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Legal Update

National Basketball Ass'n v. Motorola, Inc.: Second Circuit Clarifies Copyright Preemption for New Technology†

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1. A recent Second Circuit Court of Appeals decision will enable companies to use new technologies, such as the Internet and pagers, to compete in the area of real-time information.[1] In *National Basketball Ass'n v. Motorola, Inc.* the Second Circuit addressed the National Basketball Association's ("NBA") proprietary rights in game information.[2] In reversing the district court, the Second Circuit rejected the partial preemption doctrine[3] advocated by the district court[4] by holding that "only a narrow 'hot news' misappropriation claim survive[d] preemption."[5] Thus, the NBA was unable to protect its claimed proprietary interests in the facts of an NBA game

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1 *See* Andrew L. Deutsh, *Copyright, Misappropriation and Hot-News Doctrine*, N.Y.L.J., Mar. 11, 1997, at 1; David E. Rovella, *Instant-News Services Get Court Boost: Judge Slam Dunks NBA, Clarifies 'Hot News' Claims*, NAT'L L.J., Feb. 17, 1997, at B1.

2 105 F.3d 841, 843 (2d Cir. 1997), *rev'g* National Basketball Ass'n v. Sports Team Analysis Tracking Sys., Inc., 939 F. Supp. 1080 (S.D.N.Y. 1996); *see* Jan Crawford Greenburg, *Court Lets Unlicensed Firms Use NBA Stats: Companies Win Fight to Send Data Online and Over Airways*, CHI. TRIB., Jan. 31, 1997, at 1; Michael Rapoport, *Motorola, Stats, Inc. Can Transmit Real-Time NBA Data, Court Says*, WALL ST. J., Jan. 31, 1997, at B5.

3 *See* 105 F.3d at 848.

4 *See* National Basketball Ass'n v. Sports Team Analysis Tracking Sys., Inc., 939 F. Supp. 1071, 1098 n.24 (S.D.N.Y. 1996), *rev'd sub nom.* National Basketball Ass'n v. Motorola, Inc., 105 F.3d 841 (2d Cir. 1997).

5 *Id.* at 852.

under misappropriation theory.[6]

2. In January 1996, Motorola, Inc. and Sports Team Analysis and Tracking Systems, Inc. ("Stats") introduced the paging service SportsTrax.[7] SportsTrax provides periodic updates of NBA games in progress.[8] Motorola manufactured and marketed the pager[9] while Stats collected and reported the game information sent to the pagers, including score, time remaining, and teams playing.[10] Stats also maintained a site on America Online ("AOL") that provided similar NBA game information.[11] Both the pager and AOL site provided real-time information[12]--game information "disseminated while NBA games [were] in progress."[13]

3. Prior to the introduction of SportsTrax, the NBA negotiated with both Motorola and Stats to develop a paging service that provided real-time information.[14] The NBA developed Gamestats, a system to track NBA game statistics.[15] The NBA intended to use Gamestats to provide information to broadcasters and scoreboards within an arena, and eventually to connect the data from all 29 NBA arenas.[16] Motorola wanted to have the product ready for the 1995-96 basketball season.[17] When negotiations did not progress quickly enough, Motorola decided to introduce the product without an agreement with the NBA.[18] Instead, Motorola entered into an agreement with Stats to provide the game

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6 *See id.* at 853.

7 *See* 939 F. Supp. at 1080.

8 *See id.*

9 *See id.* at 1076, 1080.

10 *See id.* at 1081.

11 *See id.* at 1076, 1085.

12 *See id.* at 1080, 1085.

13 *See id.* at 1075 n.3.

14 *See id.* at 1083-84.

15 *See id.* at 1079.

16 *See id.*

17 *See id.* at 1084.

18 *See id.*

information for the SportsTrax pager.[19]

4. Stats collected the game information by hiring reporters to monitor television and radio broadcasts of NBA games.[20] The reporters entered the game statistics into a computer program that compiled the statistics.[21] These statistics were then sent to the SportsTrax pagers at periodic intervals.[22] Generally, the pager updates the real-time information every two minutes.[23] The AOL site provides more timely updates, sometimes as frequently as every 15 seconds.[24]

5. In March 1996, the NBA filed suit against Motorola and Stats for copyright infringement and commercial misappropriation under New York law.[25] The NBA claimed that the basketball games themselves constituted a category protectable by copyright.[26] The NBA relied on a Seventh Circuit case, *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n,*[27] to support its argument that the games were copyrightable.[28] The district court rejected the NBA's reliance on *Baltimore Orioles*,[29] as did the Second Circuit.[30] The Second Circuit distinguished this case because the Seventh Circuit was discussing the copyrightability of the broadcasts of baseball games and not the copyrightability of the games

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19 *See id.* at 1085.

20 *See id.* at 1081.

21 *See id.*

22 *See id.*

23 *See id.* at 1080-81.

24 *See id.* at 1085.

25 *See id.* at 1075, 1085-86. The NBA also brought claims for false advertising and false designation of origin under the Lanham Act and for violations of the Communications Act. *See id.* The district court found in Motorola's favor on both claims. *See id.* at 1112, 1114.

26 *See* 939 F. Supp. at 1088.

27 805 F.2d 663 (7th Cir. 1986).

28 *See* 939 F. Supp. at 1090. In a footnote, the Seventh Circuit stated that the "[p]layers' performances possess the modest creativity required for copyrightability." *See id.* (quoting *Baltimore Orioles*, 805 F.2d at 669 n.7).

29 *See* 939 F. Supp. at 1091.

30 *See* National Basketball Ass'n v. Motorola, Inc., 105 F.3d 841, 847 (2d Cir. 1997).

themselves.[31]

6. District court Judge Preska determined that the NBA games themselves did not fall within the subject matter of copyright because they lack the originality required for copyright protection.[32] The Second Circuit agreed with the district court on this point.[33] The basketball games were not "original works of authorship"[34] since the games could "result in wholly unanticipated occurrences" and were "competitive and have no underlying script."[35]

7. In contrast to the games themselves, the broadcasts of the games are protected by copyright.[36] Both the district and appeals courts, however, found that Motorola and Stats did not infringe the NBA's copyright in the broadcasts.[37] Motorola and Stats did not copy any of the protectable elements of the broadcast[38] because they used the facts of the games, not the expression of the copyrighted broadcast.[39]

8. Since there was no copyright infringement, the NBA had to rely on a misappropriation claim under state law for relief. The question remained, however, whether section 301 of the Copyright Act preempted the state law misappropriation claim.[40] The district court found there was "partial preemption" of the misappropriation claim.[41] The district court analyzed the preemption issue by looking at the broadcast of the games separately from the underlying games

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31 *See id.* at 846-47.

32 *See* 939 F. Supp. at 1088.

33 *See* 105 F.3d at 847.

34 *Id.* at 846 (quoting 17 U.S.C. § 102(a) (1994)).

35 *Id.*

36 *See* 105 F.3d at 847 (citing 17 U.S.C. §§ 101, 102(a) (1994)).

37 *See id.*; 939 F. Supp. at 1094.

38 *See* 105 F.3d at 847; 939 F. Supp. at 1094 (citing Feist Publications, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 350 (1991)).

39 *See* 105 F.3d at 847 (citing *Feist*, 499 U.S. at 350); 939 F. Supp. at 1094; *see also* 17 U.S.C. § 102(b) (1994) (excluding facts from copyright protection).

40 *See* 17 U.S.C. § 301 (1994).

41 *See* 939 F. Supp. at 1098.

themselves.[42] In general, the two requirements for preemption are: 1) the general scope requirement, and 2) the subject matter requirement.[43] If a state law claim meets both of these requirements, federal copyright law will preempt it.[44]

9. The court found the broadcasts met the general scope requirement of preemption.[45] The claim that the broadcasts of NBA games had been misappropriated involved rights equivalent to the rights given by the Copyright Act.[46] The claim did not involve the "extra element" necessary to make the state law claim different from a copyright infringement claim.[47] The game broadcasts also fell within the subject matter of copyright. The broadcasts of the games are a "motion picture or other audiovisual work."[48] Therefore, the district court held that federal copyright law preempted the misappropriation claim with respect to the broadcasts of NBA games.[49]

10. On the other hand, the underlying games did not meet both requirements.[50] The claim that the NBA games had been misappropriated did involve rights equivalent to the rights given by the Copyright Act.[51] Just as with the broadcasts, there was no "extra element" to differentiate the claim from copyright.[52] The games, however, did not satisfy the subject matter requirement because they were not "original works of authorship."[53] The district court held, therefore, that federal copyright law did not preempt the claim that the NBA games had been

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42 *See* 939 F. Supp. at 1094.

43 *See id.* at 1094-95 (citing 17 U.S.C. § 301 (1994)).

44 *See id.* at 1095.

45 *See id.* at 1097.

46 *See id.* at 1096-97.

47 *See id.* at 1097, 1095 (citing Computer Assocs. Int'l, Inc. v. Altai, Inc., 982 F.2d 693, 716 (2d Cir. 1992)).

48 *See id.* at 1097 (citing 17 U.S.C. § 102 (1994)).

49 *See id.*

50 *See id.*

51 *See id.* at 1096-97.

52 *See id.* at 1097 (citing Computer Assocs. Int'l, Inc. v. Altai, Inc., 982 F.2d 693, 716 (2d Cir. 1992)).

53 *See id.*

misappropriated.[54] The preemption analysis by the district court resulted in what it termed a "partial preemption" of the misappropriation claim.[55]

11. The Second Circuit, however, rejected the district court's partial preemption approach.[56] The court found that partial preemption was inconsistent with section 301 of the Copyright Act.[57] Both the games and broadcasts should meet the subject matter requirement under the preemption analysis.[58] The court stated that the facts of the game, although unprotectable elements, could fall within the subject matter of copyright protection.[59] This is because preemption analysis of a misappropriation claim based on copying should not distinguish between the unprotectable game itself and the protectable broadcast of the game.[60] Such "partial preemption" would "expand significantly the reach of state law claims and render the preemption intended by Congress unworkable."[61]

12. The Second Circuit held instead that only a "hot news" misappropriation claim survived preemption.[62] The "hot news" misappropriation claim was created in the Supreme Court case, *International News Service v. Associated Press*.[63] Like the pagers in *NBA v. Motorola, Inc.*, this case also involved a new technology, the telegraph, which INS used to transmit AP news stories from coast to coast.[64] Traditional copyright and unfair competition law did not protect AP.[65] Therefore,

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54 *See id.* at 1097.

55 *See id.* at 1098 n.24.

56 *See* 105 F.3d at 848.

57 *See id.*

58 *See id.* at 848-49.

59 *See id.* at 849.

60 *See id.*

61 *Id.* at 849.

62 *See id.* at 852.

63 248 U.S. 215 (1918). In this case, the International News Service ("INS") took news from Associated Press ("AP") newspapers and bulletin boards on the East Coast and sent it by telephone and telegraph to INS newspapers on the West Coast. *See id.* at 238. The time zone change allowed the INS West Coast papers to publish the copied news at about the same time as the AP East Coast papers. *See id.* at 238-39.

64 *See id.*

65 *See id.* at 234.

the Court created a misappropriation tort to prevent actions such as those of INS.[66] In *NBA v. Motorola, Inc.*, the Second Circuit assessed what remained of *INS v. AP* after the changes in the law since 1918.

13. The Second Circuit found that only a limited "hot news" element survives from *INS v. AP*. The elements of a "hot news" misappropriation claim required by the Second Circuit were 1) the plaintiff generates or collects information at some cost or expense, 2) the value of the information is highly time-sensitive, 3) the defendant's use of the information constitutes free-riding on the plaintiff's costly efforts to generate or collect it, 4) the defendant's use of the information is in direct competition with a product or service offered by the plaintiff, [and] 5) the ability of other parties to free-ride on the efforts of the plaintiff would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.[67] The court observed that courts generally agree that some form of a misappropriation claim survives preemption.[68] A "hot news" misappropriation tort involves extra elements and, therefore, does not meet the general scope requirement of preemption.[69]

14. After applying the "hot news" misappropriation test, the Second Circuit concluded that Motorola and Stats did not engage in misappropriation.[70] The NBA did prove two of the elements of their claim: (1) the game statistics are time-sensitive information, and (2) Gamestats will eventually be in direct competition with SportsTrax and the AOL site.[71] The NBA, however, was unable to show that there was free-riding by Motorola and Stats because Stats did not use the information collected and disseminated by Gamestats.[72] Stats independently collected and transmitted the information using its own resources.[73] The defendants were also not in direct competition with the NBA's main information

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66 *See id.* at 231-32.

67 *See* National Basketball Ass'n v. Motorola, Inc., 105 F.3d. 841, 852 (2d Cir. 1997).

68 *See id.* at 850.

69 *See id.* at 853. The extra elements are: 1) time-sensitive information, 2) free-riding, and 3) a threat to the existence of product or service of plaintiff. *See id.*

70 *See id.* at 853.

71 *See id.*

72 *See id.*

73 *See id.*

products--the generation of game information and the broadcasting of NBA games.[74]

15. The "partial preemption" doctrine used by the district court would allow a plaintiff to claim both copyright infringement in a broadcast and misappropriation of the rights in the underlying event.[75] The Second Circuit rejected the doctrine of "partial preemption" because it would allow a state law to give rights in information that Congress intended to be in the public domain.[76] Therefore, when analyzing the preemption of a misappropriation claim based on the copying of a broadcast, the subject matter requirement applies to both the broadcast and the underlying event.[77] According to the Second Circuit, section 301 of the Copyright Act preempts misappropriation claims relating to both copyrighted and uncopyrighted works.[78] A narrow *INS v. AP* "hot news" misappropriation tort does survive preemption.[79] This tort may only be used to protect time-sensitive information if there is taking or copying, free-riding, and a threat to the existence of the product.[80] To be liable under the "hot news" misappropriation tort, Motorola would have to collect and retransmit the game information from a Gamestats-supported pager.[81]

16. The *NBA* decision will affect the market for new information technologies.[82] It may be easier for companies providing real-time information to compete[83] because new technologies can collect and use information provided they do not free-ride on the existing information services.[84]

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74 *See id.* at 853.

75 *See id.* at 848.

76 *See id.* at 849.

77 *See id.* at 848-49.

78 *See id.* at 849.

79 *See id.* at 852.

80 *See id.*

81 *See id.* at 854.

82 *See* Deutsh, *supra* note 1, at 1; June M. Besek, *Misappropriation Claim By NBA Held Preempted*, N.Y.L.J., Mar. 10, 1997, at S6.

83 *See* Deutsh, *supra* note 1, at 1.

84 *See id.*