrain every guise resorted to by the perpetrator" in protecting property rights of commercial value. Id.
68. Id. Few other courts have risen to the Metropolitan Opera court's challenge to protect businesses from all forms of commercial misconduct. One commentator, without specifically classifying the case as an aberration, pointed out prior to the Dow Jones decision that New York was the only state to afford the misappropriation doctrine so expansive a reading. See Competitive Torts, supra note 2, at 935.
69. 683 F.2d 704 (2d Cir. 1982).
70. Id. at 706.
71. Id. at 707.
name or index. In affirming the district court's decision to grant an injunction, the circuit court found that the index was a salable product and that the plaintiff had a significant interest in the stock index futures contract business due to its agreement with the Mercantile Exchange. The court concluded that the parties thus were essentially competitors, and therefore, that the plaintiff's misappropriation claim had merit. The Dow Jones court went a crucial step further in protecting the Dow Jones name and index in the absence of a competing licensing agreement between Dow Jones and a third party. Nevertheless, the cases are similar in their protection of the intellectual property rights of a stock index compiler.

In formulating its approach to misappropriation claims, the Dow Jones court acknowledged the significance of the particular business setting underlying the unfair competition claim. In tethering its analysis to the type of business, the court accurately discerned that the misappropriation doctrine is intended to reflect the prevailing ethics and economic needs of a society in which conduct considered unfair by one sector of the business community "may be regarded as eminently proper by another." Misappropriation, a business tort, is thus inextricably entwined to the continually changing social and economic climate. The innovative stock index futures contracts central to the Dow Jones dispute sparked fierce competition to secure rights to well-known and recognized stock indices. Had the Dow Jones court approved the CBT's use of the stock market index, the CBT presumably would have had a "free ride" while other commodities exchanges paid for comparable indices through licensing agreements. The Dow Jones decision appears to be predicated on the court's assumption of its ethical and economic impact. Although the decision neither negatively affects existing exclusive rights agreements nor precludes Dow Jones from entering this lucrative area in the future, the decision keeps the CBT from taking unfair advantage of a non-competitor. The result is a doctrine responsive to the realities of a rapidly-changing business world.

72. Id. at 712.
73. Id. at 710-11.
74. 98 Ill. 2d at 120, 456 N.E.2d at 89.
75. Handler, Unfair Competition, 21 IOWA L. REV. 175, 175 (1936). Thus, misappropriation may be seen as a symbol of "the law's capacity for growth in response to the ethical, as well as the economic needs of society." Dior v. Milton, 9 Misc. 2d 425, 430, 155 N.Y.S.2d 443, 451 (1956), quoted in Comment, Misappropriation Doctrine, supra note 2, at 479.
76. Many misappropriation cases "can be reconciled in terms of the economic and social impact of providing or denying protection, and it seems difficult to devise a more satisfactory concept for deciding the future cases." Competitive Torts, supra note 2, at 937.
The Dow Jones court's move toward a more flexible misappropriation analysis is laudable, although it unfortunately sets forth few guidelines for the resolution of future misappropriation claims. The most troublesome question left unanswered by the Dow Jones opinion is how the injury and damages of a misappropriation plaintiff are to be assessed. Such a plaintiff usually must prove that the market for its product would be substantially destroyed by the defendant's actions, or at least that its business purpose would be frustrated. In contrast, by admitting that Dow Jones would not have suffered pecuniary injury by the CBT's use of its index, the majority implies that a misappropriation plaintiff need not prove any injury to itself as long as the defendant is unjustly enriched.

Moreover, if any injury requirement survives Dow Jones, it will be difficult to measure the injury in the non-competitive context. A direct competitor can show lost profits, and a non-competitor who has a licensing agreement with a competitor of the defendant can show the value of the property involved. A plaintiff in Dow Jones's position, however, cannot assert successfully that it suffered the loss of prospective licensing fees. Even the majority referred to such an assertion as "circular."

On the other hand, in protecting Dow Jones's option to enter the stock index futures contract market at a future date, the court recognized the economic reality that competition is a dynamic process whereby forces within the marketplace spawn new products and diversification for competitors. By refusing to allow the parties' relationship in the marketplace to dictate the outcome of the claim, the court acknowledged that business relationships are not constant; companies that have no relationship today may become competitors tomorrow.

Because the case was brought merely for a declaratory judgment, the court's lack of guidelines regarding injuries and damages is understandable.
understandable, however, is its failure to address directly the questionable commercial morality of the CBT’s conduct. Such an inquiry, often made by other courts, would seem to follow from the basic tenet of the misappropriation doctrine which stresses the preservation and promotion of ethical competition. In applying its balancing test, the Dow Jones court seemed more concerned with economic productivity than business ethics. The decision thus may have the effect of lessening the standards of ethical business conduct in the adjudication of misappropriation claims.

IMPACT

The Dow Jones court’s elimination of the competitive injury requirement extends protection of intellectual property rights to producers of intellectual property who have refused to enter an exclusive rights agreement for use of the property or have declined a path of diversification. The decision bolsters the strong public policy first enunciated in INS against rewarding those who reap where they have not sown. When a court determines that the property in dispute has commercial value, it may prohibit unauthorized use by any imitator, regardless of the effect, if any, on the originator’s business. Thus, this decision makes it more difficult for a non-competitor to use another’s intellectual property in a novel way when other products could be developed independently.

This restriction on innovation by imitation, as predicted by the court, may result in encouraging the development of new stock indices tailor-made for futures contract trading. Unfortunately, these new indices could not be used as the bases of stock index futures contracts under current CFTC policy. If this policy were to change, however, the introduction of the newly-designed indices most likely would result in greater protection for stock index futures contract investors. By thus lowering the systematic risk involved in

86. It is apparent from Dow Jones’s adamant refusal to consider licensing requests from three other commodities exchanges that it did not want to become involved in the stock index futures contracts business. Yet, after Dow Jones refused to allow the CBT to use its index, the CBT placed itself in the ignominious position of adopting the Dow Jones Industrial Average in its application to the CFTC. Id. at 114, 456 N.E.2d at 86.

87. See, e.g., Standard & Poor’s Corp. v. Commodity Exch., Inc., 683 F.2d 704, 709 (2d Cir. 1982) (finding that the commodities exchange’s conduct inferred bad faith when it attempted to adopt a stock market index as the basis of its futures contract after the plaintiff had denied it a licensing agreement to do so); Roy Export Co. Establishment of Vaduz v. CBS, 672 F.2d 1095, 1106 (2d Cir.) (finding plaintiff’s misappropriation claim supported by defendant’s lack of good faith in broadcasting program to which another party held exclusive right), cert. denied, 103 S. Ct. 60 (1982); CBS v. Melody Recordings, 134 N.J. Super. 368, 375, 341 A.2d 348, 352 (1975) (courts should apply more scrupulous standards of business fairness and commercial morality in trade).


89. 248 U.S. at 239-40.

90. 98 Ill. 2d at 120, 456 N.E.2d at 89.

91. See supra note 19.
stock trading, the ultimate effect would be an overall stimulation of the economy by making investment in the stock market safer and more attractive.

CONCLUSION

In expanding intellectual property rights, the Dow Jones court eliminated the competitive injury element that was formerly required in a misappropriation claim. The decision will make misappropriation litigation more responsive to the problems that arise in a fast-paced business setting. Nevertheless, it leaves questions unanswered. The opinion did not provide guidelines on how a plaintiff’s injuries or damages should be assessed in misappropriation cases arising between most non-competitors. The court also failed to address what impact, if any, the imitator’s conduct should have on the court’s decision.

Despite its lack of guidelines, the Dow Jones decision extended deserved protection from enterprise piracy to producers of the popular stock indices. A ruling in favor of the CBT would have undercut the strong public interest in promoting fair business practices and honesty in commercial dealings. The Dow Jones court’s analysis will be used by other Illinois courts to find misappropriation as long as protection of the originator’s property would have a beneficial effect on the economy. Moreover, the decision illustrates how a common law doctrine can be modified to respond to innovative forces in the marketplace. The Dow Jones decision expands intellectual property rights to meet the demands of a changing business setting, and thus underscores the need for fairness in commercial dealings.

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92. It has been asserted that a healthy free market economy depends on fairness in business. "Free competition cannot exist in the climate of unfair or commercially immoral conduct by one competitor against another. Such conduct destroys rather than promotes competition and can itself create a monopoly. Free competition impels honest, fair conduct by the parties." Sell, supra note 3, at 497.