

The background of the cover is a brown-toned illustration of a woman, likely representing Justice, blindfolded and holding a scale of justice. The style is reminiscent of a charcoal or pencil drawing. The woman is shown from the waist up, facing left. Her eyes are covered by a thick bandage. She holds a scale of justice in her left hand, which is raised. The scale has two pans, one of which is visible. The overall color palette is monochromatic, consisting of various shades of brown and tan.

# Property

**Volume One**

CHRISTIAN TURNER



**CALI**<sup>®</sup>  
eLangdell<sup>®</sup> Press

# Property: Volume 1

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# About the Author

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# Preface

Property is an odd subject. Typically a first-year, foundational course, it becomes apparent to beginning students rather quickly that it differs greatly from Contracts, Torts, and Criminal Law. Whereas those courses usually have a consistent rhythm, a mutually reinforcing structure, Property seems to be a grab bag of topics. Worse, the cases one studies are generally tort and contract cases. Are there property cases? What is distinctive about them?

To understand what we're about to embark on, you must first understand what is happening in your other courses. I will give a very brief overview here of my conception of the structure of legal systems. I find that thinking broadly at first helps to show how the study of Property Law is different and also to explain the structure of a typical first-year curriculum. A fuller explanation, intended for non-experts, can be found in a short series of blog posts at

[\[http://hydratext.com/blog/category/laws-not-that-hard\]](http://hydratext.com/blog/category/laws-not-that-hard)(<http://hydratext.com/blog/category/laws-not-that-hard>).

## **An Atlas of Legal Systems**

Contracts, Torts, and Criminal Law are substantive fields of the law. By that, I mean that they are basic categories of causes of action. They differ in the identity of the institution that controls lawmaking and prosecution.

Contract Law is the set of laws that are created by private entities (often, but not always, through bilateral agreement) and enforced by private lawsuits. Tort Law is the set of laws that are created by public entities (usually courts creating common law or legislatures) and enforced by private lawsuits. Criminal Law is the set of laws that are created by public entities and enforced by public lawsuits (or prosecutions).

To summarize:

	Privately Made	Publicly Made
Privately Prosecuted	Contracts	Torts
Publicly Prosecuted	Parens Patriae	Criminal Law

So where is Property Law? Under this view, it does not exist as a substantive category. Indeed, a Property course consists of tort cases, contract cases, criminal cases, and a few cases nominally labeled property cases but which are easily seen to be contract cases with different default rules and procedures. The chart simply makes plain that it could not be otherwise.

Can you see why the set of laws in the Parens Patriae category might be a very small one?

### Analyzing Cases

Let's keep going for just a bit on the similarities among the substantive courses in order to discern a role for Property within a first-year education. While Contract, Tort, and Criminal Law differ in the nature of the institutions that make law and prosecute violations, they are remarkably similar in how their causes of action work. In each of these courses, you will learn an identical pattern for analyzing a lawsuit: Duty, Breach, Causation, Defenses, Damages. These may be taken up in different orders. The steps may even be given different names. But the essence is the same:

1. Did the defendant owe a duty that is the subject of the

lawsuit? Duties are what we might causally think of as "the law," the things we must do or not do. They are created by legislatures, contracts, or courts. In Contracts, you will be concerned with the procedures for enacting duties (offer and acceptance, for example) and interpreting written contracts to determine what duties have been created. In Torts, you will primarily study judge-made duties and the policies behind them. While in Criminal Law, many textbooks focus on the duties contained in the Model Penal Code.

2. Did the defendant breach the duty owed? Duties are often stated in general terms, and the question of breach is whether the a duty was violated under the specific facts of the case -- an exercise that often involves returning to the question of duty and gaining more precision about what is and what is not against the law. If I owe a duty to avoid injuring others by driving a car using the ordinary degree of care a reasonable and prudent person would under the circumstances, whether I violated that duty by shifting my attention to the air conditioning or heating while in heavy traffic is a question of breach.

3. Did the defendant's breach of a duty cause the result specified in the law, typically an injury to the plaintiff or victim? As you'll see in your other classes, this step usually involves two separate questions, one of logic and one of policy. First, was the defendant's breach a logical or but-for cause of the injury, in the sense that no injury would have occurred but for the breach? This is necessary but not sufficient for liability. In each substantive area, we also ask a policy question: was the breach a proximate cause of the injury? This is a question of policy that asks whether the breach was such that we think the defendant ought to be at least partially responsible, typically because the breach was a substantial factor in bringing about the injury.

4. Defenses, like proximate cause, are policy-based reasons to refuse to find all or some liability.

5. Damages, or remedy, actually varies quite a bit among the subjects. Some Contract courses even begin with this step as a way

of illustrating the distinctive purposes of the enforcement of private agreements.

This underlying structure is an important part of why Contracts, Tort, and Criminal Law reinforce one another in the first-year curriculum. These subjects, and thus courses, ask the same questions, only with respect to lawmakers and prosecutors of differing types. Because the same concepts are repeated, learning about one area helps to learn about others.

### **Property**

Property, as a vaguely defined collection of contract, tort, and criminal cases, does not take on the natural structure of a substantive area of the law through the systematic study of duty, breach, causation, defenses, and damages. Instead this textbook and most Property courses survey various topics in law with two goals in mind. First, we will study a number of traditional property topics, those where the issue of "ownership" and what that entails have long been thought to be a central issue. Second, but most importantly, our interdisciplinary study will introduce some of the major analytical techniques in law, from reasoning using precedent to law and economics to distributive justice. As we roam among topics, our goal is always, relentlessly to ask, "Why?" "Why should the law protect this party's interest?" These major techniques that we will pick up along the way will help us provide better and better answers to this question.

### **Substance**

As to our first goal, we will survey some of the major topics in the common law of land ownership as well as some highlights from the law of intellectual property. From trespass and nuisance, to land transfers, to adverse possession, to future interests, easement, covenants, and takings, there is quite a bit of fairly basic law that is not ordinarily covered in torts or contracts. Common to many of the topics we will cover are notions of "ownership" and

"entitlement." We will see that these concepts are not self-defining. Instead, what it means to own something will depend entirely on how we resolve cases in which owners' rights are contested. It will never be good enough to respond to an argument that, say, a landowner should be stopped from making some use of his or her land by asserting that the landowner should win because it's his or her property. Whether property ownership includes a right to make such a use is the very issue being contested.

Even if it were more precise and dispositive, ownership could hardly be a unifying criterion for identifying a body of Property Law. Ownership or entitlement is a critical element in just about every legal dispute. In many cases, though, it doesn't come up. For example, in personal injury cases in torts, we rarely ask whether the plaintiff owned the part of her body that was injured. But the right to the integrity of that body part is indeed the very entitlement the law protects. Just because a thing is so well settled as not to be raised does not mean that it is not essential to the law. Moreover, there are cases in which the kind of ownership of one's body that is asserted is not so obviously of a sort the law should recognize, and so the entitlement question becomes important. (Do you own your body in the sense that you can sell it? In what circumstances?) The point is only that the issue of entitlement or ownership is critical to just about every contract, tort, and criminal case, even if it is often not disputed. This textbook and course focus on areas of the law in which what it is that the law protects, what the entitlement is and who has it, is at issue.

## **The Toolbox**

The substantive topics we will study are all interesting in their own ways, but we are not studying them to become practice experts. The primary purpose of law school training, in my view, is not to learn the law itself but to learn how to learn it. That is, you

need to become familiar with the techniques of legal reasoning, the structure of the legal system, and the major analytical tools of the law. With these in hand, it becomes possible to read judicial opinions and statutes quickly and to synthesize new arguments. In practice, you will work on cases raising issues you have not studied, and, even if you have, you will do new research to understand the specific state of the law as it applies to your case. Doing law is a process, not a recalling of memorized facts.

With this in mind, our second and most important purpose is to build a toolbox of big ideas that appear over and over again, across the substantive categories. During this semester, we will focus on several, including:

- \* Reasoning from bare precedent, using decided cases like puzzle pieces that must be fit together;
- \* Instrumentalism, the idea that legal rules should be crafted to attain some public purpose;
  
- \* Law and economics, a huge and pervasive topic that we initially explore using nuisance law;
- \* The substantive and institutional differences between rules and standards, which the cases involving possession nicely raise;
- \* The distinction between natural law and positivist approaches;
- \* Labor, possession, and communication theories of ownership;
- \* The use of exclusion (property rights) or governance regimes to solve coordination problems of users of common resources, which we explore in the traditional context of oil and other common pool resources but also in how to design a system of property rights in ideas and expression -- so-called intellectual property;
  
- \* The legal process school's understanding that which institution, say courts or legislatures, decides a question can be more important than any arguments concerning the right answer.

There are more, and which ones your instructor focuses on and the order in which he or she does so may vary. This book is only a source from which this very important instruction in using the tools of the law can proceed.

This sort of study takes patience on your part. Lacking the reassuring order of duty, breach, causation, damages, and defenses, this course will ask you, yes, to learn what the law is in a number of areas, but more importantly to deepen your understanding of law's reasons beyond the intuitions you may now have. You will be learning new ways to argue, new ways to read arguments. In Property Law, scanning across the whole field of law, we have the opportunity to learn not only law's "what" but law's "why."

# 1. Introduction

## 1.1. Finders vs. Landowners

**Armory v. Delamirie,  
1 Strange 505; 93 E.R. 664 (Court of King's Bench  
1722)**

PRATT, C.J.

The plaintiff being a chimney sweeper's boy found a jewel and carried it to the defendant's shop (who was a goldsmith) to know what it was, and delivered it into the hands of the apprentice, who under pretence of weighing it, took out the stones, and calling to the master to let him know it came to three halfpence, the master offered the boy the money, who refused to take it, and insisted to have the thing again; whereupon the apprentice delivered him back the socket without the stones. And now in trover against the master these points were ruled:

That the finder of a jewel, though he does not by such finding acquire an absolute property or ownership, yet he has such a property as will enable him to keep it against all but the rightful owner, and subsequently may maintain trover.

That the action well lay against the master, who gives a credit to his apprentice, and is answerable for his neglect.

As to the value of the jewel several of the trade were examined to prove what a jewel of the finest water that would fit the socket would be worth; and the Chief Justice directed the jury, that unless the defendant did produce the jewel, and shew it not to be of the finest water, they should presume the strongest case against him, and make the value of the best jewels the measure of their damages: which they accordingly did.



**Bridges v. Hawkesworth, 21 L.J. (Q.B.) 75  
(1851)(footnotes omitted and paragraph breaks added)**

This was an appeal brought by the plaintiff from the Westminster County Court.

The plaintiff was a traveller for a large firm with which the defendant, who was a shopkeeper, had dealings. On one occasion (October 1847) the plaintiff who had called at the defendant's on business, on leaving the defendant's shop noticed and picked up a small parcel which was lying on the shop floor. He immediately shewed it to the shopman, and on opening it found it contained bank notes to the value of 55 pounds. The plaintiff told the defendant who came in that he had found a parcel of notes, and requested the defendant to keep them to deliver to the owner. The defendant advertised the finding of them in the newspapers, stating that they should be restored to the owner on his properly describing them and paying the expenses. Three years having elapsed and no owner appearing to claim them, the plaintiff applied to the defendant for them, offering to pay the expense of the advertisements, and to indemnify the defendant against any claim in respect of them. The defendant refused to deliver them up, and the plaintiff consequently brought a plaint in the County Court of Westminster to recover the notes. The Judge decided that the defendant was entitled to keep them as against the plaintiff, and gave judgment for the defendant. It was found in the case that the plaintiff when he handed the notes over to the defendant to deliver to the true owner, did not intend to give up any title to them that he might possess.

Judgment was now delivered by PATTESON, J.

The notes which are the subject of this action were evidently dropped by mere accident in the shop of the defendant by the owner of them. The facts do not warrant the supposition that they had been deposited there

intentionally, nor has the case been at all put upon that ground. The plaintiff found them on the floor, they being manifestly lost by some one. The general right of the finder to any article which has been lost as against all the world except the true owner, was established in the case of *Armory v. Delamirie*, which has never been disputed. This right would clearly have accrued to the plaintiff had the notes been picked up by him outside the shop of the defendant; and if he once had the right, the case finds that he did not intend by delivering the notes to the defendant to waive the title (if any) which he had to them, but they were handed to the defendant merely for the purpose of delivering them to the owner should he appear. Nothing that was done afterwards has altered this state of things; the advertisements indeed in the newspapers referring to the defendant had the same object: the plaintiff has tendered the expense of those advertisements to the defendant, and offered him an indemnity against any claim to be made by the real owner, and has demanded the notes.

The case, therefore, resolves itself into the single point, on which it appears that the learned Judge decided it: namely, whether the circumstance of the notes being found inside the defendant's shop, gives him, the defendant, the right to have them as against the plaintiff who found them. There is no authority to be found in our law directly in point. Perhaps the nearest case is that of *Merry v. Green*, but it differs in many respects from the present. We were referred in the course of the argument to the learned work of Von Savigny, edited by Chief Justice Perry, but even this work, full as it is of subtle distinctions and nice reasonings, does not afford a solution of the present question.

It was well asked on the argument, if the defendant has the right, when did it accrue to him? If at all, it must have been antecedent to the finding by the plaintiff, for that finding could not give the defendant any right. If the notes had been accidentally kicked into the street, and then found by

some one passing by, could it be contended that the defendant was entitled to them, from the mere fact of their having been originally dropped in his shop? If the discovery had not been communicated to the defendant, could the real owner have had any cause of action against him, because they were found in his house? Certainly not. The notes never were in the custody of the defendant, nor within the protection of his house before they were found, as they would have been had they been intentionally deposited there, and the defendant has come under no responsibility, except from the communication made to him by the plaintiff, the finder, and the steps taken by way of advertisement. These steps were really taken by the defendant as the agent of the plaintiff, and he has been offered an indemnity, the sufficiency of which is not disputed.

We find therefore, no circumstances in this case to take it out of the general rule of law, that the finder of a lost article is entitled to it as against all parties except the real owner and we think that rule must prevail, and that the learned Judge was mistaken in holding that the place in which they were found makes any legal difference. Our judgment therefore is, that the plaintiff is entitled to these notes as against the defendant, and that the judgment of the Court below must be reversed, and judgment given for the plaintiff for 50 pounds. The plaintiff to have the costs of the appeal.

*Judgment reversed.*

**McAvoy v. Medina, 11 Allen 548 (1866)**

A stranger in a shop who first sees a pocket-book which has been accidentally left by another upon a table there is not authorized to take and hold possession of it, as against the shop-keeper.

TORT to recover a sum of money found by the plaintiff in the shop of the defendant.

At the trial in the superior court, before Morton, J., it appeared that the defendant was a barber, and the plaintiff, being a customer in the defendant's shop, saw and took up a pocket-book which was lying upon a table there, and said, "See what I have found." The defendant came to the table and asked where he found it. The plaintiff laid it back in the same place and said, "I found it right there." The defendant then took it and counted the money, and the plaintiff told him to keep it, and if the owner should come to give it to him; and otherwise to advertise it; which the defendant promised to do. Subsequently the plaintiff made three demands for the money, and the defendant never claimed to hold the same till the last demand. It was agreed that the pocket-book was placed upon the table by a transient customer of the defendant and accidentally left there, and was first seen and taken up by the plaintiff, and that the owner had not been found.

The judge ruled that the plaintiff could not maintain his action, and a verdict was accordingly returned for the defendant; and the plaintiff alleged exceptions.

DEWEY, J.

It seems to be the settled law that the finder of lost property has a valid claim to the same against all the world except the true owner, and generally that the place in which it is found creates no exception to this rule. 2 *Parsons on Con.* 97. *Bridges v. Hawkesworth*, 7 Eng. Law & Eq. R. 424.

But this property is not, under the circumstances, to be treated as lost property in that sense in which a finder has a valid claim to hold the same until called for by the true owner. This property was voluntarily placed upon a table in the defendant's shop by a customer of his who accidentally left the same there and has never called for it. The plaintiff also came there as a customer, and first saw the same and took it up from the table. The plaintiff did not by this acquire the right to take the property from the shop, but it

was rather the duty of the defendant, when the fact became thus known to him, to use reasonable care for the safe keeping of the same until the owner should call for it. In the case of *Bridges v. Hawkesworth* the property, although found in a shop, was found on the floor of the same, and had not been placed there voluntarily by the owner, and the court held that the finder was entitled to the possession of the same, except as to the owner. But the present case more resembles that of *Lawrence v. The State*, 1 Humph. (Tenn.) 228, and is indeed very similar in its facts. The court there take a distinction between the case of property thus placed by the owner and neglected to be removed, and property lost. It was there held that “to place a pocket-book upon a table and to forget to take it away is not to lose it, in the sense in which the authorities referred to speak of lost property.”

We accept this as the better rule, and especially as one better adapted to secure the rights of the true owner.

In view of the facts of this case, the plaintiff acquired no original right to the property, and the defendant’s subsequent acts in receiving and holding the property in the manner he did does not create any.

*Exceptions overruled.*

**Hamaker v. Blanchard, 90 Pa. 377 (1879)**

Before SHARSWOOD, C. J., MERCUR, GORDON, PAXSON, WOODWARD, TRUNKEY and STERRETT, JJ.

Error to the Court of Common Pleas of Mifflin county: Of May Term 1879, No. 57.

Assumpsit by James Blanchard and Sophia, his wife, for the use of the wife, against W. W. Hamaker.

This was an appeal from the judgment of a justice of the peace. The material facts were these: Sophia Blanchard was a domestic servant in a hotel in Lewistown, of which the

defendant was the proprietor. While thus employed, she found in the public parlor of the hotel, three twenty-dollar bills. On finding the money, she went with it to Mr. Hamaker, and informed him of the fact, and upon his remarking that he thought it belonged to a whip agent, a transient guest of the hotel, she gave it to him, for the purpose of returning it to said agent. It was afterwards ascertained that the money did not belong to the agent, and no claim was made for it by anyone. Sophia afterwards demanded the money of defendant, who refused to deliver it to her. Defendant admitted that he still had the custody of the money.

In the general charge the court (Bucher, P. J.,) inter alia, said:

If you find that this was lost money, Hamaker did not lose it, and that it never belonged to him, but that it belonged to some one else who has not appeared to claim it, then you ought to find for the plaintiff, on the principle that the finder of a lost chattel is entitled to the possession and use of it as against all the world except the true owner. \* \* \* The counsel for the defendant asks us to say that as the defendant was the proprietor of a hotel and the money was found therein, the presumption of law is that it belonged to a guest, who had lost it, and that the defendant has a right to retain it as against this woman, the finder, to await the demand of the true owner. I decline to give you such instructions; but charge you that under the circumstances there is no presumption of law that this money was lost by a guest at the hotel, and that the defendant is entitled to keep it

as against this woman for the true owner.

The verdict was for the plaintiffs for \$60, with interest, and after judgment thereon, defendant took this writ and assigned for error the foregoing portions of the charge.

H. J. Culbertson, for plaintiff in error. It is only in the absence of all protection or responsibility in reference to a lost chattel, that the place in which a lost article is found does not constitute any exception to the general rule of law, that the finder is entitled to it as against all persons except the true owner: *Bridges v. Hawkesworth*, 7 Eng. Law and Eq. Rep. 430; *McAvoy v. Medina*, 11 Allen (Mass.) 549. An innkeeper is liable for the goods of his guest, including money, and if they are brought within the inn a responsibility is created: *Houser v. Tully*, 12 P. F. Smith 92; *Packard v. Northcraft's Administrators*, 2 Metc. (Ky.) 439; *Berkshire Woollen Co. v. Proctor*, 7 Cush. 417; *Edwards on Bailments*, 2d ed., sect. 459; *Story on Bailments*, sect. 471; *Jones on Bailments* 95; *Addison on Torts*, Wood's ed., vol. 1, pp. 755 and 752. He is bound to keep honest servants, and is responsible for the honesty of his servants and his guests: *Houser v. Tully*, supra; *Gile v. Libby & Whitney*, 36 Barb. (N. Y.) 70; *Story on Bailments*, supra. To allow servants to retain money found in an inn would encourage them to be dishonest. The better rule is to require them to deliver property so found to their employer, to be held for the true owner: *Mathews v. Harsell*, 1 E. D. Smith's Rep. (N. Y.) 394. An innkeeper is held to a rigid responsibility in the care of his guests' property, and it is a safe presumption of law that money found in an inn belonged to a guest, and that the innkeeper has a right to the custody of it as against his servant, the finder, to await the true owner, and if the latter does not make claim thereto, then he should have the money who bears the responsibility.

J. A. McKee, for defendants in error. There is no evidence that the money belonged to a guest of the hotel.

An innkeeper is under no obligation to one who casually steps into his house to transact business, using his parlor as a matter of convenience, and the innkeeper under such circumstances would not be liable for the loss of any property or money left there without his knowledge or consent: *Story on Bailments*, sec. 477; 2 *Kent's Com.* 595.

There is no presumption of law that the money was lost by a guest. If this money was found in such a situation as to clearly indicate that it was lost, and not voluntarily placed where it was found, by the owner, by mistake or forgetfulness, then the finder is entitled to it: *McAvoy v. Medina*, *supra*.

MR. JUSTICE TRUNKEY delivered the opinion of the court, June 9th 1879.

It seems to be settled law that the finder of lost property has a valid claim to the same against all the world, except the true owner, and generally that the place in which it is found creates no exception to this rule. But property is not lost, in the sense of the rule, if it was intentionally laid on a table, counter or other place, by the owner, who forgot to take it away, and in such case the proprietor of the premises is entitled to retain the custody. Whenever the surroundings evidence that the article was deposited in its place, the finder has no right of possession against the owner of the building: *McAvoy v. Medina*, 11 Allen (Mass.) 548. An article casually dropped is within the rule. Where one went into a shop, and as he was leaving picked up a parcel of bank notes, which was lying on the floor, and immediately showed them to the shopman, it was held that the facts did not warrant the supposition that the notes had been deposited there intentionally, they being manifestly lost by some one, and there was no circumstance in the case to take it out of the general rule of law, that the finder of a



lost article is entitled to it as against all persons, except the real owner: *Bridges v. Hawkesworth*, 7 Eng. Law & Eq. R. 424.

The decision in *Mathews v. Harsell*, 1 E. D. Smith (N. Y.) 393, is not in conflict with the principle, nor is it an exception. Mrs. Mathews, a domestic in the house of Mrs. Barmore, found some Texas notes, which she handed to her mistress, to keep for her. Mrs. Barmore afterwards intrusted the notes to Harsell, for the purpose of ascertaining their value, informing him that she was acting for her servant, for whom she held the notes. Harsell sold them, and appropriated the proceeds; whereupon Mrs. Mathews sued him and recovered their value, with interest from date of sale. Such is that case. True, Woodruff, J., says:

I am by no means prepared to hold that a house-servant who finds lost jewels, money or chattels, in the house of his or her employer, acquires any title even to retain possession against the will of the employer. It will tend much more to promote honesty and justice to require servants in such cases to deliver the property so found to the employer, for the benefit of the true owner.

To that remark, foreign to the case as understood by himself, he added the antidote:

And yet the Court of Queen's Bench in England have recently decided that the place in which a lost article is found, does not form the ground of any exception to the general rule of law, that the finder is entitled to it against all persons, except the owner.

His views of what will promote honesty and justice are entitled to respect, yet many may think Mrs. Barmore's method of treating servants far superior.

The assignments of error are to so much of the charge as instructed the jury that, if they found the money in question was lost, the defendant had no right to retain it because found in his hotel, the circumstances raising no presumption that it was lost by a guest, and their verdict ought to be for the plaintiff. That the money was not voluntarily placed where it was found, but accidentally lost, is settled by the verdict. It is admitted that it was found in the parlor, a public place open to all. There is nothing to indicate whether it was lost by a guest, or a boarder, or one who had called with or without business. The pretence that it was the property of a guest, to whom the defendant would be liable, is not founded on an act or circumstance in evidence.

Many authorities were cited, in argument, touching the rights, duties and responsibilities of an innkeeper in relation to his guests; these are so well settled as to be uncontroverted. In respect to other persons than guests, an innkeeper is as another man. When money is found in his house, on the floor of a room common to all classes of persons, no presumption of ownership arises; the case is like the finding upon the floor of a shop. The research of counsel failed to discover authority that an innkeeper shall have an article which another finds in a public room of his house, where there is no circumstance pointing to its loss by a guest. In such case the general rule should prevail. If the finder be an honest woman, who immediately informs her employer, and gives him the article on his false pretence that he knows the owner and will restore it, she is entitled to have it back and hold it till the owner comes. A rule of law ought to apply to all alike. Persons employed in inns will be encouraged to fidelity by protecting them in equality

of rights with others. The learned judge was right in his instructions to the jury.

Judgment affirmed.

MERCUR, J., dissents.

### **Lawrence Solum, *Legal Theory Lexicon: Fit and Justification***

#### Introduction

In 1975, Ronald Dworkin wrote *Hard Cases* (88 Harvard Law Review 1057 (1975) *reprinted in* Ronald Dworkin, *Taking Rights Seriously* ch 4 (Harvard University Press, 1977)). This is one of the most famous and influential articles in contemporary legal theory, and I would put it very high on my recommended legal-theory reading list. Lots of Dworkin's ideas are very controversial, but one of his claims has become part of the way that most legal academics think about the law in general and the enterprise of judging in particular. I am referring to Dworkin's distinction between "fit" and justification" and his claim that when judges decide hard cases, they choose the interpretation of the law that best *fits* and *justifies* the existing legal landscape—the constitution, statutes, regulations, and common law.

As always, the *Legal Theory Lexicon* is aimed at law students (especially first year law students) with an interest in legal theory. I know you are all very busy at this time of year, so I will do my best to be concise.

#### The Basic Idea

Suppose a judge is deciding a hard case. It could be a common law case or a constitutional case or a statutory case. How do judges approach this task when they are confronted with a case in which the law is up for grabs? That is, how do judges decide cases where there is an unsettled question of law? Dworkin's basic idea is that the process of deciding a hard case has two dimensions—fit and justification. First, the judge might ask herself, "Of all the possible interpretations of the law that I could adopt as the basis for my decision, which one is consistent with the theory that best *fits* the existing legal landscape. Of all the rules I could adopt in this case,

which ones are consistent with the relevant constitutional and statutory provisions and with the precedent.” When the judge had identified the alternatives that meet the criterion of fit, it is possible that there will be more than one possibility that *fits*. If so, then the judge can go on to ask the question, “Of the interpretations of the existing law that fit the constitution, statutes, and case law, which is the best interpretation? Which of the possible legal rules that I could adopt is most consistent with the normative theory that provides the best *justification* for the law as a whole.

#### Fit

What does it mean to say that a given rule fits the legal landscape? Suppose you are a judge deciding whether your jurisdiction will adopt the rule of contributory negligence or will choose instead to follow the comparative negligence approach. It is possible that only one of these two rules *fits* the existing law in your jurisdiction. For example, if the legislature has mandated the contributory negligence rule by statute, then as a judge (even a Supreme Court judge), you would be obliged to follow the statute and decide the case before you on the basis of contributory negligence. On the other hand, suppose you are in a newly created jurisdiction. No statute or binding precedent requires either comparative or contributory negligence. Both rules *fit* the existing legal landscape. In that case, Dworkin argues, you would need to decide a question of *justification*.

#### Justification

What does it mean to say that a judge might prefer one rule over another on the basis of the criterion of justification? Let’s continue with our example of the choice between contributory and comparative negligence. Since there is no statute or precedent that compels (or strongly guides) the choice, the judge must turn to some other basis in order to make her decision. She will need to *get normative*, i.e., to consider the normative justifications for tort law. Simplifying greatly, let’s suppose our judge decides that the tort of negligence is best understood as a system of compensation and “risk spreading.” She might then reason that the comparative

negligence rule does a better job of serving this purpose than does a contributory negligence rule. Contributory negligence allows losses to go uncompensated when the plaintiff (victim) caused any of her own loss; comparative negligence does a better job of spreading the risk of accidents. [I know that this is a very crude argument, and I'm sure all of you can do better.]

In other words, the judge asks the question, "What normative theory best justifies the existing law and negligence?" And then proceeds to the question, "Given that justification of tort law, which of the alternative rules that I could apply to the case before me best serves the purposes of tort law?"

#### Two Kinds of Justification: Principle and Policy

In *Hard Cases*, Dworkin identified two different kinds of arguments that can be used to justify the law. He called these two different types arguments of "principle" and "policy." As understood by Dworkin, arguments of *principle* are arguments that appeal to ideas about fairness and rights. If you would like to know more about arguments of principle, a good place to begin is with the *Legal Theory Lexicon* entry on Deontology.

Arguments of policy, on the other hand, appeal to consequences. For example, if you argued that a comparative negligence rule is better than a contributory negligence rule because it provides optimal incentives for taking precautions against accidents, you would have made an argument of policy in Dworkin's sense.

If you are interested in the theoretical basis for arguments of policy, you could take a look at the *Legal Theory Lexicon* entry on Utilitarianism.

Dworkin himself argued that judges should consider arguments of principle and should not decide cases on the basis of arguments of policy. That feature of his theory is hugely controversial—as you could guess if, like most law students, you've heard endless discussion of policy in the classroom. But Dworkin could be right about "fit and justification," even if he is wrong that the dimension of justification is limited to principle and excludes policy.

## Conclusion

It is very difficult to generalize about law school exams; they vary enormously. But many standard issue spotting essay questions have built into them a “hard case,” an aspect of the fact pattern that is intended to trigger your discussion of the question, “What should the rule be?” with respect to some controversial legal issue. If you try to answer the question, “What should the rule be?” by telling your instructor, “Here is the majority rule,” or “Here are two alternative rules; I don’t know which one is *the law*,” you will have missed the point of the question!

And that’s where Dworkin comes in. You can use “fit and justification” as the basis for organizing your answer to a “What should the law be?” question. Begin with fit. Which possible rules are consistent with the settled law? Then move to justification. Of the rules that fit, which is the best rule? Now list the arguments of principle and policy for and against each of the plausible candidates. Be sure to come to a conclusion. That is, end with something like, “Adopting a rule of comparative negligence is required by the theory that best fits and justifies the existing law of torts.”

### **Hannah v. Peel, 1945 K.B. 509 (King’s Bench Div.)**

ACTION tried by Birkett J.

On December 13, 1938, the freehold of Gwernhaylod House, Overton-on-Dee, Shropshire, was conveyed to the defendant, Major Hugh Edward Ethelston Peel, who from that time to the end of 1940 never himself occupied the house and it remained unoccupied until October 5, 1939, when it was requisitioned, but after some months was released from requisition. Thereafter it remained unoccupied until July 18, 1940, when it was again requisitioned, the defendant being compensated by a payment at the rate of 250£ a year. In August, 1940, the plaintiff, Duncan Hannah, a lance-corporal, serving in a battery of the Royal Artillery, was stationed at the house and on the 21st of that month, when in a bedroom, used as

a sick-bay, he was adjusting the black-out curtains when his hand touched something on the top of a window-frame, loose in a crevice, which he thought was a piece of dirt or plaster. The plaintiff grasped it and dropped it on the outside window ledge. On the following morning he saw that it was a brooch covered with cobwebs and dirt. Later, he took it with him when he went home on leave and his wife having told him it might be of value, at the end of October, 1940, he informed his commanding officer of his find and, on his advice, handed it over to the police, receiving a receipt for it. In August, 1942, the owner not having been found the police handed the brooch to the defendant, who sold it in October, 1942, for 66£, to Messrs. Spink & Son, Ltd., of London, who resold it in the following month for 88£. There was no evidence that the defendant had any knowledge of the existence of the brooch before it was found by the plaintiff. The defendant had offered the plaintiff a reward for the brooch, but the plaintiff refused to accept this and maintained throughout his right to the possession of the brooch as against all persons other than the owner, who was unknown. By a letter, dated October 5, 1942, the plaintiff's solicitors demanded the return of the brooch from the defendant, but it was not returned and on October 21, 1943, the plaintiff issued his writ claiming the return of the brooch, or its value, and damages for its detention. By his defence, the defendant claimed the brooch on the ground that he was the owner of Gwernhaylod House and in possession thereof.

Scott Cairns for plaintiff. The plaintiff, as the finder of this brooch, is entitled to its possession as against all persons other than the owner, who is unknown: *Armory v. Delamirie*.<sup>1</sup> The case of *Bridges v. Hawkesworth*<sup>2</sup> is

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<sup>1</sup> (1722) 1 Str. 505.

<sup>2</sup> (1851) 21 L. J. (Q. B.) 75; 15 Jur. 1079.

precisely in point, for in that case the finder of a parcel of bank-notes found it on the floor of a shop. The defendant here had no knowledge of the existence of the brooch, as the shopkeeper in *Bridges v. Hawkesworth*<sup>3</sup> had no knowledge of the existence of the parcel of banknotes. As Professor A. L. Goodhart pointed out in his “Three Cases on Possession,” in “Essays in Jurisprudence and the Common Law” (1931), at pp. 76-90, Mr. Justice O. W. Holmes, Sir Frederick Pollock and Sir John Salmond all consider the decision in *Bridges v. Hawkesworth*<sup>4</sup> to be correct; Mr. Justice Holmes on the ground that “the shopkeeper, not knowing of the thing, could not have the intent to appropriate it, and, having invited the public to his shop he could not have the intent to exclude them from it”;<sup>5</sup> Sir Frederick Pollock on the lack of de facto control by the shopkeeper;<sup>6</sup> and Sir John Salmond on the absence of the animus possidendi.<sup>7</sup> Lord Russell of Killowen C.J., in *South Staffordshire Water Co. v. Sharman*<sup>8</sup> said that the ground of the decision in *Bridges v. Hawkesworth*<sup>9</sup> as was pointed out by Patteson J. was that the notes, being dropped in the public part of the shop, were never in the custody of the shopkeeper, or “within the protection of his house.” But that was not so, since Patteson J. said in the earlier case that the county court judge, whose decision was appealed, was mistaken in holding that the place in which the parcel of notes was found made any difference.<sup>10</sup> In

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<sup>3</sup> (1851) 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>4</sup> (1851) 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>5</sup> *The Common Law* (1881) at p. 222.

<sup>6</sup> Pollock and Wright on Possession in the Common Law, at p. 37 and seq.

<sup>7</sup> *Jurisprudence* (9th ed.) 381-2.

<sup>8</sup> 2 Q. B. 44, 47.

<sup>9</sup> (1851) 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>10</sup> 21 L. J. (Q. B.) 78.



South Staffordshire Water Co. v. Sharman<sup>11</sup> the defendant while cleaning out, under the plaintiffs' orders, a pool of water on their land, found two rings in the mud at the bottom of the pool. It was held that the plaintiffs were entitled to the possession of the rings. It is a sufficient explanation of that case that Sharman, as the servant or agent of the water company, though he was the first to obtain the custody of the rings, obtained possession of them for his employers, the water company, and could claim no title to them for himself. It may be that a man owns everything which is attached to or under his land: see *Elwes v. Brigg Gas Co.*<sup>12</sup> But a man does not of necessity own or possess a chattel which is lying unattached on the surface of his land. The defendant did not know of the existence of this brooch and had never exercised any kind of control over it. The plaintiff, therefore, as its finder, is entitled to its possession.

Binney for defendant. The defendant was entitled to the possession of the brooch because, when it was found, it was on his land. Lord Russell of Killowen C.J. said in *South Staffordshire Water Co. v. Sharman*:<sup>13</sup> "The general principle seems to me to be that where a person has possession of house or land, with a manifest intention to exercise control over it and the things which may be upon it or in it, then, if something is found on that land, whether by an employee of the owner or by a stranger, the presumption is that the possession of that thing is in the owner of the locus in quo." If that statement of law is correct, the defendant here should succeed. The owner of this land does not lose his right to the chattels found on or

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<sup>11</sup> 2 Q. B. 44, 47.

<sup>12</sup> (1886) 33 Ch. D. 562.

<sup>13</sup> 2 Q. B. 44, 47.

in it by letting the land: *Elwes v. Brigg Gas Co.*<sup>14</sup> The brooch here was found in a crevice of masonry and the facts are similar to those in *South Staffordshire Water Co. v. Sharman*.<sup>15</sup> In neither case did the owner of the land know of the existence of the thing found. *Bridges v. Hawkesworth*<sup>16</sup> can be distinguished on the ground that the parcel of notes was found in a part of the shop to which the public had access - in effect they were found in a public place. If *Bridges v. Hawkesworth*<sup>17</sup> is not distinguishable, it has been overruled by *South Staffordshire Water Co. v. Sharman*<sup>18</sup> and *Elwes v. Briggs Gas Co.*<sup>19</sup>

Cur. adv. vult.

June 13.

BIRKETT J.

There is no issue of fact in this case between the parties. As to the issue in law, the rival claims of the parties can be stated in this way: The plaintiff says: "I claim the brooch as its finder and I have a good title against all the world, save only the true owner." The defendant says: "My claim is superior to yours inasmuch as I am the freeholder. The brooch was found on my property, although I was never in occupation, and my title, therefore, ousts yours and in the absence of the true owner I am entitled to the brooch or its value." Unhappily the law on this issue is in a very uncertain state and there is need of an authoritative decision of a higher court. Obviously if it could be said with certainty that this is the law, that the finder of a lost

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<sup>14</sup> (1886) 33 Ch. D. 562.

<sup>15</sup> 2 Q. B. 44, 47.

<sup>16</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>17</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>18</sup> 2 Q. B. 44, 47.

<sup>19</sup> (1886) 33 Ch. D. 562.

article, wherever found, has a good title against all the world save the true owner, then, of course, all my difficulties would be resolved; or again, if it could be said with equal certainty that this is the law, that the possessor of land is entitled as against the finder to all chattels found on the land, again my difficulties would be resolved. But, unfortunately, the authorities give some support to each of these conflicting propositions.

In the famous case of *Armory v. Delamirie*,<sup>20</sup> the plaintiff, who was a chimney sweeper's boy, found a jewel and carried it to the defendant's shop, who was a goldsmith, in order to know what it was, and he delivered it into the hands of the apprentice in the goldsmith's shop, who made a pretence of weighing it and took out the stones and called to the master to let him know that it came to three-halfpence. The master offered the boy the money who refused to take it and insisted on having the jewel again. Whereupon the apprentice handed him back the socket of the jewel without the stones, and an action was brought in trover against the master, and it was ruled "that the finder of a jewel, though he does not by such finding acquire an absolute property or ownership, yet he has such a property as will enable him to keep it against all but the rightful owner, and consequently may maintain trover." The case of *Bridges v. Hawkesworth*<sup>21</sup> is in process of becoming almost equally as famous because of the disputation which has raged around it. The headnote in the *Jurist* is as follows: "The place in which a lost article is found does not constitute any exception to the general rule of law, that the finder is entitled to it as against all persons except the owner." The case was in fact an appeal against a decision of the county court judge at Westminster. The facts appear to have been that in the year 1847 the plaintiff, who was a

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<sup>20</sup> 1 Str. 505.

<sup>21</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

commercial traveller, called on a firm named Byfield & Hawkesworth on business, as he was in the habit of doing, and as he was leaving the shop he picked up a small parcel which was lying on the floor. He immediately showed it to the shopman, and opened it in his presence, when it was found to consist of a quantity of Bank of England notes, to the amount of 65£. The defendant, who was a partner in the firm of Byfield & Hawkesworth, was then called, and the plaintiff told him he had found the notes, and asked the defendant to keep them until the owner appeared to claim them. Then various advertisements were put in the papers asking for the owner, but the true owner was never found. No person having appeared to claim them, and three years having elapsed since they were found, the plaintiff applied to the defendant to have the notes returned to him, and offered to pay the expenses of the advertisements, and to give an indemnity. The defendant refused to deliver them up to the plaintiff, and an action was brought in the county court of Westminster in consequence of that refusal. The county court judge decided that the defendant, the shopkeeper, was entitled to the custody of the notes as against the plaintiff, and gave judgment for the defendant. Thereupon the appeal was brought which came before the court composed of Patteson J. and Wightman J. Patteson J. said: "The notes which are the subject of this action were incidentally dropped, by mere accident, in the shop of the defendant, by the owner of them. The facts do not warrant the supposition that they had been deposited there intentionally, nor has the case been put at all upon that ground. The plaintiff found them on the floor, they being manifestly lost by someone. The general right of the finder to any article which has been lost, as against all the world, except the true owner, was established in the case of *Armory v. Delamirie*<sup>22</sup> which has never been disputed. This

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<sup>22</sup> 1 Str. 505.

right would clearly have accrued to the plaintiff had the notes been picked up by him outside the shop of the defendant and if he once had the right, the case finds that he did not intend, by delivering the notes to the defendant, to waive the title (if any) which he had to them, but they were handed to the defendant merely for the purpose of delivering them to the owner should he appear.” Then a little later: “The case, therefore, resolves itself into the single point on which it appears that the learned judge decided it, namely, whether the circumstance of the notes being found inside the defendant’s shop gives him, the defendant, the right to have them as against the plaintiff, who found them.” After discussing the cases, and the argument, the learned judge said: “If the discovery had never been communicated to the defendant, could the real owner have had any cause of action against him because they were found in his house? Certainly not. The notes never were in the custody of the defendant, nor within the protection of his house, before they were found, as they would have been had they been intentionally deposited there; and the defendant has come under no responsibility, except from the communication made to him by the plaintiff, the finder, and the steps taken by way of advertisement. ... We find, therefore, no circumstances in this case to take it out of the general rule of law, that the finder of a lost article is entitled to it as against all persons except the real owner, and we think that that rule must prevail, and that the learned judge was mistaken in holding that the place in which they were found makes any legal difference. Our judgment, therefore, is that the plaintiff is entitled to these notes as against the defendant.”

It is to be observed that in *Bridges v. Hawkesworth*<sup>23</sup> which has been the subject of immense disputation, neither counsel put forward any argument on the fact that the

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<sup>23</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

notes were found in a shop. Counsel for the appellant assumed throughout that the position was the same as if the parcel had been found in a private house, and the learned judge spoke of “the protection of his” (the shopkeeper’s) “house.” The case for the appellant was that the shopkeeper never knew of the notes. Again, what is curious is that there was no suggestion that the place where the notes were found was in any way material; indeed, the judge in giving the judgment of the court expressly repudiates this and said in terms “The learned judge was mistaken in holding that the place in which they were found makes any legal difference.” It is, therefore, a little remarkable that in *South Staffordshire Water Co. v. Sharman*,<sup>24</sup> Lord Russell of Killowen C.J. said: “The case of *Bridges v. Hawkesworth*<sup>25</sup> stands by itself, and on special grounds; and on those grounds it seems to me that the decision in that case was right. Someone had accidentally dropped a bundle of banknotes in a public shop. The shopkeeper did not know they had been dropped, and did not in any sense exercise control over them. The shop was open to the public, and they were invited to come there.” That might be a matter of some doubt. Customers were invited there, but whether the public at large was, might be open to some question. Lord Russell continued: “A customer picked up the notes and gave them to the shopkeeper in order that he might advertise them. The owner of the notes was not found, and the finder then sought to recover them from the shopkeeper. It was held that he was entitled to do so, the ground of the decision being, as was pointed out by Patteson J., that the notes, being dropped in the public part of the shop, were never in the custody of the shopkeeper, or ‘within the protection of his house’.” Patteson J. never made any reference to the

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<sup>24</sup> 2 Q. B. 47.

<sup>25</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

public part of the shop and, indeed, went out of his way to say that the learned county court judge was wrong in holding that the place where they were found made any legal difference.

*Bridges v. Hawkesworth*<sup>26</sup> has been the subject of considerable comment by text-book writers and, amongst others, by Mr. Justice Oliver Wendell Holmes, Sir Frederick Pollock and Sir John Salmond. All three agree that the case was rightly decided, but they differ as to the grounds on which it was decided and put forward grounds, none of which, so far as I can discover, were ever advanced by the judges who decided the case. Mr. Justice Oliver Wendell Holmes wrote:<sup>27</sup> “Common law judges and civilians would agree that the finder got possession first and so could keep it as against the shopkeeper. For the shopkeeper, not knowing of the thing, could not have the intent to appropriate it, and, having invited the public to his shop, he could not have the intent to exclude them from it.” So he introduces the matter of two intents which are not referred to by the judges who heard the case. Sir Frederick Pollock, whilst he agreed with Mr. Justice Holmes that *Bridges v. Hawkesworth*<sup>28</sup> was properly decided wrote:<sup>29</sup> “In such a case as *Bridges v. Hawkesworth*,<sup>30</sup> where a parcel of banknotes was dropped on the floor in the part of a shop frequented by customers, it is impossible to say that the shopkeeper has any possession in fact. He does not expect objects of that kind to be on the floor of his shop, and some customer is more likely than the shopkeeper or his servant to see and take them up if they do come there.” He

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<sup>26</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>27</sup> *The Common Law* (1881) at p. 222.

<sup>28</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>29</sup> *Possession in the Common Law* (Pollock and Wright) at p. 39.

<sup>30</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

emphasizes the lack of de facto control on the part of the shopkeeper. Sir John Salmond wrote:<sup>31</sup> “In *Bridges v. Hawkesworth*<sup>32</sup> a parcel of banknotes was dropped on the floor of the defendant’s shop, where they were found by the plaintiff, a customer. It was held that the plaintiff had a good title to them as against the defendant. For the plaintiff, and not the defendant, was the first to acquire possession of them. The defendant had not the necessary animus, for he did not know of their existence.” Professor Goodhart, in our own day, in his work “*Essays in Jurisprudence and the Common Law*” (1931) has put forward a further view that perhaps *Bridges v. Hawkesworth*<sup>33</sup> was wrongly decided. It is clear from the decision in *Bridges v. Hawkesworth*<sup>34</sup> that an occupier of land does not in all cases possess an unattached thing on his land even though the true owner has lost possession.

With regard to *South Staffordshire Water Co. v. Sharman*,<sup>35</sup> the first two lines of the headnote are: “The possessor of land is generally entitled, as against the finder, to chattels found on the land.” I am not sure that this is accurate. The facts were that the defendant Sharman, while cleaning out, under the orders of the plaintiffs, the South Staffordshire Water Company, a pool of water on their land, found two rings embedded in the mud at the bottom of the pool. He declined to deliver them to the plaintiffs, but failed to discover the real owner. In an action brought by the company against Sharman in detinue it was held that the company were entitled to the rings. Lord Russell of

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<sup>31</sup> *Jurisprudence* (9th ed.) 382.

<sup>32</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>33</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>34</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>35</sup> 2 Q. B. 44.



Killowen C.J. said:<sup>36</sup> “The plaintiffs are the freeholders of the locus in quo, and as such they have the right to forbid anybody coming on their land or in any way interfering with it. They had the right to say that their pool should be cleaned out in any way that they thought fit, and to direct what should be done with anything found in the pool in the course of such cleaning out. It is no doubt right, as the counsel for the defendant contended, to say that the plaintiffs must show that they had actual control over the locus in quo and the things in it; but under the circumstances, can it be said that the Minster Pool and whatever might be in that pool were not under the control of the plaintiffs? In my opinion they were. ... The principle on which this case must be decided, and the distinction which must be drawn between this case and that of *Bridges v. Hawkesworth*,<sup>37</sup> is to be found in a passage in Pollock and Wright’s ‘*Essay on Possession in the Common Law*,’ p. 41: ‘The possession of land carries with it in general, by our law, possession of everything which is attached to or under that land, and, in the absence of a better title elsewhere, the right to possess it also.’” If that is right, it would clearly cover the case of the rings embedded in the mud of the pool, the words used being “attached to or under that land.” Lord Russell continued: “And it makes no difference that the possessor is not aware of the thing’s existence. ... It is free to anyone who requires a specific intention as part of a de facto possession to treat this as a positive rule of law. But it seems preferable to say that the legal possession rests on a real de facto possession constituted by the occupier’s general power and intent to exclude unauthorized interference.’ That is the ground on which I prefer to base my judgment. There is a broad distinction between this case and those cited from

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<sup>36</sup> *Ibid.* 46.

<sup>37</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

Blackstone. Those were cases in which a thing was cast into a public place or into the sea - into a place, in fact, of which it could not be said that anyone had a real de facto possession, or a general power and intent to exclude unauthorized interference.” Then Lord Russell cited the passage which I read earlier in this judgment and continued: “It is somewhat strange” - I venture to echo those words - “that there is no more direct authority on the question; but the general principle seems to me to be that where a person has possession of house or land, with a manifest intention to exercise control over it and the things which may be upon or in it, then, if something is found on that land, whether by an employee of the owner or by a stranger, the presumption is that the possession of that thing is in the owner of the locus in quo.” It is to be observed that Lord Russell there is extending the meaning of the passage he had cited from Pollock and Wright’s essay on “Possession in the Common Law,” where the learned authors say that the possession of land carries with it possession of everything which is attached to or under that land. Then Lord Russell adds possession of everything which may be on or in that land. *South Staffordshire Water Co. v. Sharman*<sup>38</sup> which was relied on by counsel for the defendant, has also been the subject of some discussion. It has been said that it establishes that if a man finds a thing as the servant or agent of another, he finds it not for himself, but for that other, and indeed that seems to afford a sufficient explanation of the case. The rings found at the bottom of the pool were not in the possession of the company, but it seems that though Sharman was the first to obtain possession of them, he obtained them for his employers and could claim no title for himself.

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<sup>38</sup> 2 Q. B. 44.

The only other case to which I need refer is *Elwes v. Brigg Gas Co.*,<sup>39</sup> in which land had been demised to a gas company for ninety-nine years with a reservation to the lessor of all mines and minerals. A pre-historic boat embedded in the soil was discovered by the lessees when they were digging to make a gasholder. It was held that the boat, whether regarded as a mineral or as part of the soil in which it was embedded when discovered, or as a chattel, did not pass to the lessees by the demise, but was the property of the lessor though he was ignorant of its existence at the time of granting the lease. Chitty J. said:<sup>40</sup> “The first question which does actually arise in this case is whether the boat belonged to the plaintiff at the time of the granting of the lease. I hold that it did, whether it ought to be regarded as a mineral, or as part of the soil within the maxim above cited, or as a chattel. If it was a mineral or part of the soil in the sense above indicated, then it clearly belonged to the owners of the inheritance as part of the inheritance itself. But if it ought to be regarded as a chattel, I hold the property in the chattel was vested in the plaintiff, for the following reasons.” Then he gave the reasons, and continued: “The plaintiff then being thus in possession of the chattel, it follows that the property in the chattel was vested in him. Obviously the right of the original owner could not be established; it had for centuries been lost or barred, even supposing that the property had not been abandoned when the boat was first left on the spot where it was found. The plaintiff, then, had a lawful possession, good against all the world, and therefore the property in the boat. In my opinion it makes no difference, in these circumstances, that the plaintiff was not aware of the existence of the boat.”

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<sup>39</sup> 33 Ch. D. 562.

<sup>40</sup> *Ibid.* 568.

A review of these judgments shows that the authorities are in an unsatisfactory state, and I observe that Sir John Salmond in his book on Jurisprudence (9th ed., at p. 383), after referring to the cases of *Elwes v. Brigg Gas Co.*<sup>41</sup> and *South Staffordshire Water Co. v. Sharman*,<sup>42</sup> said: “Cases such as these, however, are capable of explanation on other grounds, and do not involve any necessary conflict either with the theory of possession or with the cases already cited, such as *Bridges v. Hawkesworth*<sup>43</sup>. The general principle is that the first finder of a thing has a good title to it against all but the true owner, even though the thing is found on the property of another person,” and he cites *Armory v. Delamirie*<sup>44</sup> and *Bridges v. Hawkesworth*<sup>45</sup> in support of that proposition. Then he continues: “This principle, however, is subject to important exceptions, in which, owing to the special circumstances of the case, the better right is in him on whose property the thing is found,” and he names three cases as the principal ones: “When he on whose property the thing is found is already in possession not merely of the property, but of the thing itself; as in certain circumstances, even without specific knowledge, he undoubtedly may be.” The second limitation Sir John Salmond puts is: “If anyone finds a thing as the servant or agent of another he finds it not for himself, but for his employer.” Then: “A third case in which a finder obtains no title is that in which he gets possession only through a trespass or other act of wrongdoing.” It is fairly clear from the authorities that a man possesses everything which is attached to or under his land. Secondly, it would appear to be the law from the authorities I have cited, and

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<sup>41</sup> 33 Ch. D. 562.

<sup>42</sup> 2 Q. B. 44.

<sup>43</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

<sup>44</sup> 1 Str. 504.

<sup>45</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

particularly from *Bridges v. Hawkesworth*,<sup>46</sup> that a man does not necessarily possess a thing which is lying unattached on the surface of his land even though the thing is not possessed by someone else. A difficulty however, arises, because the rule which governs things an occupier possesses as against those which he does not, has never been very clearly formulated in our law. He may possess everything on the land from which he intends to exclude others, if Mr. Justice Holmes is right; or he may possess those things of which he has a de facto control, if Sir Frederick Pollock is right.

There is no doubt that in this case the brooch was lost in the ordinary meaning of that term, and I should imagine it had been lost for a very considerable time. Indeed, from this correspondence it appears that at one time the predecessors in title of the defendant were considering making some claim. But the moment the plaintiff discovered that the brooch might be of some value, he took the advice of his commanding officer and handed it to the police. His conduct was commendable and meritorious. The defendant was never physically in possession of these premises at any time. It is clear that the brooch was never his, in the ordinary acceptation of the term, in that he had the prior possession. He had no knowledge of it, until it was brought to his notice by the finder. A discussion of the merits does not seem to help, but it is clear on the facts that the brooch was “lost” in the ordinary meaning of that word; that it was “found” by the plaintiff in the ordinary meaning of that word, that its true owner has never been found, that the defendant was the owner of the premises and had his notice drawn to this matter by the plaintiff, who found the brooch. In those circumstances I propose

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<sup>46</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

to follow the decision in *Bridges v. Hawkesworth*,<sup>47</sup> and to give judgment in this case for the plaintiff for 66£.

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<sup>47</sup> 21 L. J. (Q. B.) 75; 15 Jur. 1079.

**Terry v. Lock, 343 Ark. 452 (2001)**

McHenry & McHenry Law Firm, by Donna McHenry, Robert McHenry, & Connie L. Grace, Little Rock, for appellants.

Grady & Adkisson, P.A., by William C. Adkisson, Conway, Conway, for appellees.

RAY THORNTON, JUSTICE.

On February 1, 1999, appellants, Joe Terry and David Stocks, were preparing the Best Western motel in Conway for renovation. The motel was owned by appellee, Lock Hospitality Inc., a corporation wholly owned by appellee, A.D. Lock and his wife. The appellants were removing the ceiling tiles in room 118, with Mr. Lock also present in the room. As the ceiling tiles were removed, a cardboard box was noticed near the heating and air supply vent where it had been concealed. Appellant Terry climbed a ladder to reach the box, opened it, and handed it to appellant Stocks. The box was filled with old, dry and dusty currency in varying denominations. Mr. Lock took the box and its contents to his office. Later in the day, appellants contacted the Conway Police Department and informed them of the discovery. The investigating officer contacted Mr. Lock, and the money was counted. The face value of the currency was determined to be \$38,310.00.

Appellants filed a complaint in Faulkner County Chancery Court, asserting that the currency “being old and fragile is unique and has numismatic or antique value and may have a market value in excess of the totality of its denominations as collector’s funds.” Appellants sought a temporary restraining order and an injunction, directing appellees to refrain from spending or otherwise depositing the found money and to pay all of the money to either appellants or into the registry of the court. Appellants’ complaint also urged that under the “clean-up doctrine,” the chancery court had authority to decide a number of charges

sounding in tort. Appellants also sought an order finding that appellees were holding the money in trust for appellants.

On the day the complaint was filed, the chancery court entered a temporary restraining order requiring appellees to deposit the found money with the registry of the court. On February 9, 1999, Mr. Lock and Lock Hospitality, Inc., filed their answer. Appellees raised the defenses of estoppel, laches, failure of consideration, and fraud in their answer. Eventually, all of the named appellees other than Mr. Lock and Lock Hospitality, Inc., were dismissed from the case.

On appeal, appellants now contend that the chancery court did not have subject-matter jurisdiction to hear and resolve the issues that they had asked the chancellor to resolve. We find no merit in this argument and conclude that the chancery court had jurisdiction under the clean-up doctrine to resolve the merits of the matters relating to ownership of the money.

The remaining issue for our review is whether the chancellor was clearly erroneous in characterizing the found money as “mislaid” property and consequently that the interest of Lock Hospitality, Inc., as the owner of the premises, is superior to the interest of appellants as finders of the money. We conclude that the chancellor was not clearly erroneous in finding that the money was mislaid property, and we affirm.

In their first point on appeal, appellants argue that the trial court was wholly without subject-matter jurisdiction to adjudicate the issues involved in this case. We have previously stated that parties may not consent to a court’s subject-matter jurisdiction where no such jurisdiction lies, nor may the jurisdiction be waived. *Douthitt v. Douthitt*, 326 Ark. 372, 930 S.W.2d 371 (1996). A court must determine if it has subject-matter jurisdiction of the case before it. *Id.* Subject-matter jurisdiction is always open, cannot be



waived, can be questioned for the first time on appeal, and can even be raised by this court. *Hamaker v. Strickland*, 340 Ark. 593, 12 S.W.3d 210 (2000). In fact, this court has a duty to determine whether or not we have jurisdiction of the subject matter of an appeal. *Id.* Subject-matter jurisdiction is determined from the pleadings; the complaint, answer, or cross-complaint. *Maroney v. City of Malvern*, 320 Ark. 671, 899 S.W.2d 476(1995). Subject-matter jurisdiction is tested on the pleadings and not the proof. *Id.*

A court of chancery or equity may obtain jurisdiction over matters not normally within its purview pursuant to the clean-up doctrine, our long-recognized rule that once a chancery court acquires jurisdiction for one purpose, it may decide all other issues. *Douthitt, supra*. Generally, the clean-up doctrine allows the chancery court, having acquired jurisdiction for equitable purposes, to retain all claims in an action and grant all the relief, legal or equitable, to which the parties in the lawsuit are entitled. *See Fulcher v. Dierks Lumber & Coal Co.*, 164 Ark. 261, 261 S.W. 645 (1924); *see also Bright v. Gass*, 38 Ark.App. 71, 831 S.W.2d 149 (1992).

In *Liles v. Liles*, 289 Ark. 159, 711 S.W.2d 447 (1986), we noted that “unless the chancery court has no tenable nexus whatever to the claim in question we will consider the matter of whether the claim should have been heard there to be one of propriety rather than one of subject-matter jurisdiction.” *Id.*

We have further noted that an error in bringing a suit in equity when there is an adequate remedy at law is waived by failure to move to transfer the cause to the circuit court; where the adequacy of the remedy at law is the only basis for questioning equity jurisdiction the chancellor’s decree is not subject to reversal for failure to transfer the case, unless the chancery court is wholly incompetent to grant the relief sought. *Titan Oil & Gas, Inc. v. Shipley*, 257 Ark. 278, 517 S.W.2d 210 (1974). Some examples of courts granting relief

which they were “wholly without jurisdiction” to grant would be a chancery court trying a criminal case or a chancery court hearing a probate matter. *See Dugal Logging, Inc. v. Arkansas Pulpwood Co.*, 66 Ark.App. 22, 988 S.W.2d 25 (1999).

We have also noted that when the issue is whether the chancery court has jurisdiction because the plaintiff lacks an adequate remedy at law, we will not allow it to be raised for the first time on appeal. *Liles, supra*. It is only when the court of equity is wholly incompetent to consider the matter before it that we will permit the issue of competency to be raised for the first time on appeal. Finally, we have held that it is a well-settled rule that one who has invoked the assistance of equity cannot later object to equity’s jurisdiction unless the subject matter of the suit is wholly beyond equitable cognizance. *Leonards v. E.A. Martin Machinery Co.*, 321 Ark. 239, 900 S.W.2d 546 (1995).

Keeping in mind the foregoing applicable principles of law, we turn to the case now on review. In this case, appellants filed their complaint in Faulkner County Chancery Court. Looking at the pleadings filed in this case, we conclude that the chancery court properly had subject-matter jurisdiction to address the matter. The appellants’ complaint sought the following equitable remedies: (1) an injunction; (2) specific performance; and (3) the imposition of a constructive trust. Additionally, appellants asserted in their complaint that they were seeking equitable relief. Specifically, their complaint states: “the cash money, referred to herein above, being old and fragile is unique and has numismatic or antique value and may have fair market value in excess of the totality of its denominations as collector’s funds and therefore plaintiffs move for specific performance . . . .”

From the pleadings, it appears that appellants sought equitable remedies in the chancery court. As a result, when the chancery court addressed these remedies, that court then acquired jurisdiction over the remaining tort claims

pursuant to the “clean-up doctrine.” Accordingly, we hold that the trial court was not wholly without subject-matter jurisdiction over this case.

The argument that the court should have transferred the case to circuit court is one of propriety rather than one of subject-matter jurisdiction. Appellants did not request that their case be transferred to circuit court at the trial court level. Because this issue was not raised below we may not consider it now for the first time on appeal. *See, Titan Oil & Gas, supra; see also Liles, supra.* Accordingly, the trial court is affirmed.

In their second point on appeal, appellants contend that the trial court’s finding that the property involved in this case was “mislaid” property was erroneous. Specifically, the trial court found “that the money in question was intentionally placed where it was found” and that when “money is mislaid, the finders would acquire no rights.” The trial court then concluded that “Lock Hospitality, Inc., as the owner of the premises is entitled to possession.” Appellants argue that the found property was not “mislaid property” but instead was “lost property,” “abandoned property,” or “treasure trove” and that the trial court’s finding that the money was “mislaid property” is clearly erroneous. We disagree.

The standards governing our review of a chancery court decision are well established. We review chancery cases de novo on the record, and we do not reverse unless we determine that the chancery court’s findings of fact were clearly erroneous. *Newberry v. Scruggs*, 336 Ark. 570, 986 S.W.2d 853 (1999).

We have not previously analyzed the various distinctions between different kinds of found property but those distinctions have been made in the common law, and have been analyzed in decisions from other jurisdictions. The Supreme Court of Iowa has explained that “under the

common law, there are four categories of found property: (1) abandoned property, (2) lost property, (3) mislaid property, and (4) treasure trove.” *Benjamin v. Lindner Aviation, Inc.*, 534 N.W.2d 400 (Iowa 1995); *see also Jackson v. Steinberg*, 186 Or. 129, 200 P.2d 376 (1948). “The rights of a finder of property depend on how the found property is classified.” *Benjamin, supra*. The character of the property should be determined by evaluating all the facts and circumstances present in the particular case. *See Schley v. Couch*, 155 Tex. 195, 284 S.W.2d 333 (1955) .

We next consider the classification of found property described in *Benjamin, supra*.

#### A. Abandoned property

Property is said to be “abandoned” when it is thrown away, or its possession is voluntarily forsaken by the owner, in which case it will become the property of the first occupant; or when it is involuntarily lost or left without the hope and expectation of again acquiring it, and then it becomes the property of the finder, subject to the superior claim of the owner. *Eads v. Brazelton*, 22 Ark. 499 (1861); *see also Crosson v. Lion Oil & Refining Co.*, 169 Ark. 561, 275 S.W. 899 (1925).

#### B. Lost property

“Lost property” is property which the owner has involuntarily parted with through neglect, carelessness, or inadvertence, that is, property which the owner has unwittingly suffered to pass out of his possession, and of whos whereabouts he has no knowledge. Property is deemed lost when it is unintentionally separated from the dominion of its owner. Popularly, property is lost when the owner does not know, and cannot ascertain, where it is, the essential test of lost property is whether the owner parted with the possession of the property intentionally, casually or involuntarily; only in the latter contingency may it be lost property. Property is not “lost” unless the owner parts with

it involuntarily and unintentionally, and does not, at any time thereafter, know where to find it. A loss is always involuntary; there can be no intent to part with the ownership of lost property. 1 AM.JUR.2d Abandoned, Lost, Etc., Property s 4 (1994); *see also Benjamin, supra; Ritz v. Selma United Methodist Church*, 467 N.W.2d 266 (Iowa 1991); *Jackson, supra*.

The finder of lost property does not acquire absolute ownership, but acquires such property interest or right as will enable him to keep it against all the world but the rightful owner. This rule is not affected by the place of finding, as the finder of lost property has a right to possession of the article superior to that of the owner or occupant of the premises where it is found. 1 AM.JUR.2d Abandoned, Lost, Etc., Property s 18 (1994); *see also Ritz, supra*.

### C. Mislaid property

“Mislaid property” is that which is intentionally put into a certain place and later forgotten. The place where money or property claimed as lost is found is an important factor in the determination of the question of whether it was lost or only mislaid. But where articles are accidentally dropped in any public place, public thoroughfare, or street, they are lost in the legal sense. In short, property will not be considered to have been lost unless the circumstances are such that, considering the place where, and the conditions under which, it is found, there is an inference that it was left there unintentionally. 1 AM.JUR.2d Abandoned, Lost, Etc., Property s 6 (1994); *see also Benjamin, supra; Ritz, supra; Jackson, supra*.

A finder of mislaid property acquires no ownership rights in it, and, where such property is found upon another’s premises, he has no right to its possession, but is required to turn it over to the owner of the premises. This is true whether the finder is an employee or occupier of the

premises on which the mislaid article is found or a customer of the owner or occupant.

The right of possession, as against all except the true owner, is in the owner or occupant of the premises where the property is discovered, for mislaid property is presumed to have been left in the custody of the owner or occupier of the premises upon which it is found. The result is that the proprietor of the premises is entitled to retain possession of the thing, pending a search by him to discover the owner, or during such time as the owner may be considered to be engaged in trying to recover his property. When the owner of premises takes possession of mislaid personal property left by an invitee he becomes a gratuitous bailee by operation of law, with a duty to use ordinary care to return it to the owner.

The finder of mislaid property must turn it over to the owner or occupier of the premises where it is found; it is the latter's duty to keep mislaid property for the owner, and he must use the care required of a gratuitous bailee for its safekeeping until the true owner calls for it. As against everyone but the true owner, the owner of such premises has the duty to defend his custody and possession of the mislaid property, and he is absolutely liable for a misdelivery. 1 AM.JUR.2d Abandoned, Lost, Etc., Property s 24 (1994); *see also Benjamin, supra; Ritz, supra; Schley, supra.*

#### D. Treasure trove

According to the common law, treasure trove is any gold or silver in coin, plate, or bullion, whose owner is unknown, found concealed in the earth or in a house or other private place, but not lying on the ground. Where the common-law treasure trove doctrine has been applied to determine the ownership of a find, property considered as treasure trove has included gold or silver coin, and its paper representatives, buried in the earth or hidden in some other private place, including a mattress, a cabinet sink, and a

piano. It is not essential to its character as treasure trove that the thing shall have been hidden in the ground; it is sufficient if it is found concealed in other articles, such as bureaus, safes, or machinery. While, strictly speaking, treasure trove is gold or silver, it has been held to include the paper representatives thereof, especially where found hidden with those precious metals. 1 AM.JUR.2d Abandoned, Lost, Etc., Property s 7 (1994); *see also Benjamin, supra; Jackson, supra*. “Treasure trove carries with it the thought of antiquity; to be classed as treasure trove, the treasure must have been hidden or concealed so long as to indicate that the owner is probably dead or unknown.” 1 AM.JUR.2d Abandoned, Lost, Etc., Property s 8 (1994). “Title to treasure trove belongs to the finder, against all the world except the true owner.” 1 AM.JUR.2d Abandoned, Lost, Etc., Property s 26 (1994); *see also Ritz, supra*.

Remaining mindful of the various types of found property and the rights to possession of that property, we turn now to the case before us on review. Appellants were stripping motel rooms at the Best Western Motel, which belongs to Lock Hospitality Inc., on February 1, 1999. Their work, as independent contractors, included removing sheet rock or dry wall, ceiling tiles, and other material to prepare the motel for renovations. While working in room 118, appellants removed some ceiling tiles. Appellants found a cardboard box concealed on top of the heating and air vent that became visible as a result of the removal of the ceiling tiles. Appellant Terry described the box as “covered with dust.” Appellant Stocks stated in his affidavit that “the box and its contents appeared to have been located at the site for a very long time.” Mr. Lock testified that in 1988 a beam was replaced in room 118 and the box was not discovered at that time. Upon opening the box, a large amount of old, dusty currency was discovered. Both appellants and Mr. Lock were in the room when the box was discovered. Neither appellants nor appellees claim to

have concealed the property in the ceiling. It is apparent that the box was not lost. The circumstances suggest that it was either abandoned property, mislaid property, or treasure trove. Considering all of the facts as presented, we cannot say that the trial court's finding that the property was mislaid property was clearly erroneous. Specifically, we hold that the trial court's findings that "the money in controversy was intentionally placed where it was found for its security, in order to shield it from unwelcome eyes ..." and that the "money was mislaid property" were not clearly erroneous.

We note that other jurisdictions have addressed similar fact situations and have determined that the property at stake was "mislaid" property. The Iowa Supreme Court addressed this issue in *Benjamin, supra*. In that case, a bank hired Benjamin to perform a routine service inspection on an airplane which it owned. During the inspection, Benjamin removed a panel from the wing. *Id.* The screws to the panel were old and rusted and Benjamin had to use a drill to remove them. Upon removal of the panel, Benjamin discovered packets of currency totaling \$18,000. Both Benjamin and the bank, as the owner of the plane, claimed ownership of the money. *Id.* The court reviewed the various types of property and determined that the money was "mislaid" property. The court explained that "the place where Benjamin found the money and the manner in which it was hidden are also important." They further noted that "the bills were carefully tied and wrapped and then concealed in a location that was accessible only by removing screws and a panel. These circumstances support an inference that the money was placed there intentionally. This inference supports the conclusion that the money was mislaid." *Benjamin, supra*. After reaching this conclusion, the court held "because the money discovered by Benjamin was properly found to be mislaid property, it belongs to the owner of the premises where it was found." *Id.* The



circumstances in *Benjamin* are similar to those now before us, and we are persuaded that the reasoning of the Iowa court was sound.

The Oregon Supreme Court has also considered a case involving facts similar to the case now on review before this court. In *Jackson, supra.*, Mrs. Jackson, while working as a chamber maid at Arthur Hotel, discovered \$800 concealed under the paper lining of a dresser drawer. *Id.* The court observed that “from the manner in which the bills in the instant case were carefully concealed beneath the paper lining of the drawer, it must be presumed that the concealment was effected intentionally and deliberately. The bills, therefore, cannot be regarded as abandoned property.” *Id.* The court then held:

The natural assumption is that the person who concealed the bills in the case at bar was a guest of the hotel. Their considerable value, and the manner of their concealment, indicate that the person who concealed them did so for purposes of security, and with the intention of reclaiming them. They were, therefore, to be classified not as lost, but as misplaced or forgotten property, and the defendant, as occupier of the premises where they were found, had the right and duty to take them into his possession and to hold them as a gratuitous bailee for the true owner.

*Jackson, supra.*

The case now before us presents circumstances similar to those upon which *Benjamin* and *Jackson* were decided. The trial court found that the original owner of the \$38,310.00 acted intentionally in concealing his property. The trial court also recognized that the found property did not have

the characteristics of antiquity required for the classification as treasure trove. We cannot say that the trial court's determination that the box was mislaid property was clearly erroneous. We hold that the trial court did not err when it found that the property in the present case was mislaid property and as such belongs to the owner of the premises in which the money was found. Accordingly, we affirm the trial court.

*Affirmed.*

## **1.2 Trespass**

### **1.2.1. What's at Stake**

#### **Jacque v. Steenberg Homes, Inc., 209 Wis. 2d 605 (1997)**

For the plaintiffs-appellants there were briefs by Patrick A. Dewane, Jr. and Dewane, Dewane, Kummer, Lambert & Fox, Manitowoc, and oral argument by Patrick A. Dewane, Jr.

For the defendant-respondent there were briefs by Mark J. Mingo, Daniel L. Zitzer and Mingo & Yankala, S.C., Milwaukee, and oral argument by Mark Mingo.

WILLIAM A. BABLITCH, Justice.

Steenberg Homes had a mobile home to deliver. Unfortunately for Harvey and Lois Jacque (the Jacques), the easiest route of delivery was across their land. Despite adamant protests by the Jacques, Steenberg plowed a path through the Jacques' snow-covered field and via that path, delivered the mobile home. Consequently, the Jacques sued Steenberg Homes for intentional trespass. At trial, Steenberg Homes conceded the intentional trespass, but argued that no compensatory damages had been proved, and that punitive damages could not be awarded without compensatory damages. Although the jury awarded the Jacques \$1 in nominal damages and \$100,000 in punitive damages, the circuit court set aside the jury's award of

\$100,000. The court of appeals affirmed, reluctantly concluding that it could not reinstate the punitive damages because it was bound by precedent establishing that an award of nominal damages will not sustain a punitive damage award. We conclude that when nominal damages are awarded for an intentional trespass to land, punitive damages may, in the discretion of the jury, be awarded. We further conclude that the \$100,000 awarded by the jury is not excessive. Accordingly, we reverse and remand for reinstatement of the punitive damage award.

I.

The relevant facts follow. Plaintiffs, Lois and Harvey Jacques, are an elderly couple, now retired from farming, who own roughly 170 acres near Wilke's Lake in the town of Schleswig. The defendant, Steenberg Homes, Inc. (Steenberg), is in the business of selling mobile homes. In the fall of 1993, a neighbor of the Jacques purchased a mobile home from Steenberg. Delivery of the mobile home was included in the sales price.

Steenberg determined that the easiest route to deliver the mobile home was across the Jacques' land. Steenberg preferred transporting the home across the Jacques' land because the only alternative was a private road which was covered in up to seven feet of snow and contained a sharp curve which would require sets of "rollers" to be used when maneuvering the home around the curve. Steenberg asked the Jacques on several separate occasions whether it could move the home across the Jacques' farm field. The Jacques refused. The Jacques were sensitive about allowing others on their land because they had lost property valued at over \$10,000 to other neighbors in an adverse possession action in the mid-1980's. Despite repeated refusals from the Jacques, Steenberg decided to sell the mobile home, which was to be used as a summer cottage, and delivered it on February 15, 1994.

On the morning of delivery, Mr. Jacque observed the mobile home parked on the corner of the town road adjacent to his property. He decided to find out where the movers planned to take the home. The movers, who were Steenberg employees, showed Mr. Jacque the path they planned to take with the mobile home to reach the neighbor's lot. The path cut across the Jacques' land. Mr. Jacque informed the movers that it was the Jacques' land they were planning to cross and that Steenberg did not have permission to cross their land. He told them that Steenberg had been refused permission to cross the Jacques' land.

One of Steenberg's employees called the assistant manager, who then came out to the Jacques' home. In the meantime, the Jacques called and asked some of their neighbors and the town chairman to come over immediately. Once everyone was present, the Jacques showed the assistant manager an aerial map and plat book of the township to prove their ownership of the land, and reiterated their demand that the home not be moved across their land.

At that point, the assistant manager asked Mr. Jacque how much money it would take to get permission. Mr. Jacque responded that it was not a question of money; the Jacques just did not want Steenberg to cross their land. Mr. Jacque testified that he told Steenberg to "[F]ollow the road, that is what the road is for." Steenberg employees left the meeting without permission to cross the land.

At trial, one of Steenberg's employees testified that, upon coming out of the Jacques' home, the assistant manager stated: "I don't give a — what [Mr. Jacque] said, just get the home in there any way you can." The other Steenberg employee confirmed this testimony and further testified that the assistant manager told him to park the company truck in such a way that no one could get down the town road to see the route the employees were taking with the home. The assistant manager denied giving these

instructions, and Steenberg argued that the road was blocked for safety reasons.

The employees, after beginning down the private road, ultimately used a “bobcat” to cut a path through the Jacques’ snow-covered field and hauled the home across the Jacques’ land to the neighbor’s lot. One employee testified that upon returning to the office and informing the assistant manager that they had gone across the field, the assistant manager reacted by giggling and laughing. The other employee confirmed this testimony. The assistant manager disputed this testimony.

When a neighbor informed the Jacques that Steenberg had, in fact, moved the mobile home across the Jacques’ land, Mr. Jacques called the Manitowoc County Sheriff’s Department. After interviewing the parties and observing the scene, an officer from the sheriff’s department issued a \$30 citation to Steenberg’s assistant manager.

The Jacques commenced an intentional tort action in Manitowoc County Circuit Court, Judge Allan J. Deehr presiding, seeking compensatory and punitive damages from Steenberg. The case was tried before a jury on December 1, 1994. At the completion of the Jacques’ case, Steenberg moved for a directed verdict under Wis. Stat. § 805.14(3). For purposes of the motion, Steenberg admitted to an intentional trespass to land, but asked the circuit court to find that the Jacques were not entitled to compensatory damages or punitive damages based on insufficiency of the evidence. The circuit court denied Steenberg’s motion and the questions of punitive and compensatory damages were submitted to the jury. The jury awarded the Jacques \$1 nominal damages and \$100,000 punitive damages. Steenberg filed post-verdict motions claiming that the punitive damage award must be set aside because Wisconsin law did not allow a punitive damage award unless the jury also awarded compensatory damages. Alternatively, Steenberg asked the circuit court to remit the

punitive damage award. The circuit court granted Steenberg's motion to set aside the award. Consequently, it did not reach Steenberg's motion for remittitur.

This case presents three issues: (1) whether an award of nominal damages for intentional trespass to land may support a punitive damage award and, if so; (2) whether the law should apply to Steenberg or should only be applied prospectively and, if we apply the law to Steenberg; (3) whether the \$100,000 in punitive damages awarded by the jury is excessive.

The first issue is a question of law which we review de novo.... .

## II.

Before the question of punitive damages in a tort action can properly be submitted to the jury, the circuit court must determine, as a matter of law, that the evidence will support an award of punitive damages. To determine whether, as a matter of law, the question of punitive damages should have been submitted to the jury, this court reviews the record de novo.

Steenberg argues that, as a matter of law, punitive damages could not be awarded by the jury because punitive damages must be supported by an award of compensatory damages and here the jury awarded only nominal and punitive damages. The Jacques contend that the rationale supporting the compensatory damage award requirement is inapposite when the wrongful act is an intentional trespass to land. We agree with the Jacques.

Our analysis begins with a statement of the rule and the rationale supporting the rule. First, we consider the individual and societal interests implicated when an intentional trespass to land occurs. Then, we analyze the rationale supporting the rule in light of these interests.

The general rule was stated in *Barnard v. Cohen*, 165 Wis. 417 (1917), where the question presented was: “In an action for libel, can there be a recovery of punitive damages if only nominal compensatory damages are found?” With the bare assertion that authority and better reason supported its conclusion, the *Barnard* court said no. *Id.* at. 418. *Barnard* continues to state the general rule of punitive damages in Wisconsin. The rationale for the compensatory damage requirement is that if the individual cannot show actual harm, he or she has but a nominal interest, hence, society has little interest in having the unlawful, but otherwise harmless, conduct deterred, therefore, punitive damages are inappropriate.

However, whether nominal damages can support a punitive damage award in the case of an intentional trespass to land has never been squarely addressed by this court. Nonetheless, Wisconsin law is not without reference to this situation. In 1854 the court established punitive damages, allowing the assessment of “damages as a punishment to the defendant for the purpose of making an example.” *McWilliams v. Bragg*, 3 Wis. 424, 425 (1854).<sup>1</sup> The *McWilliams* court related the facts and an illustrative tale from the English case of *Merest v. Harvey*, 128 Eng. Rep. 761 (C.P. 1814), to explain the rationale underlying punitive damages.

In *Merest*, a landowner was shooting birds in his field when he was approached by the local magistrate who wanted to hunt with him. Although the landowner refused, the magistrate proceeded to hunt. When the landowner continued to object, the magistrate threatened to have him jailed and dared him to file suit. Although little actual harm had been caused, the English court upheld damages of 500 pounds, explaining “in a case where a man disregards every principle which actuates the conduct of gentlemen, what is

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<sup>1</sup> Because *McWilliams* was an action of trespass for assault and battery, we cite it not for its precedential value, but for its reasoning.

to restrain him except large damages?” *McWilliams*, 3 Wis. 424 at 428.

To explain the need for punitive damages, even where actual harm is slight, *McWilliams* related the hypothetical tale from *Merest* of an intentional trespasser:

Suppose a gentleman has a paved walk in his paddock, before his window, and that a man intrudes and walks up and down before the window of his house, and looks in while the owner is at dinner, is the trespasser permitted to say “here is a halfpenny for you which is the full extent of the mischief I have done.” Would that be a compensation? I cannot say that it would be . . . .

*McWilliams*, 3 Wis. at 428. Thus, in the case establishing punitive damages in this state, this court recognized that in certain situations of trespass, the actual harm is not in the damage done to the land, which may be minimal, but in the loss of the individual’s right to exclude others from his or her property and, the court implied that this right may be punished by a large damage award despite the lack of measurable harm.

Steenberg contends that the rule established in *Barnard* prohibits a punitive damage award, as a matter of law, unless the plaintiff also receives compensatory damages. Because the Jacques did not receive a compensatory damage award, Steenberg contends that the punitive damage award must be set aside. The Jacques argue that the rationale for not allowing nominal damages to support a punitive damage award is inapposite when the wrongful act involved is an intentional trespass to land. The Jacques argue that both the individual and society have significant interests in deterring intentional trespass to land, regardless of the lack of measurable harm that results. We agree with



the Jacques. An examination of the individual interests invaded by an intentional trespass to land, and society's interests in preventing intentional trespass to land, leads us to the conclusion that the Barnard rule should not apply when the tort supporting the award is intentional trespass to land.

We turn first to the individual landowner's interest in protecting his or her land from trespass. The United States Supreme Court has recognized that the private landowner's right to exclude others from his or her land is "one of the most essential sticks in the bundle of rights that are commonly characterized as property." *Dolan v. City of Tigard*, 512 U.S. 374, 384 (1994).<sup>2</sup> This court has long recognized "[e]very person[s] constitutional right to the exclusive enjoyment of his own property for any purpose which does not invade the rights of another person." *Diana Shooting Club v. Lamoreux*, 114 Wis. 44, 59 (1902) (holding that the victim of an intentional trespass should have been allowed to take judgment for nominal damages and costs). Thus, both this court and the Supreme Court recognize the individual's legal right to exclude others from private property.

Yet a right is hollow if the legal system provides insufficient means to protect it. Felix Cohen offers the following analysis summarizing the relationship between the individual and the state regarding property rights:

[T]hat is property to which the following label can be attached:

To the world:

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<sup>2</sup> We refer to these cases only to emphasize the nature of the Jacques' interest and, correspondingly, Steenberg's violation.

Keep off X unless you have my permission, which I may grant or withhold.

Signed: Private Citizen

Endorsed: The state

Felix S. Cohen, *Dialogue on Private Property*, IX Rutgers Law Review 357, 374 (1954). Harvey and Lois Jacque have the right to tell Steenberg Homes and any other trespasser, “No, you cannot cross our land.” But that right has no practical meaning unless protected by the State. And, as this court recognized as early as 1854, a “halfpenny” award does not constitute state protection.

The nature of the nominal damage award in an intentional trespass to land case further supports an exception to *Barnard*. Because a legal right is involved, the law recognizes that actual harm occurs in every trespass. The action for intentional trespass to land is directed at vindication of the legal right. W. Page Keeton, *Prosser and Keeton on Torts*, § 13 (5th ed.1984). The law infers some damage from every direct entry upon the land of another. *Id.* The law recognizes actual harm in every trespass to land whether or not compensatory damages are awarded. *Id.* Thus, in the case of intentional trespass to land, the nominal damage award represents the recognition that, although immeasurable in mere dollars, actual harm has occurred.

The potential for harm resulting from intentional trespass also supports an exception to *Barnard*. A series of intentional trespasses, as the Jacques had the misfortune to discover in an unrelated action, can threaten the individual’s very ownership of the land. The conduct of an intentional trespasser, if repeated, might ripen into prescription or adverse possession and, as a consequence, the individual landowner can lose his or her property rights to the trespasser. See Wis. Stat. § 893.28.

In sum, the individual has a strong interest in excluding trespassers from his or her land. Although only nominal damages were awarded to the Jacques, Steenberg's intentional trespass caused actual harm. We turn next to society's interest in protecting private property from the intentional trespasser.

Society has an interest in punishing and deterring intentional trespassers beyond that of protecting the interests of the individual landowner. Society has an interest in preserving the integrity of the legal system. Private landowners should feel confident that wrongdoers who trespass upon their land will be appropriately punished. When landowners have confidence in the legal system, they are less likely to resort to "self-help" remedies. In *McWilliams*, the court recognized the importance of "prevent [ing] the practice of dueling, [by permitting] juries [ ] to punish insult by exemplary damages." *McWilliams*, 3 Wis. at 428. Although dueling is rarely a modern form of self-help, one can easily imagine a frustrated landowner taking the law into his or her own hands when faced with a brazen trespasser, like Steenberg, who refuses to heed no trespass warnings.

People expect wrongdoers to be appropriately punished. Punitive damages have the effect of bringing to punishment types of conduct that, though oppressive and hurtful to the individual, almost invariably go unpunished by the public prosecutor. *Kink v. Combs*, 28 Wis. 2d 65 (1965). The \$30 forfeiture was certainly not an appropriate punishment for Steenberg's egregious trespass in the eyes of the Jacques. It was more akin to Merest's "halfpenny." If punitive damages are not allowed in a situation like this, what punishment will prohibit the intentional trespass to land? Moreover, what is to stop Steenberg Homes from concluding, in the future, that delivering its mobile homes via an intentional trespass and paying the resulting Class B forfeiture, is not more profitable than obeying the law?

Steenberg Homes plowed a path across the Jacques' land and dragged the mobile home across that path, in the face of the Jacques' adamant refusal. A \$30 forfeiture and a \$1 nominal damage award are unlikely to restrain Steenberg Homes from similar conduct in the future. An appropriate punitive damage award probably will.

In sum, as the court of appeals noted, the *Barnard* rule sends the wrong message to Steenberg Homes and any others who contemplate trespassing on the land of another. It implicitly tells them that they are free to go where they please, regardless of the landowner's wishes. As long as they cause no compensable harm, the only deterrent intentional trespassers face is the nominal damage award of \$1, the modern equivalent of Merest's halfpenny, and the possibility of a Class B forfeiture under Wis. Stat. § 943.13. We conclude that both the private landowner and society have much more than a nominal interest in excluding others from private land. Intentional trespass to land causes actual harm to the individual, regardless of whether that harm can be measured in mere dollars. Consequently, the *Barnard* rationale will not support a refusal to allow punitive damages when the tort involved is an intentional trespass to land. Accordingly, assuming that the other requirements for punitive damages have been met, we hold that nominal damages may support a punitive damage award in an action for intentional trespass to land.

Our holding is supported by respected legal commentary. The Restatement (Second) of Torts supports the proposition that an award of nominal damages will support an award of punitive damages in a trespass to land action:

The fact that the actor knows that his entry is without the consent of the possessor and without any other privilege to do so, while not necessary to make him liable, may affect the amount of damages recoverable

against him, by showing such a complete disregard of the possessor's legally protected interest in the exclusive possession of his land as to justify the imposition of punitive in addition to nominal damages for even a harmless trespass, or in addition to compensatory damages for one which is harmful.

Restatement (Second) of Torts § 163 cmt. e (1979). The Restatement reiterates this position under the punitive damages section: nominal damages support an award of punitive damages "when a tort, such as trespass to land, is committed for an outrageous purpose, but no significant harm has resulted." Restatement (Second) of Torts § 908 cmt. c (1979).

Prosser also finds the compensatory damages prerequisite unsupportable:

Since it is precisely in the cases of nominal damages that the policy of providing an incentive for plaintiffs to bring petty outrages into court comes into play, the view very much to be preferred appears to be that of the minority which have held that there is sufficient support for punitive damages.

Page Keeton, et. al., *Prosser and Keeton on the Law of Torts* § 2, at 14 (5th ed.1984) (citations omitted). A minority of other jurisdictions follow this approach. See, Annotation, *Sufficiency of Showing of Actual Damages to Support Award of Punitive Damages-Modern Cases*, 40 A.L.R.4th 11, 36 (1985).

... .

In conclusion, we hold that when nominal damages are awarded for an intentional trespass to land, punitive

damages may, in the discretion of the jury, be awarded. Our decision today shall apply to Steenberg Homes. Finally, we hold that the \$100,000 punitive damages awarded by the jury is not excessive. Accordingly, we reverse and remand to the circuit court for reinstatement of the punitive damage award.

Reversed and remanded with directions.

### **1.2.2. Initial Look at Exclusion's Limits**

#### **Ploof v. Putname, 81 Vt. 471 (1908)**

Martin S. Vilas and Cowles & Moulton, for plaintiff.

Batchelder & Bates, for defendant.

MUNSON, J.

It is alleged as the ground on recovery that on the 13th day of November 1904, the defendant was the owner of a certain island in Lake Champlain, and of a certain dock attached thereto, which island and dock were then in charge of the defendant's servant; that the plaintiff was then possessed of and sailing upon said lake a certain loaded sloop, on which were the plaintiff and his wife and two minor children; that there then arose a sudden and violent tempest, whereby the sloop and the property and persons therein were placed in great danger of destruction; that, to save these from destruction or injury, the plaintiff was compelled to, and did, moor the sloop to defendant's dock; that the defendant, by his servant, unmoored the sloop, whereupon it was driven upon the shore by the tempest, without the plaintiff's fault; and that the sloop and its contents were thereby destroyed, and the plaintiff and his wife and children cast into the lake and upon the shore, receiving injuries. This claim is set forth in two counts-one in trespass, charging that the defendant by his servant with force and arms willfully and designedly unmoored the sloop; the other in case, alleging that it was the duty of the defendant by his servant to permit the plaintiff to moor his

sloop to the dock, and to permit it to remain so moored during the continuance of the tempest, but that the defendant by his servant, in disregard of this duty, negligently, carelessly, and wrongfully unmoored the sloop. Both counts are demurred to generally.

There are many cases in the books which hold that necessity, and an inability to control movements inaugurated in the proper exercise of a strict right, will justify entries upon land and interferences with personal property that would otherwise have been trespasses. A reference to a few of these will be sufficient to illustrate the doctrine. In *Miller v. Fandrye*, Poph. 161, trespass was brought for chasing sheep, and the defendant pleaded that the sheep were trespassing upon his land, and that he with a little dog chased them out, and that, as soon as the sheep were off his land, he called in the dog. It was argued that, although the defendant might lawfully drive the sheep from his own ground with a dog, he had no right to pursue them into the next ground; but the court considered that the defendant might drive the sheep from his land with a dog, and that the nature of a dog is such that he cannot be withdrawn in an instant, and that, as the defendant had done his best to recall the dog, trespass would not lie. In trespass of cattle taken in A., defendant pleaded that he was seised of C. and found the cattle there damage feasant, and chased them towards the pound, and they escaped from him and went into A., and he presently retook them; and this was held a good plea. 21 Edw. IV, 64; *Vin. Ab. Trespass*, H. a, 4, pl. 19. If one have a way over the land of another for his beasts to pass, and the beasts, being properly driven, feed the grass by morsels in passing, or run out of the way and are promptly pursued and brought back, trespass will not lie. See *Vin. Ab. Trespass*, K. a, pl. 1. A traveler on a highway who finds it obstructed from a sudden and temporary cause may pass upon the adjoining land without becoming a trespasser because of the

necessity. *Henn's Case*, W. Jones, 296; *Campbell v. Race*, 7 Cush. (Mass.) 408, 54 Am. Dec. 728; *Hyde v. Jamaica*, 27 Vt. 443 (459); *Morey v. Fitzgerald*, 56 Vt. 487, 48 Am. Rep. 811. An entry upon land to save goods which are in danger of being lost or destroyed by water or fire is not a trespass. 21 Hen. VII, 27; *Vin. Ab. Trespass*, H. a, 4, pl. 24, K. a, pl. 3. In *Proctor v. Adams*, 113 Mass. 376, 18 Am. Rep. 500, the defendant went upon the plaintiff's beach for the purpose of saving and restoring to the lawful owner a boat which had been driven ashore, and was in danger of being carried off by the sea; and it was held no trespass. See, also, *Dunwich v. Sterry*, 1 B. & Ad. 831.

This doctrine of necessity applies with special force to the preservation of human life. One assaulted and in peril of his life may run through the close of another to escape from his assailant. 37 Hen. VII, pl. 26. One may sacrifice the personal property of another to save his life or the lives of his fellows. In *Mouse's Case*, 12 Co. 63, the defendant was sued for taking and carrying away the plaintiff's casket and its contents. It appeared that the ferryman of Gravesend took 47 passengers into his barge to pass to London, among whom were the plaintiff and defendant; and the barge being upon the water a great tempest happened, and a strong wind, so that the barge and all the passengers were in danger of being lost if certain ponderous things were not cast out, and the defendant thereupon cast out the plaintiff's casket. It was resolved that in case of necessity, to save the lives of the passengers, it was lawful for the defendant, being a passenger, to cast the plaintiff's casket out of the barge; that, if the ferryman surcharge the barge, the owner shall have his remedy upon the surcharge against the ferryman, but that if there be no surcharge, and the danger accrue only by the act of God, as by tempest, without fault of the ferryman, every one ought to bear his loss to safeguard the life of a man.



It is clear that an entry upon the land of another may be justified by necessity, and that the declaration before us discloses a necessity for mooring the sloop. But the defendant questions the sufficiency of the counts because they do not negative the existence of natural objects to which the plaintiff could have moored with equal safety. The allegations are, in substance, that the stress of a sudden and violent tempest compelled the plaintiff to moor to defendant's dock to save his sloop and the people in it. The averment of necessity is complete, for it covers not only the necessity of mooring to the dock; and the details of the situation which created this necessity, whatever the legal requirements regarding them, are matters of proof, and need not be alleged. It is certain that the rule suggested cannot be held applicable irrespective of circumstance, and the question must be left for adjudication upon proceedings had with reference to the evidence or the charge.

The defendant insists that the counts are defective, in that they fail to show that the servant in casting off the rope was acting within the scope of his employment. It is said that the allegation that the island and dock were in charge of the servant does not imply authority to do an unlawful act, and that the allegations as a whole fairly indicate that the servant unmoored the sloop for a wrongful purpose of his own, and not by virtue of any general authority or special instruction received from the defendant. But we think the counts are sufficient in this respect. The allegation is that the defendant did this by his servant. The words "willfully, and designedly" in one count, and "negligently, carelessly, and wrongfully" in the other, are not applied to the servant, but to the defendant acting through the servant. The necessary implication is that the servant was acting within the scope of his employment. 13 *Ency. P. & Pr.* 922; *Voegeli v. Pickel Marble, etc., Co.*, 49 Mo. App. 643; *Wabash Ry. Co. v. Savage*, 110 Ind. 156, 9 N. E. 85. See, also,

*Palmer v. St. Albans*, 60 Vt. 427, 13 Atl. 569, 6 Am. St. Rep. 125.

Judgment affirmed and cause remanded.

**Hinman v. Pacific Air Transport, 84 F.2d 755 (9th Cir. 1936)**

Bruce Murchison and M. L. Clopton, both of Los Angeles, Cal., for appellants.

Newlin & Ashburn, Gurney E. Newlin, Paul Sandmeyer, and George W. Tackabury, all of Los Angeles, Cal., for appellees.

Before WILBUR, MATHEWS, and HANEY, Circuit Judges.

HANEY, Circuit Judge.

From decrees sustaining motions to dismiss filed by defendants in two suits, appellants appeal and bring for review by this court the rights of a landowner in connection with the flight of aircraft above his land. Appellant filed one bill against Pacific Air Transport, an Oregon corporation, and another bill against United Air Lines Transport Corporation, a Delaware corporation, in each of which the allegations are nearly identical. Although two appeals are before the court, briefs filed discuss both cases, and therefore we will consider them together.

Appellants filed a first amended bill against Pacific Air Transport after a motion to dismiss the original bill had been sustained, and after a motion to dismiss the first amended bill had been sustained, they filed their second amended bill, which is the bill before this court. In the United Air Lines Transport Corporation case, the first amended bill is before this court, there having been an original bill, which was dismissed.

Appellants allege, in the bills under consideration, facts showing diversity of citizenship and that the amount in

controversy exceeds \$3,000 exclusive of interest and costs; that they are the owners and in possession of 72 1/2 acres of real property in the city of Burbank, Los Angeles county, Cal., 'together with a stratum of air-space superjacent to and overlying said tract \* \* \* and extending upwards \* \* \* to such an altitude as plaintiffs \* \* \* may reasonably expect now or hereafter to utilize, use or occupy said airspace. Without limiting said altitude or defining the upward extent of said stratum of airspace or of plaintiff's ownership, utilization and possession thereof, plaintiffs allege that they \* \* \* may reasonably expect now and hereafter to utilize, use and occupy said airspace and each and every portion thereof to an altitude of not less than 150 feet above the surface of the land \* \* \* '. The reasonable value of the property is alleged to be in excess of \$300,000.

It is then alleged that defendants are engaged in the business of operating a commercial air line, and that at all times 'after the month of May, 1929, defendants daily, repeatedly and upon numerous occasions have disturbed, invaded and trespassed upon the ownership and possession of plaintiffs' tract'; that at said times defendants have operated aircraft in, across, and through said airspace at altitudes less than 100 feet above the surface; that plaintiffs notified defendants to desist from trespassing on said airspace; and that defendants have disregarded said notice, unlawfully and against the will of plaintiffs, and continue and threaten to continue such trespasses.

It is further alleged: 'That in operating aircraft as aforesaid, defendants followed and on substantially all occasions herein referred to have followed one of two courses, ways and paths in, across and through said airspace, which by reason of constant and repeated user by defendants have become and are well defined by constant user \* \* \* .' Thereafter the first of such courses, designated 'A,' is described with particularity with regard to the surface boundaries of plaintiffs' land; course 'A' is averred to be 75

yards wide over the north side of plaintiffs' land the place of entry, the lowest boundary of the course above the surface to be 25 feet, and the highest boundary to be 175 feet above the surface. At the south side of plaintiffs' land, the course is said to be 100 yards wide, the lowest boundary to be 5 feet above the surface, and the highest boundary to be 45 feet above the surface.

The second course is also described particularly, and although there is some difference in the width of the course, the height above the surface is the same as course A.

It is alleged that the direction of the breeze determines which course defendants use on a particular occasion, and that defendants have used such courses since the time of the notice given them by plaintiffs, openly, notoriously, and under claim of right adverse to plaintiffs.

In the last paragraph it is alleged that the remedy at law is inadequate; that unless defendants are enjoined they will repeat the said trespasses and will impose a servitude upon plaintiffs' utilization, use, occupancy, and enjoyment of the surface of their land to their irreparable injury; and that injunctive relief is necessary to prevent a multiplicity of legal proceedings.

In each bill under consideration, there is a second cause of action. The allegations of the first cause, except the last paragraph, are adopted in the second cause, and it is further alleged that the reasonable value of the utilization, use, and occupancy of said courses is \$1,500 per month; that 'by reason of defendants' invasion and disturbance of and trespass upon plaintiffs' ownership and possession of said airspace, plaintiffs have suffered damage' in the sum of \$90,000.

The prayer asks an injunction restraining the operation of the aircraft through the airspace over plaintiffs' property and for \$90,000 damages in each of the cases.

Appellees contend that it is settled law in California that the owner of land has no property rights in superjacent airspace, either by code enactments or by judicial decrees and that the ad coelum doctrine does not apply in California. We have examined the statutes of California, particularly California Civil Code, s 659 and s 829, as well as *Grandona v. Lovdal*, 78 Cal. 611, 21 P. 366, 12 Am.St.Rep. 121. *Wood v. Moulton*, 146 Cal. 317, 80 P. 92; and *Kafka v. Bozio*, 191 Cal. 746, 218 P. 753, 29 A.L.R. 833, but we find nothing therein to negative the ad coelum formula. Furthermore, if we should adopt this formula as being the law, there might be serious doubt as to whether a state statute could change it without running counter to the Fourteenth amendment to the Constitution of the United States. If we could accept and literally construe the ad coelum doctrine, it would simplify the solution of this case; however, we reject that doctrine. We think it is not the law, and that it never was the law.

This formula 'from the center of the earth to the sky' was invented at some remote time in the past when the use of space above land actual or conceivable was confined to narrow limits, and simply meant that the owner of the land could use the overlying space to such an extent as he was able, and that no one could ever interfere with that use.

This formula was never taken literally, but was a figurative phrase to express the full and complete ownership of land and the right to whatever superjacent airspace was necessary or convenient to the enjoyment of the land.

In applying a rule of law, or construing a statute or constitutional provision, we cannot shut our eyes to common knowledge, the progress of civilization, or the experience of mankind. A literal construction of this formula will bring about an absurdity. The sky has no definite location. It is that which presents itself to the eye when looking upward; as we approach it, it recedes. There

can be no ownership of infinity, nor can equity prevent a supposed violation of an abstract conception.

The appellants' case, then, rests upon the assumption that as owners of the soil they have an absolute and present title to all the space above the earth's surface, owned by them, to such a height as is, or may become, useful to the enjoyment of their land. This height, the appellants assert in the bill, is of indefinite distance, but not less than 150 feet.

If the appellants are correct in this premise, it would seem that they would have such a title to the airspace claimed, as an incident to their ownership of the land, that they could protect such a title as if it were an ordinary interest in real property. Let us then examine the appellants' premise. They do not seek to maintain that the ownership of the land actually extends by absolute and exclusive title upward to the sky and downward to the center of the earth. They recognize that the space claimed must have some use, either present or contemplated, and connected with the enjoyment of the land itself.

Title to the airspace unconnected with the use of land is inconceivable. Such a right has never been asserted. It is a thing not known to the law.

Since, therefore, appellants must confine their claim to 150 feet of the airspace above the land, to the use of the space as related to the enjoyment of their land, to what extent, then, is this use necessary to perfect their title to the airspace? Must the use be actual, as when the owner claims the space above the earth occupied by a building constructed thereon; or does it suffice if appellants establish merely that they may reasonably expect to use the airspace now or at some indefinite future time?

This, then, is appellants' premise, and upon this proposition they rest their case. Such an inquiry was never pursued in the history of jurisprudence until the occasion is furnished by the common use of vehicles of the air.

We believe, and hold, that appellants' premise is unsound. The question presented is applied to a new status and little aid can be found in actual precedent. The solution is found in the application of elementary legal principles. The first and foremost of these principles is that the very essence and origin of the legal right of property is dominion over it. Property must have been reclaimed from the general mass of the earth, and it must be capable by its nature of exclusive possession. Without possession, no right in it can be maintained.

The air, like the sea, is by its nature incapable of private ownership, except in so far as one may actually use it. This principle was announced long ago by Justinian. It is in fact the basis upon which practically all of our so-called water codes are based.

We own so much of the space above the ground as we can occupy or make use of, in connection with the enjoyment of our land. This right is not fixed. It varies with our varying needs and is coextensive with them. The owner of land owns as much of the space above him as he uses, but only so long as he uses it. All that lies beyond belongs to the world.

When it is said that man owns, or may own, to the heavens, that merely means that no one can acquire a right to the space above him that will limit him in whatever use he can make of it as a part of his enjoyment of the land. To this extent his title to the air is paramount. No other person can acquire any title or exclusive right to any space above him.

Any use of such air or space by others which is injurious to his land, or which constitutes an actual interference with his possession or his beneficial use thereof, would be a trespass for which he would have remedy. But any claim of the landowner beyond this cannot find a precedent in law, nor support in reason.

It would be, and is, utterly impracticable and would lead to endless confusion, if the law should uphold attempts of landowners to stake out, or assert claims to definite, unused spaces in the air in order to protect some contemplated future use of it. Such a rule, if adopted, would constitute a departure never before attempted by mankind, and utterly at variance with the reason of the law. If such a rule were conceivable, how will courts protect the various landowners in their varying claims of portions of the sky? How enforce a right of ejectment or restitution? Such a rule is not necessary for the protection of the landowner in any right guaranteed him by the Constitution in the enjoyment of his property. If a right like this were recognized and upheld by the courts, it would cause confusion worse confounded. It is opposed to common sense and to all human experience.

We cannot shut our eyes to the practical result of legal recognition of the asserted claims of appellants herein, for it leads to a legal implication to the effect that any use of airspace above the surface owner of land, without his consent would be a trespass either by the operator of an airplane or a radio operator. We will not foist any such chimerical concept of property rights upon the jurisprudence of this country.

We now consider the allegation of the bill that appellees' airplanes, in landing, glide through the air, within a distance of less than 100 feet to the surface of appellants' land, or possibly to a distance within five feet thereof, at one end of his tract. This presents another question for discussion. Whether such close proximity to appellants' land may constitute an impairment of his full enjoyment of the same is a question of fact. If it does, he may be entitled to relief in a proper case.

Appellants are not entitled to injunctive relief upon the bill filed here, because no facts are alleged with respect to circumstances of appellants' use of the premises which will



enable this court to infer that any actual or substantial damage will accrue from the acts of the appellees complained of.

The case differs from the usual case of enjoining a trespass. Ordinarily, if a trespass is committed upon land, the plaintiff is entitled to at least nominal damages without proving or alleging any actual damage. In the instant case, traversing the airspace above appellants' land is not, of itself, a trespass at all, but it is a lawful act unless it is done under circumstances which will cause injury to appellants' possession.

Appellants do not, therefore, in their bill state a case of trespass, unless they allege a case of actual and substantial damage. The bill fails to do this. It merely draws a naked conclusion as to damages without facts or circumstances to support it. It follows that the complaint does not state a case for injunctive relief.

We should note appellants' contention that appellees' continuous use of the airspace in question may or will ripen into an easement.

In considering this particular question, it is necessary to consider just what right appellees are attempting to acquire. If the superincumbent airspace were merely space (speaking of space as a nonentity), it would be valueless to the appellees. In other words, if no air were present therein, appellees' planes could not navigate. The primary thing appellees are using would appear to be the air overlying appellants' land. It is generally held that an easement of or in the air may not be obtained by prescription.

It is said in 19 C.J. 903, Sec. 85: 'The English doctrine that an easement for light and air may be acquired by user or prescription has been very generally rejected in the United States.' See, also, 1 Thompson on Real Property, p. 652, Sec. 542; also, Case v. Minot, 158 Mass. 577, 33 N.E. 700, 22 L.R.A. 536, where many cases are cited in support

of this rule. We therefore hold that it is not legally possible for appellees to obtain an easement by prescription through the airspace above appellants' land. *Portsmouth Harbor Land & Hotel Co. v. United States*, 260 U.S. 327, 43 S.Ct. 135, 67 L.Ed. 287, is not at variance with this holding, for in that case it is apparent that the use or occupancy of the airspace, if it can be so considered, was under such circumstances as amounted to a taking of the surface also. Such is not the case here.

It is necessary to note also appellants' further point, namely, that the second cause of action in the bill is for damages on account of trespass. No actual injury is alleged, other than the mere utilization of the airspace above appellants' land.

In *Murray v. Pannaci* (C.C.A. 3) 130 F. 529, at page 530, it was said: 'The judge applied to the case the familiar rule, settled by many decisions, that although a legal injury to a plaintiff is proven, yet if the extent of the injury is not shown, nor evidence given from which it can be inferred, nominal damages only can be recovered.' This rule is supported by many decisions set out in 63 C.J. 1035, Sec. 225. We hold under the allegations of the bill that in no event could appellant be entitled to more than nominal damages, and that being the case, an injunction was properly denied.

Appellants also complain in their third assignment of error as follows:

That the above entitled court erred in making and causing to be entered that portion of said order as follows, to-wit: That 'in no case shall any amended cause of action be sufficient compliance with this order if same merely restates a case in trespass.'

In *Truckee River General Electric Co. v. Benner*, 211 F. 79, 81, this court said: ‘It has uniformly been held in those (federal) courts that the allowance or refusal of leave to amend pleadings in actions at law is discretionary with the trial court, and that its action is not reviewable except in case of gross abuse of discretion.’

Equity Rule 28 (28 U.S.C.A.FOLLOWING section 723) provides that: ‘After pleading filed by any defendant, plaintiff may amend only by consent of the defendant or leave of the court or judge.’

In the instant case, leave was granted to appellants twice to amend their bill in one case, and once in the other. They failed in each of the bills to allege an injury by trespass which would be legally sufficient. Under such circumstances we are not prepared to say that the trial court abused its discretion.

The decree of the District Court is affirmed.

MATHEWS, Circuit Judge, dissents.

**Desnick v. American Broadcasting Companies, Inc.,  
44 F.3d 1345 (7th Cir. 1995).**

Dan K. Webb, Julie A. Bauer, Steven F. Molo (argued), Winston & Strawn, Chicago, IL, Rodney F. Page, Arent, Fox, Kintner, Plotkin & Kahn, Washington, DC, for plaintiffs-appellants.

Michael M. Conway (argued), Mary Kay McCalla, James M. Falvey, Hopkins & Sutter, Chicago, IL, for defendants-appellees.

Before POSNER, Chief Judge, and COFFEY and MANION, Circuit Judges.

POSNER, Chief Judge.

The plaintiffs—an ophthalmic clinic known as the “Desnick Eye Center” after its owner, Dr. Desnick, and two ophthalmic surgeons employed by the clinic, Glazer and

Simon—appeal from the dismissal of their suit against the ABC television network, a producer of the ABC program PrimeTime Live named Entine, and the program’s star reporter, Donaldson. The suit is for trespass, defamation, and other torts arising out of the production and broadcast of a program segment of PrimeTime Live that was highly critical of the Desnick Eye Center. Federal jurisdiction is based primarily on diversity of citizenship (though there is one federal claim), with Illinois law, and to a lesser extent Wisconsin and Indiana law, supplying the substantive rules on which decision is to be based. The suit was dismissed for failure to state a claim. *See Desnick v. Capital Cities/ABC, Inc.*, 851 F.Supp. 303 (N.D.Ill.1994). The record before us is limited to the complaint and to a transcript, admitted to be accurate, of the complained-about segment.

In March of 1993 Entine telephoned Dr. Desnick and told him that PrimeTime Live wanted to do a broadcast segment on large cataract practices. The Desnick Eye Center has 25 offices in four midwestern states and performs more than 10,000 cataract operations a year, mostly on elderly persons whose cataract surgery is paid for by Medicare. The complaint alleges—and in the posture of the case we must take the allegations to be true, though of course they may not be—that Entine told Desnick that the segment would not be about just one cataract practice, that it would not involve “ambush” interviews or “undercover” surveillance, and that it would be “fair and balanced.” Thus reassured, Desnick permitted an ABC crew to videotape the Desnick Eye Center’s main premises in Chicago, to film a cataract operation “live,” and to interview doctors, technicians, and patients. Desnick also gave Entine a videotape explaining the Desnick Eye Center’s services.

Unbeknownst to Desnick, Entine had dispatched persons equipped with concealed cameras to offices of the Desnick Eye Center in Wisconsin and Indiana. Posing as patients, these persons—seven in all—requested eye examinations.

Plaintiffs Glazer and Simon are among the employees of the Desnick Eye Center who were secretly videotaped examining these “test patients.”

The program aired on June 10. Donaldson introduces the segment by saying, “We begin tonight with the story of a so-called ‘big cutter,’ Dr. James Desnick.... [I]n our undercover investigation of the big cutter you’ll meet tonight, we turned up evidence that he may also be a big charger, doing unnecessary cataract surgery for the money.” Brief interviews with four patients of the Desnick Eye Center follow. One of the patients is satisfied (“I was blessed”); the other three are not—one of them says, “If you got three eyes, he’ll get three eyes.” Donaldson then reports on the experiences of the seven test patients. The two who were under 65 and thus not eligible for Medicare reimbursement were told they didn’t need cataract surgery. Four of the other five were told they did. Glazer and Simon are shown recommending cataract surgery to them. Donaldson tells the viewer that PrimeTime Live has hired a professor of ophthalmology to examine the test patients who had been told they needed cataract surgery, and the professor tells the viewer that they didn’t need it—with regard to one he says, “I think it would be near malpractice to do surgery on him.” Later in the segment he denies that this could just be an honest difference of opinion between professionals.

An ophthalmic surgeon is interviewed who had turned down a job at the Desnick Eye Center because he would not have been “able to screen who I was going to operate on.” He claims to have been told by one of the doctors at the Center (not Glazer or Simon) that “as soon as I reject them [i.e., turn down a patient for cataract surgery], they’re going in the next room to get surgery.” A former marketing executive for the Center says Desnick took advantage of “people who had Alzheimer’s, people who did not know what planet they were on, people whose quality of life

wouldn't change one iota by having cataract surgery done." Two patients are interviewed who report miserable experiences with the Center—one claiming that the doctors there had failed to spot an easily visible melanoma, another that as a result of unnecessary cataract surgery her "eye ruptured," producing "running pus." A former employee tells the viewer that Dr. Desnick alters patients' medical records to show they need cataract surgery—for example, changing the record of one patient's vision test from 20/30 to 20/80—and that he instructs all members of his staff to use pens of the same color in order to facilitate the alteration of patients' records.

One symptom of cataracts is that lights of normal brightness produce glare. Glazer is shown telling a patient, "You know, you're getting glare. I would say we could do significantly better [with an operation]." And Simon is shown asking two patients, "Do you ever notice any glare or blurriness when you're driving, or difficulty with the signs?" Both say no, and immediately Donaldson tells the viewer that "the Desnick Center uses a very interesting machine, called an auto-refractor, to determine whether there are glare problems." Donaldson demonstrates the machine, then says that "Paddy Kalish is an optometrist who says that when he worked at the Desnick clinic from 1987 to 1990, the machine was regularly rigged. He says he watched a technician tamper with the machine, this way"—and then Kalish gives a demonstration, adding, "This happened routinely for all the older patients that came in for the eye exams." Donaldson reveals that Dr. Desnick has obtained a judgment against Kalish for defamation, but adds that "Kalish is not the only one to tell us the machine may have been rigged. PrimeTime talked to four other former Desnick employees who say almost everyone failed the glare test."

There is more, including mention of a proceeding begun by the Illinois Medical Board in which Dr. Desnick is charged

with a number of counts of malpractice and deception—and an “ambush” interview. Donaldson accosts Desnick at O’Hare Airport and cries, “Is it true, Doctor, that you changed medical records to show less vision than your patients actually have? We’ve been told, Doctor, that you’ve changed the glare machine so we have a different reading. Is that correct? Doctor, why won’t you respond to the questions?”

The plaintiffs’ claims fall into two distinct classes. The first arises from the broadcast itself, the second from the means by which ABC and Entine obtained the information that they used in the broadcast. The first is a class of one. The broadcast is alleged to have defamed the three plaintiffs by charging that the glare machine is tampered with. No other aspect of the broadcast is claimed to be tortious. The defendants used excerpts from the Desnick videotape in the broadcast, and the plaintiffs say that this was done without Dr. Desnick’s permission. But they do not claim that in showing the videotape without authorization the defendants infringed copyright, cast the plaintiffs in a false light, or otherwise invaded a right, although they do claim that the defendants had obtained the videotape fraudulently (a claim in the second class). And they do not claim that any of the other charges in the broadcast that are critical of them, such as that they perform unnecessary surgery or that Dr. Desnick tampers with patients’ medical records, are false.

We begin with the charge of defamation, which the parties agree is governed by Illinois law. [The court held that this cause of action could not be dismissed at this stage of litigation.]

The second class of claims in this case concerns, as we said, the methods that the defendants used to create the broadcast segment. There are four such claims: that the defendants committed a trespass in insinuating the test patients into the Wisconsin and Indiana offices of the

Desnick Eye Center, that they invaded the right of privacy of the Center and its doctors at those offices (specifically Glazer and Simon), that they violated federal and state statutes regulating electronic surveillance, and that they committed fraud by gaining access to the Chicago office by means of a false promise that they would present a “fair and balanced” picture of the Center’s operations and would not use “ambush” interviews or undercover surveillance.

To enter upon another’s land without consent is a trespass. The force of this rule has, it is true, been diluted somewhat by concepts of privilege and of implied consent. But there is no journalists’ privilege to trespass. *Prabl v. Brosamle*, 98 Wis.2d 130, 295 N.W.2d 768, 780-81 (App.1980); *Le Mistral, Inc. v. Columbia Broadcasting System*, 61 A.D.2d 491, 402 N.Y.S.2d 815 (1978). And there can be no implied consent in any nonfictitious sense of the term when express consent is procured by a misrepresentation or a misleading omission. The Desnick Eye Center would not have agreed to the entry of the test patients into its offices had it known they wanted eye examinations only in order to gather material for a television expose of the Center and that they were going to make secret videotapes of the examinations. Yet some cases, illustrated by *Martin v. Fidelity & Casualty Co.*, 421 So.2d 109, 111 (Ala.1982), deem consent effective even though it was procured by fraud. There must be something to this surprising result. Without it a restaurant critic could not conceal his identity when he ordered a meal, or a browser pretend to be interested in merchandise that he could not afford to buy. Dinner guests would be trespassers if they were false friends who never would have been invited had the host known their true character, and a consumer who in an effort to bargain down an automobile dealer falsely claimed to be able to buy the same car elsewhere at a lower price would be a trespasser in the dealer’s showroom. Some of these might be classified as privileged trespasses, designed to promote competition.



Others might be thought justified by some kind of implied consent—the restaurant critic for example might point by way of analogy to the use of the “fair use” defense by book reviewers charged with copyright infringement and argue that the restaurant industry as a whole would be injured if restaurants could exclude critics. But most such efforts at rationalization would be little better than evasions. The fact is that consent to an entry is often given legal effect even though the entrant has intentions that if known to the owner of the property would cause him for perfectly understandable and generally ethical or at least lawful reasons to revoke his consent.

The law’s willingness to give effect to consent procured by fraud is not limited to the tort of trespass. The Restatement gives the example of a man who obtains consent to sexual intercourse by promising a woman \$100, yet (unbeknownst to her, of course) he pays her with a counterfeit bill and intended to do so from the start. The man is not guilty of battery, even though unconsented-to sexual intercourse is a battery. Restatement (Second) of Torts Sec. 892B, illustration 9, pp. 373-74 (1979). Yet we know that to conceal the fact that one has a venereal disease transforms “consensual” intercourse into battery. *Crowell v. Crowell*, 180 N.C. 516, 105 S.E. 206 (1920). Seduction, standardly effected by false promises of love, is not rape, *Pletnikoff v. State*, 719 P.2d 1039, 1043 (Alaska App.1986); intercourse under the pretense of rendering medical or psychiatric treatment is, at least in most states. Compare *State v. Tizard*, 1994 WL 630498, \* 8-10 (Tenn.Crim.App. Nov. 10, 1994), with *Boro v. Superior Court*, 163 Cal.App.3d 1224, 210 Cal.Rptr. 122 (1985). It certainly is battery. *Bowman v. Home Life Ins. Co.*, 243 F.2d 331 (3d Cir.1957); *Commonwealth v. Gregory*, 132 Pa.Super. 507, 1 A.2d 501 (1938). Trespass presents close parallels. If a homeowner opens his door to a purported meter reader who is in fact nothing of the sort—just a busybody curious about the interior of the

home—the homeowner’s consent to his entry is not a defense to a suit for trespass. See *State v. Donabue*, 93 Or.App. 341, 762 P.2d 1022, 1025 (1988); *Bouillon v. Laclede Gaslight Co.*, 148 Mo.App. 462, 129 S.W. 401, 402 (1910). And likewise if a competitor gained entry to a business firm’s premises posing as a customer but in fact hoping to steal the firm’s trade secrets. *Rockwell Graphic Systems, Inc. v. DEV Industries, Inc.*, 925 F.2d 174, 178 (7th Cir.1991); *E.I. duPont deNemours & Co. v. Christopher*, 431 F.2d 1012, 1014 (5th Cir.1970).

How to distinguish the two classes of case—the seducer from the medical impersonator, the restaurant critic from the meter-reader impersonator? The answer can have nothing to do with fraud; there is fraud in all the cases. It has to do with the interest that the torts in question, battery and trespass, protect. The one protects the inviolability of the person, the other the inviolability of the person’s property. The woman who is seduced wants to have sex with her seducer, and the restaurant owner wants to have customers. The woman who is victimized by the medical impersonator has no desire to have sex with her doctor; she wants medical treatment. And the homeowner victimized by the phony meter reader does not want strangers in his house unless they have authorized service functions. The dealer’s objection to the customer who claims falsely to have a lower price from a competing dealer is not to the physical presence of the customer, but to the fraud that he is trying to perpetuate. The lines are not bright—they are not even inevitable. They are the traces of the old forms of action, which have resulted in a multitude of artificial distinctions in modern law. But that is nothing new.

There was no invasion in the present case of any of the specific interests that the tort of trespass seeks to protect. The test patients entered offices that were open to anyone expressing a desire for ophthalmic services and videotaped physicians engaged in professional, not personal,

communications with strangers (the testers themselves). The activities of the offices were not disrupted, as in *People v. Segal*, 78 Misc.2d 944, 358 N.Y.S.2d 866 (Crim.Ct.1974), another case of gaining entry by false pretenses. See also *Le Mistral, Inc. v. Columbia Broadcasting System*, supra, 402 N.Y.S.2d at 81 n. 1. Nor was there any “inva[sion of] a person’s private space,” *Haynes v. Alfred A. Knopf, Inc.*, supra, 8 F.3d at 1229, as in our hypothetical meter-reader case, as in the famous case of *De May v. Roberts*, 46 Mich. 160, 9 N.W. 146 (1881) (where a doctor, called to the plaintiff’s home to deliver her baby, brought along with him a friend who was curious to see a birth but was not a medical doctor, and represented the friend to be his medical assistant), as in one of its numerous modern counterparts, *Miller v. National Broadcasting Co.*, 187 Cal.App.3d 1463, 232 Cal.Rptr. 668, 679 (1986), and as in *Dietemann v. Time, Inc.*, 449 F.2d 245 (9th Cir.1971), on which the plaintiffs in our case rely. *Dietemann* involved a home. True, the portion invaded was an office, where the plaintiff performed quack healing of nonexistent ailments. The parallel to this case is plain enough, but there is a difference. *Dietemann* was not in business, and did not advertise his services or charge for them. His quackery was private.

No embarrassingly intimate details of anybody’s life were publicized in the present case. There was no eavesdropping on a private conversation; the testers recorded their own conversations with the Desnick Eye Center’s physicians. There was no violation of the doctor-patient privilege. There was no theft, or intent to steal, trade secrets; no disruption of decorum, of peace and quiet; no noisy or distracting demonstrations. Had the testers been undercover FBI agents, there would have been no violation of the Fourth Amendment, because there would have been no invasion of a legally protected interest in property or privacy. *United States v. White*, 401 U.S. 745, 91 S.Ct. 1122, 28 L.Ed.2d 453 (1971); *Lewis v. United States*, 385 U.S. 206,

211, 87 S.Ct. 424, 427-28, 17 L.Ed.2d 312 (1966); *Forster v. County of Santa Barbara*, 896 F.2d 1146, 1148-49 (9th Cir.1990); *Northside Realty Associates, Inc. v. United States*, 605 F.2d 1348, 1355 (5th Cir.1979). “Testers” who pose as prospective home buyers in order to gather evidence of housing discrimination are not trespassers even if they are private persons not acting under color of law. *Cf. id.* at 1355. The situation of the defendants’ “testers” is analogous. Like testers seeking evidence of violation of anti-discrimination laws, the defendants’ test patients gained entry into the plaintiffs’ premises by misrepresenting their purposes (more precisely by a misleading omission to disclose those purposes). But the entry was not invasive in the sense of infringing the kind of interest of the plaintiffs that the law of trespass protects; it was not an interference with the ownership or possession of land. We need not consider what if any difference it would make if the plaintiffs had festooned the premises with signs forbidding the entry of testers or other snoops. Perhaps none, *see United States v. Centennial Builders, Inc.*, 747 F.2d 678, 683 (11th Cir.1984), but that is an issue for another day.

What we have said largely disposes of two other claims—*infringement of the right of privacy, and illegal wiretapping.* [These claims were dismissed.]

Last is the charge of fraud in the defendants’ gaining entry to the Chicago office and being permitted while there to interview staff and film a cataract operation, and in their obtaining the Desnick Eye Center’s informational videotape. [This claim was also dismissed.]

... .

AFFIRMED IN PART, REVERSED IN PART, AND REMANDED.

## 1.3 Nuisance

### 1.3.1. Defined

#### **Fontainebleau v. Forty-Five Twenty-Five, 114 So. 2d 357 (Ct. App. Fl., 3d Dist., 1959)**

Sibley, Grusmark, Barkdull & King, Miami Beach, for appellants.

Anderson & Nadeau, Miami, for appellee.

PER CURIAM

This is an interlocutory appeal from an order temporarily enjoining the appellants from continuing with the construction of a fourteen-story addition to the Fontainebleau Hotel, owned and operated by the appellants. Appellee, plaintiff below, owns the Eden Roc Hotel, which was constructed in 1955, about a year after the Fontainebleau, and adjoins the Fontainebleau on the north. Both are luxury hotels, facing the Atlantic Ocean. The proposed addition to the Fontainebleau is being constructed twenty feet from its north property line, 130 feet from the mean high water mark of the Atlantic Ocean, and 76 feet 8 inches from the ocean bulkhead line. The 14-story tower will extend 160 feet above grade in height and is 416 feet long from east to west. During the winter months, from around two o'clock in the afternoon for the remainder of the day, the shadow of the addition will extend over the cabana, swimming pool, and sunbathing areas of the Eden Roc, which are located in the southern portion of its property.

In this action, plaintiff-appellee sought to enjoin the defendants-appellants from proceeding with the construction of the addition to the Fontainebleau (it appears to have been roughly eight stories high at the time suit was filed), alleging that the construction would interfere with the light and air on the beach in front of the Eden Roc and cast a shadow of such size as to render the

beach wholly unfitted for the use and enjoyment of its guests, to the irreparable injury of the plaintiff; further, that the construction of such addition on the north side of defendants' property, rather than the south side, was actuated by malice and ill will on the part of the defendants' president toward the plaintiff's president; and that the construction was in violation of a building ordinance requiring a 100-foot setback from the ocean. It was also alleged that the construction would interfere with the easements of light and air enjoyed by plaintiff and its predecessors in title for more than twenty years and "impliedly granted by virtue of the acts of the plaintiff's predecessors in title, as well as under the common law and the express recognition of such rights by virtue of Chapter 9837, Laws of Florida 1923 \* \* \*." Some attempt was also made to allege an easement by implication in favor of the plaintiff's property, as the dominant, and against the defendants' property, as the servient, tenement.

The defendants' answer denied the material allegations of the complaint, pleaded laches and estoppel by judgment.

The chancellor heard considerable testimony on the issues made by the complaint and the answer and, as noted, entered a temporary injunction restraining the defendants from continuing with the construction of the addition. His reason for so doing was stated by him, in a memorandum opinion, as follows:

In granting the temporary injunction in this case the Court wishes to make several things very clear. The ruling is not based on any alleged presumptive title nor prescriptive right of the plaintiff to light and air nor is it based on any deed restrictions nor recorded plats in the title of the plaintiff nor of the defendant nor of any plat of record. It is not based on any zoning

ordinance nor on any provision of the building code of the City of Miami Beach nor on the decision of any court, nisi prius or appellate. It is based solely on the proposition that no one has a right to use his property to the injury of another. In this case it is clear from the evidence that the proposed use by the Fontainebleau will materially damage the Eden Roc. There is evidence indicating that the construction of the proposed annex by the Fontainebleau is malicious or deliberate for the purpose of injuring the Eden Roc, but it is scarcely sufficient, standing alone, to afford a basis for equitable relief.

This is indeed a novel application of the maxim *sic utere tuo ut alienum non laedas*. This maxim does not mean that one must never use his own property in such a way as to do any injury to his neighbor. It means only that one must use his property so as not to injure the lawful *rights* of another. In *Reaver v. Martin Theatres*, under this maxim, it was stated that “it is well settled that a property owner may put his own property to any reasonable and lawful use, so long as he does not thereby deprive the adjoining landowner of any right of enjoyment of his property *which is recognized and protected by law, and so long as his use is not such a one as the law will pronounce a nuisance.*” [Emphasis supplied.]

No American decision has been cited, and independent research has revealed none, in which it has been held that - in the absence of some contractual or statutory obligation - a landowner has a legal right to the free flow of light and air across the adjoining land of his neighbor. Even at common law, the landowner had no legal right, in the absence of an easement or uninterrupted use and enjoyment for a period of 20 years, to unobstructed light and air from the

adjoining land. And the English doctrine of “ancient lights” has been unanimously repudiated in this country.

There being, then, no legal right to the free flow of light and air from the adjoining land, it is universally held that where a structure serves a useful and beneficial purpose, it does not give rise to a cause of action, either for damages or for an injunction under the maxim *sic utere tuo ut alienum non laedas*, even though it causes injury to another by cutting off the light and air and interfering with the view that would otherwise be available over adjoining land in its natural state, regardless of the fact that the structure may have been erected partly for spite.

We see no reason for departing from this universal rule. If, as contended on behalf of plaintiff, public policy demands that a landowner in the Miami Beach area refrain from constructing buildings on his premises that will cast a shadow on the adjoining premises, an amendment of its comprehensive planning and zoning ordinance, applicable to the public as a whole, is the means by which such purpose should be achieved. (No opinion is expressed here as to the validity of such an ordinance, if one should be enacted pursuant to the requirements of law.) But to change the universal rule - and the custom followed in this state since its inception - that adjoining landowners have an equal right under the law to build to the line of their respective tracts and to such a height as is desired by them (in the absence, of course, of building restrictions or regulations) amounts, in our opinion, to judicial legislation. As stated in *Musumeci v. Leonardo*, “So use your own as not to injure another’s property is, indeed, a sound and salutary principle for the promotion of justice, but it may not and should not be applied so as gratuitously to confer upon an adjacent property owner incorporeal rights incidental to his ownership of land which the law does not sanction.”

We have also considered whether the order here reviewed may be sustained upon any other reasoning, conformable



to and consistent with the pleadings, regardless of the erroneous reasoning upon which the order was actually based. We have concluded that it cannot.

The record affirmatively shows that no statutory basis for the right sought to be enforced by plaintiff exists. The so-called Shadow Ordinance enacted by the City of Miami Beach at plaintiff's behest was held invalid in *City of Miami Beach v. State ex rel. Fontainebleau Hotel Corp.* It also affirmatively appears that there is no possible basis for holding that plaintiff has an easement for light and air, either express or implied, across defendants' property, nor any prescriptive right thereto - even if it be assumed, arguendo, that the common-law right of prescription as to "ancient lights" is in effect in this state. And from what we have said heretofore in this opinion, it is perhaps superfluous to add that we have no desire to dissent from the unanimous holding in this country repudiating the English doctrine of ancient lights.

... .

Since it affirmatively appears that the plaintiff has not established a cause of action against the defendants by reason of the structure here in question, the order granting a temporary injunction should be and it is hereby reversed with directions to dismiss the complaint.

Reversed with directions.

[Author's Note: Go to: [http://www.concurringopinions.com/archives/2005/11/what\\_next\\_googl.html](http://www.concurringopinions.com/archives/2005/11/what_next_googl.html) for several pictures of the hotels and extension.]

**Adams v. Cleveland-Cliffs Iron Co., 602 N.W.2d 215  
(Mich. Ct. App. 1999).**

Bridges and Bridges (by Caroline Bridges), Negaunee, for the plaintiffs.

Butzel Long (by John H. Dudley, Jr. and Ronald E. Reynolds), Detroit, and Richard M. Graybill, Ishpeming, for the defendants.

Before: WHITBECK, P.J., and MARKMAN and O'CONNELL, JJ.

O'CONNELL, J.

Defendants appeal as of right from a jury verdict awarding damages in trespass for invasions of plaintiffs' property by intrusions of dust, noise, and vibrations. The gravamen of this appeal presents the question whether Michigan recognizes a cause of action in trespass stemming from invasions of these intangible agents. No published decision of an appellate court of this state is directly on point. Because of the importance of this issue of first impression, we will expound on it in some detail. Following a recitation of facts, we will examine the origins of the doctrines of trespass to land and nuisance, observe recent developments of those doctrines in this and other jurisdictions, and then reaffirm for this state the traditional requirements for a cause of action in trespass.

We conclude that the law of trespass in Michigan does not cover airborne particulate, noise, or vibrations, and that a complaint alleging damages resulting from these irritants normally sounds instead in nuisance.<sup>1</sup>

#### I. Facts

Plaintiffs brought suit seeking damages in both trespass and nuisance, complaining of dust, noise, and vibrations emanating from the Empire Mine, which is operated by defendant Cleveland-Cliffs Iron Company and its subsidiary, defendant Empire Iron Mining Partnership.

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<sup>1</sup> This Court has noted before that "claims of trespass and nuisance are difficult to distinguish and include overlapping concepts." *Traver Lakes Community Maintenance Ass'n v. Douglas Co.*, 224 Mich.App. 335, 344, 568 N.W.2d 847 (1997).

The Empire Mine is one of the nation's largest mines, producing eight million tons of iron ore annually. The mine operates twenty-four hours a day, year round. At the time this action was commenced, all but three plaintiffs lived near the mine, in the village of Palmer in Marquette County. Cleveland-Cliffs, which also operates the nearby Tilden Mine, employs approximately 2,200 persons, making it the area's largest civilian employer.

The Empire Mine was originally dug in the 1870s, then expanded in the 1960s. A second pit was added in 1987, and a third in 1990-91.<sup>2</sup> The mine engages in blasting operations approximately three times a week, year round, and the extraction and processing of the iron ore generates a great deal of airborne dust. Plaintiffs complain that the blasting sends tremors through their property and that defendants' dust constantly accumulates inside and outside plaintiffs' homes. Plaintiffs assert that these emanations aggravate their need to clean and repaint their homes, replace carpets and drapes, repair cracks in all masonry, replace windows, and tend to cause plumbing leaks and broken sewer pipes.

According to the testimony, the dust from the mine is fine, gritty, oily, and difficult to clean. Some plaintiffs complained that they seldom opened their windows because of the dust, and virtually every plaintiff complained that the snow in Palmer tended to be gray or black. Evidence presented at trial indicates that the emissions from the mining operations have consistently remained within applicable air-quality standards and that the amount of particulate matter accumulating over Palmer each month

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<sup>2</sup> With each expansion, surface material, also called "overburden," consisting of soil, subsoil, and rock was blasted loose then stockpiled at the edge of the mine property. As the mine was dug deeper, waste rock was likewise blasted loose and stockpiled. The resulting mass of overburden and waste rock is unsightly and so large that residents of Palmer have nicknamed it "Mt. Palmer" and say that it causes their town to have early sunsets.

amounts to less than the thickness of a sheet of paper, but that this amount is nonetheless four times greater than what normally settles onto surrounding communities.

In addition to concerns about the dust, many plaintiffs testified that the noise and vibrations from the blasts caused them to suffer shock, nervousness, and sleeplessness. Finally, several plaintiffs asserted that these conditions diminished the value of their homes, in some cases to the point of rendering them unmarketable.

At the close of proofs, the trial court instructed the jury concerning both trespass and nuisance. The jury found that three of the plaintiffs were not entitled to recover under either theory. Concerning the remaining fifty-two plaintiffs, however, the jury was unable to agree on a verdict regarding the nuisance claim, but returned a verdict in favor of these plaintiffs with regard to the trespass claim, awarding damages totaling \$599,199. The court denied defendants' posttrial motions for a new trial or judgment notwithstanding the verdict.

The sole issue that defendants raise on appeal is the propriety of the trial court's jury instruction concerning plaintiffs' trespass claim:

Every unauthorized intrusion onto the lands of another is a trespass upon those lands, and it gives rise to a right to recover damages for the trespass, if any damages were caused by the trespass. So a landowner who causes emissions, dust, vibration, noise from his property onto another [sic] property assumes the risk of trespass, if the dust, vibration, noise affects the neighbor's property, or if he causes by his actions, damages or invasion of his neighbor's land.

So again, to repeat. A trespass is an unauthorized intrusion into the lands of another.

Defendants did not object on the record that the trial court's instruction improperly recognized a cause of action in trespass where the intrusion complained of consisted of airborne particulate, noise, or vibrations, nor did they initially frame their issue on appeal that way. Nonetheless, in the interests of justice,<sup>3</sup> and because the issue concerns a question of law and all the facts necessary for its resolution have been presented,<sup>4</sup> we will examine the related doctrines of trespass and nuisance and will determine how they bear on the intrusions at issue in this case. See *Frericks v. Highland Twp.*, 228 Mich.App. 575, 586, 579 N.W.2d 441 (1998) ("this Court may go beyond the issues raised on appeal and address issues that, in this Court's opinion, justice requires be considered and resolved").<sup>5</sup>

## II. Trespass and Nuisance

The general concept of "property" comprises various rights—a "bundle of sticks," as it is often called<sup>6</sup>—which is usually understood to include "[t]he exclusive right of possessing, enjoying, and disposing of a thing." *Black's Law Dictionary* (6th ed., 1990), p. 1216. As this latter characterization suggests, the right to exclude others from one's land and the right to quiet enjoyment of one's land have customarily been regarded as separate sticks in the

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<sup>3</sup> See *Phinney v. Perlmutter*, 222 Mich.App. 513, 557, 564 N.W.2d 532 (1997).

<sup>4</sup> See *Providence Hosp. v. Nat'l Labor Union Health & Welfare Fund*, 162 Mich.App. 191, 194-195, 412 N.W.2d 690 (1987).

<sup>5</sup> Before oral argument, this Court ordered, and the parties provided, supplemental briefs addressing the issue, "shoulddoes Michigan recognize a cause of action in trespass for airborne particulate matter andor blastings."

<sup>6</sup> Some attribute the origins of this metaphor to a work by Benjamin N. Cardozo, dating from shortly before he ascended to the United States Supreme Court. See Cardozo, *The Paradoxes of Legal Science*, p. 129 ("The bundle of power and privileges to which we give the name of ownership is not constant through the ages. The faggots must be put together and rebound from time to time.").

bundle. E.g., *Lucas v. South Carolina Coastal Council*, 505 U.S. 1003, 1044, 112 S.Ct. 2886, 120 L.Ed.2d 798 (1992) (Blackmun, J., dissenting) (addressing as separate “attributes of ownership” the rights of exclusion, alienation, and enjoyment); *Biggs v. Comm’r of Internal Revenue*, 632 F.2d 1171, 1177 (C.A.5, 1980) (“title to real property ... is nothing more than a bundle of potential causes of action: for trespass, to quiet title, for interference with quiet enjoyment, and so on,” quoting *Starker v. United States*, 602 F.2d 1341, 1355 [C.A.9, 1979] ); *Livingston, Public Access to Virginia’s Tidelands: A Framework for Analysis of Implied Dedications and Public Prescriptive Rights*, 24 Wm & Mary L R 669, 698 (1983) (“The notion of fee simple ownership carries with it the idea that the owner may exclude all others from his property, shall have the quiet enjoyment of it, and shall be free from unrecorded conflicting interests in it.”), citing *Cribbet, Principles of the Law of Property* (2d ed., 1975), pp. 263-332.<sup>7</sup> Thus, possessory rights to real property

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<sup>7</sup> A.M. Honore likewise distinguished between the rights of exclusion and of use and enjoyment, listing the incidents of ownership as follows:

- (1) the right to exclusive possession;
- (2) the right to personal use and enjoyment;
- (3) the right to manage use by others;
- (4) the right to the income from use by others;
- (5) the right to the capital value, including alienation, consumption, waste, or destruction;
- (6) the right to security (that is, immunity from expropriation);
- (7) the power of transmissibility by gift, devise, or descent;
- (8) the lack of any term on these rights;
- (9) the duty to refrain from using the object in ways that harm others;
- (10) the liability to execution for repayment of debts; and
- (11) residual rights on the reversion of lapsed ownership rights held by others.

include as distinct interests the right to exclude and the right to enjoy, violations of which give rise to the distinct causes of action respectively of trespass and nuisance. Prosser & Keeton, *Torts* (5 th ed.), s 87, p. 622.

*A. Historical Overview*

“At common law, trespass was a form of action brought to recover damages for any injury to one’s person or property or relationship with another.” Black’s Law Dictionary (6th ed.), p. 1502. This broad usage of the term “trespass” then gave way to a narrower usage, referring to intrusions upon a person’s “tangible property, real or personal.” Prosser & Keeton, *supra* at s 13, p. 67. Today, the general concept of “trespass” has been refined into several specific forms of trespass, see Black’s Law Dictionary (6th ed.), pp. 1502-1504, and related doctrines known by various names. Landowners seeking damages or equitable relief in response to violations of their possessory rights to land now generally proceed under the common-law derivatives of strict liability, negligence, nuisance, or trespass to land.<sup>8</sup> It is the latter two products of this evolution from the general concept of trespass that are at issue in the present case.

”[T]respass is an invasion of the plaintiff’s interest in the exclusive possession of his land, while nuisance is an interference with his use and enjoyment of it.’ ” *Hadfield v. Oakland Co. Drain Comm’r*, 430 Mich. 139, 151, 422 N.W.2d 205 (1988) (Brickley, J., joined by Riley, C.J., and Cavanagh, J.), quoting Prosser & Keeton, *supra* at s 87, p. 622. Historically, “[e]very unauthorized intrusion upon the

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Heller, *The Tragedy of the Anticommons: Property in the Transition from Marx to Markets*, 111 Harv L R 621, 663, n. 187 (1998), citing Honore, *Ownership*, in *Oxford Essays in Jurisprudence* (A.G. Guest ed., 1961), pp. 107, 112-128 (emphasis added).

<sup>8</sup> See generally Keeton, *Trespass, Nuisance, and Strict Liability*, 59 Columbia L R 457, 459 (1959).

private premises of another is a trespass....” Giddings v. Rogalewski, 192 Mich. 319, 326, 158 N.W. 951 (1916). Because a trespass violated a landholder’s right to exclude others from the premises, the landholder could recover at least nominal damages even in the absence of proof of any other injury. *Id.* Recovery for nuisance, however, traditionally required proof of actual and substantial injury.<sup>9</sup> Further, the doctrine of nuisance customarily called for balancing the disturbance complained of against the social utility of its cause.<sup>10</sup>

Traditionally, trespass required that the invasion of the land be direct or immediate and in the form of a physical, tangible object. See, e.g., *Williams v. Oeder*, 103 Ohio App.3d 333, 338, n. 2, 659 N.E.2d 379 (1995) (noting then abandoning those traditional requirements); *Davis v. Georgia-Pacific Corp.*, 251 Or. 239, 242, 445 P.2d 481 (1968) (abandoning the traditional requirements); *Norwood v. Eastern Oregon Land Co.*, 139 Or. 25, 37, 5 P.2d 1057 (1931), modified 139 Or. 25, 7 P.2d 996 (1932) (wrongful diversion of water onto another’s land does not constitute trespass to land). Under these principles, recovery in trespass for dust, smoke, noise, and vibrations was generally unavailable because they were not considered tangible or because they came to the land via some intervening force such as wind or water. Instead, claims concerning these irritants were generally pursued under a nuisance theory.

### *B. Recent Trends*

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<sup>9</sup> To put it another way, “Trespass was liability-producing regardless of the degree of harm the invasion caused, while nuisance required substantial harm as a liability threshold.” Halper, *Untangling the Nuisance Knot*, 26 B C Env’tl Aff L R 89, 121-122 (1998), citing 4 Restatement Torts, 1st, ch. 40, p. 225.

<sup>10</sup> See Halper, *supra* at 122 (“the Restatement (First) expected plaintiffs to bear uncompensated harms that might, for them, be quite severe, if the utility of the defendant’s conduct to society at large was great enough”).



Plaintiffs urge this Court to hold that they are entitled to recover in trespass for invasions of their premises by intangible things without regard for how these annoyances came to their land. Plaintiffs would have us follow the example of certain courts from other jurisdictions, which have eliminated the traditional requirements for trespass of a direct intrusion by a tangible object, directing the inquiry instead toward the nature of the interest harmed. These courts have permitted recovery in trespass for indirect, intangible invasions that nonetheless interfered with exclusive possessory interests in the land. See 75 Am Jur 2d, Trespass, s 33, p. 33 and cases cited. See also *Mercer v. Rockwell Int'l Corp.*, 24 F.Supp.2d 735, 743 (W.D.Ky., 1998) (allowing an action in “negligent trespass” concerning intrusions of invisible polychlorinated biphenyls [PCBs] that actually harm the property); *Williams*, supra (airborne particulate matter from a sand and gravel processing facility, an asphalt plant, and a concrete plant constituted trespass); *Martin v. Reynolds Metals Co.*, 221 Or. 86, 342 P.2d 790 (1959) (trespass may stem from fluoride compounds in the form of gases and particles). We agree with the characterization of cases of this sort found in *Prosser & Keeton* as being “in reality, examples of the tort of private nuisance or liability for harm resulting from negligence,” not proper trespass cases. *Prosser & Keeton*, supra at s 13, pp. 71-72 (concerning “decisions finding a trespass constituted by the entry of invisible gases and microscopic particles, but only if harm results”). Accordingly, we decline plaintiffs’ invitation to strip the tort of trespass to land of its distinctive accouterments and commingle its identity with other causes of action.

As stated above, the traditional view of trespass required a direct entry onto the land by a tangible object. However, recent trends have led to an erosion of these requirements. Some courts have eliminated the requirement of a direct entry onto the land. E.g., *Bradley v. American Smelting &*

Refining Co., 104 Wash.2d 677, 686, 709 P.2d 782 (1985); *Borland v. Sanders Lead Co., Inc.*, 369 So.2d 523, 527 (Ala., 1979); *Martin*, supra at 101, 342 P.2d 790 (observing the trend without deciding whether to join it), citing Prosser, *Torts* (2d ed.), p. 56; 1 Restatement, *Torts*, s 158, comment h. Some courts have likewise eliminated the requirement of a tangible object. E.g., *Bradley*, supra at 686, 709 P.2d 782; *Borland*, supra at 529. See also *Martin*, supra at 100, 342 P.2d 790 (trespass to land may be accomplished by “a ray of light, by an atomic particle, or by a particulate of fluoride”). In some cases the direct-and-tangible inquiry has been supplanted by an inquiry into the force and energy of the intruding agent. E.g., *Bradley*, supra at 687, 709 P.2d 782; *Borland*, supra at 527; *Martin*, supra at 93, 342 P.2d 790.

The courts that have deviated from the traditional requirements of trespass, however, have consequently found troublesome the traditional principle that at least nominal damages are presumed in cases of trespass. Thus, under the so-called modern view of trespass, in order to avoid subjecting manufacturing plants to potential liability to every landowner on whose parcel some incidental residue of industrial activity might come to rest, these courts have grafted onto the law of trespass a requirement of actual and substantial damages. *Bradley*, supra at 692, 709 P.2d 782; *Borland*, supra at 529. See also *Martin*, supra at 96, 342 P.2d 790 (observing that “[t]here are adjudicated cases which have refused to find a trespass where the intrusion is clearly established but where the court has felt that the possessor’s interest should not be protected”). Logically following from a requirement of substantial damages is the weighing of those damages against the social utility of the activity causing them. *Martin*, supra at 97, 342 P.2d 790 (balancing “the intrusion ... against the socially desirable conduct of the defendant”). See also *Bradley*, supra at 685, 709 P.2d 782 (“While the strict liability origins

of trespass encourage courts to eschew a balancing test in name, there is authority for denying injunctive relief if defendant has exhausted his technological opportunities for control.... Acknowledging technological or economic justifications for trespassory invasions does away with the historically harsh treatment of conduct interfering with another's possessory interests.”<sup>11</sup>

We do not welcome this redirection of trespass law toward nuisance law. The requirement that real and substantial damages be proved, and balanced against the usefulness of the offending activity, is appropriate where the issue is interference with one's use or enjoyment of one's land; applying it where a landowner has had to endure an unauthorized physical occupation of the landowner's land, however, offends traditional principles of ownership. The law should not require a property owner to justify exercising the right to exclude. To countenance the erosion of presumed damages in cases of trespass is to endanger the right of exclusion itself.

To summarize, the effects of recent trends in the law of trespass have included eliminating the requirements of a direct invasion by a tangible object, requiring proof of actual and substantial damages, and weighing the plaintiff's damages against the social utility of the operation causing them. This so-called “modern view of trespass” appears, with all its nuances and add-ons, merely to replicate traditional nuisance doctrine as recognized in Michigan. Indeed, the trends recognized or advanced by Bradley, Borland, Martin, and their kindred spirits have conflated nuisance with trespass to the point of rendering it difficult

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<sup>11</sup> We are of the opinion that this kind of analysis is generally only required in a nuisance case and that it is better to preserve that aspect of traditional trespass analysis requiring no proof of actual injury because the invasion of the plaintiff's right to exclude was regarded as tortious by itself.

to delineate the difference between the two theories of recovery.

With all of these modern adjustments to traditional trespass law, it is little wonder that it has become difficult to differentiate between trespass and nuisance. These adjustments have caused some to observe that "the line between trespass and nuisance has become "waving and uncertain," " Bradley, *supra* at 684, 709 P.2d 782, quoting Rodgers, *Environmental Law*, s 2.13, p. 154 (1977). See also *Burke v. Briggs*, 239 N.J.Super. 269, 272, 571 A.2d 296 (1990) (the blurring of the distinction between the two causes of action "has often led to results that are difficult to explain"), citing Prosser & Keeton, *supra* at s 87, p. 622. Indeed, "it is apparent that the law of trespass and the law of nuisance come very close to merging." Martin, *supra* at 97, 342 P.2d 790. We prefer to preserve the separate identities of trespass and nuisance.

*C. Adkins v. Thomas Solvent Co.*

As stated above, no Michigan appellate court has squarely confronted the question whether the law of trespass in this state covers intrusions of intangible things or intrusions that are effected by indirect means. However, plaintiffs argue that in *Adkins v. Thomas Solvent Co.*, 440 Mich. 293, 487 N.W.2d 715 (1992), the Michigan Supreme Court impliedly eliminated the requirements that a trespass involve intrusions that are both direct and tangible. We disagree.

In *Adkins*, the plaintiffs sought damages in nuisance from the defendant chemical company, on the ground that public perceptions to the effect that the defendant's activities were causing environmental contamination of the groundwater caused depreciation of their property values, *id.* at 300, 487 N.W.2d 715, even though the plaintiffs acknowledged that the defendant's activities in fact did not harm their

groundwater, *id.* at 318, 487 N.W.2d 715. Our Supreme Court ruled that summary disposition was proper because unfounded fears of contamination did not constitute a significant interference with plaintiffs' use and enjoyment of their property and, thus, did not rise to the level of an actionable private nuisance claim. *Id.* at 318-319, 487 N.W.2d 715.

In discussing the historical development of nuisance law, the Court observed that the doctrine of nuisance evolved from that of trespass, *id.* at 307-308, 487 N.W.2d 715, and recognized that traditionally in cases of trespass damage was presumed whereas in nuisance substantial damage had to be proved:

Any intentional and unprivileged entry on land is a trespass without a showing of damage, since those who own land have an exclusive right to its use; but an act that interferes with use but is not in itself a use is not actionable without damage. The substantial interference requirement is to satisfy the need for a showing that the land is reduced in value because of the defendant's conduct.

*Id.* at 304-305, 487 N.W.2d 715, quoting Prosser & Keeton, *supra* at s 87, p. 623.

However, in footnote 23, the Court recognized the recent developments in other jurisdictions under which the requirement for nuisance of substantial damage had crept into trespass:

The common-law development of trespass, like nuisance, is ... illustrative of a need to limit recovery to a proper case. In Bradley [*supra* at] 690-691 ..., 709 P.2d 782, the court discussed the

modern view of trespass, which allowed recovery for indirect invasions of property such as those caused by smoke or air particles. Airborne particles might also give rise to an action in nuisance. To avoid “sanctioning actions in trespass by every landowner within a hundred miles of a manufacturing plant,” the court interposed the actual and substantial damages requirement. *Id.*, at p. 692, 709 P.2d 782. The substantial interference doctrine achieves the same purpose in nuisance law.

*Adkins*, *supra* at 310, n. 23, 487 N.W.2d 715.

Plaintiffs admit that *Adkins* was a nuisance case, but argue that by way of the language quoted immediately above our Supreme Court adopted the “modern view of trespass” allowing recovery for invasions of property such as those of which plaintiffs complain. However, we do not regard dicta from *Adkins* in which the Supreme Court referred to a sister-state trespass case to illustrate a point of law regarding nuisance as effecting a merger of the two doctrines in this regard. We have in fact found no case in this state in which recovery in trespass was allowed merely for intrusions of particulate matter, noise, or vibrations, and we decline to inflect this state’s jurisprudence in that direction. Instead, we prefer to respect the traditional requirement of a direct invasion and agree with Prosser and Keeton, *supra* at s 13, p. 72, that “[t]he historical requirement of an intrusion by a person or some tangible thing seems the sounder way to go about protecting the exclusive right to the use of property.”

III. Holding

Recovery for trespass to land in Michigan is available only upon proof of an unauthorized direct or immediate intrusion of a physical, tangible object onto land over which the plaintiff has a right of exclusive possession. Once such an intrusion is proved, the tort has been established, and the plaintiff is presumptively entitled to at least nominal damages. Where the possessor of land is menaced by noise, vibrations, or ambient dust, smoke, soot, or fumes, the possessory interest implicated is that of use and enjoyment, not exclusion, and the vehicle through which a plaintiff normally should seek a remedy is the doctrine of nuisance. To prevail in nuisance, a possessor of land must prove significant harm resulting from the defendant's unreasonable interference with the use or enjoyment of the property. *Cloverleaf Car Co. v. Phillips Petroleum Co.*, 213 Mich.App. 186, 193, 540 N.W.2d 297 (1995), citing *Adkins*, supra at 304, 487 N.W.2d 715. Thus, in nuisance, the plaintiff must prove all damages, which may be awarded only to the extent that the defendant's conduct was "unreasonable" according to a public-policy assessment of its overall value. In the present case, because the intrusions of which plaintiffs complained were intangible things, the trial court erred in allowing the jury to award damages in trespass. Instead, any award of damages would have had to proceed from plaintiffs' alternative but (as yet) unsuccessful theory of nuisance.

As discussed above, we acknowledge that numerous courts in other jurisdictions have permitted the erosion of the traditional elements of the tort of trespass to land, directing their inquiry instead toward whether the invasion complained of interferes with the exclusive possession of the land generally without regard to whether the intrusion is direct or indirect, tangible or intangible. We prefer to retain the traditional elements, however, because they serve as gatekeepers-safeguarding genuine claims of trespass and keeping the line between the torts of trespass and nuisance

from fading into a “wavering and uncertain” ambiguity. Further, retaining the distinction between the two theories of recovery limits the possibilities for dual liability stemming from the same conduct and results. See Reynolds, Distinguishing Trespass and Nuisance: A Journey Through a Shifting Borderland, 44 Okla LR227, 229 (1991).

The trial court’s instruction regarding trespass, as set forth above, recognized a right to recover in trespass “if any damages were caused by the trespass” and that the agents potentially causing the damages included “emissions, dust, vibration, noise.” Thus the trial court seems to have mirrored (and indeed gone beyond) the so-called modern view of trespass according to which intangible irritants could constitute trespass. This instruction thus erroneously conflated trespass with nuisance and produced the anomalous result that the jury failed to reach agreement on the nuisance claim while awarding damages for intrusions of intangible things pursuant to the trespass claim.

#### *A. Tangible*

Because noise or vibrations are clearly not tangible objects, we hold that they cannot give rise to an action in trespass in this state.<sup>12</sup> We further hold that dust must generally be considered intangible and thus not actionable in trespass.

We realize, of course, that dust particles are tangible objects in a strict sense that they can be touched and are comprised of physical elements. However, we agree with those authorities that have recognized, for practical purposes,

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<sup>12</sup> This holds even if the noise or vibrations are so intense as to shatter all glass and fell all masonry or otherwise so persistent as to drive all persons from the premises. Although such hazards would indeed infringe on a landowner’s possessory interest, it is the interest in use and enjoyment of the premises, not in exclusion from them, and therefore the cause of action lies not in trespass, but in nuisance or the related doctrines of negligence or strict liability.



that dust, along with other forms of airborne particulate, does not normally present itself as a significant physical intrusion. See anno: Recovery in trespass for injury to land caused by airborne pollutants, 2 A.L.R.4th 1054, 1055 (“[t]raditionally, an invasion of the exclusive possession of land by intangible substances, such as an airborne pollutant, was usually held by the court not to constitute a trespass”); Williams, supra, 103 Ohio App.3d at 338, n. 2, 659 N.E.2d 379 (observing that some courts have held that a “ ‘tangible invasion’ or ‘object’ ” must be “more substantial than dust, gas, or fumes”), citing Bradley, supra at 686, 709 P.2d 782.

Dust particles do not normally occupy the land on which they settle in any meaningful sense; instead they simply become a part of the ambient circumstances of that space. If the quantity and character of the dust are such as to disturb the ambience in ways that interfere substantially with the plaintiff’s use and enjoyment of the land, then recovery in nuisance is possible.

*B. Direct*

“[S]ome courts have held that if an intervening force, such as wind or water, carries pollutants onto the plaintiff’s land, then the entry is not ‘direct.’” Williams, supra at 338, n. 2, 659 N.E.2d 379, citing Bradley, supra at 686, 709 P.2d 782. However, in order to avoid harsh results most courts have avoided an overly strict distinction between direct and indirect invasions, see Prosser & Keeton, supra at s 13, pp. 68-69. Still, “[t]he differentiation between direct and indirect results may not be absolutely dead.” Id. at 71.<sup>13</sup>

Plaintiffs cite *Littell v. Knorr*, 24 Mich.App. 446, 180 N.W.2d 337 (1970), for the proposition that the law of trespass in this state does not concern itself with whether

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<sup>13</sup> See also Reynolds, supra at 228 (“the old element of trespass that prescribed a direct invasion of the plaintiff’s interests still has significance” [emphasis in original]).

the invading agent comes to the land by foot, vehicle, air, or other means. However, *Littell* in fact does not stand for that proposition. Although *Littell* states that “liability can result from pounding, compacting soil, vibrations, etc.,” *id.* at 450, 180 N.W.2d 337, that amorphous statement does not identify the pertinent theory or theories of recovery. We hold that the direct invasion requirement for an action in trespass to land is still alive in Michigan. The question then becomes, how strong must the connection between cause and effect be in order to satisfy this requirement?<sup>14</sup>

We agree with the Restatement view that “[i]t is enough that an act is done with knowledge that it will to a substantial certainty result in the entry of the foreign matter.” 1 Restatement Torts, 2d, s 158, comment i, p. 279. Thus, a “direct or immediate” invasion for purposes of trespass is one that is accomplished by any means that the offender knew or reasonably should have known would result in the physical invasion of the plaintiff’s land.<sup>15</sup>

### *C. Damages*

The question of presumed damages hardly seems at issue in this case. There can be little doubt that plaintiffs proved

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<sup>14</sup> Because we conclude that no trespass existed in the present case because the intrusions at issue were not tangible things, we need not decide whether defendants caused those intrusions to enter plaintiffs’ land by direct or immediate means for purposes of trespass law.

<sup>15</sup> We note that the Restatement itself presents its rule as a departure from the traditional requirement of a direct or immediate invasion. 1 Restatement Torts, 2d, s 158, comment i, pp. 278-279 (“it is not necessary that the foreign matter should be thrown directly and immediately upon the other’s land”). We would, however, adopt the Restatement’s formulation as a liberalization, not a rejection, of the strictest sense of the traditional requirement for a direct or immediate invasion. Accordingly, rather than reject this traditional requirement, we preserve this requirement as something akin to proximate cause, meaning “that which, in a natural and continuous sequence, unbroken by any efficient intervening cause, produces the injury and without which the accident could not have happened, if the injury be one which might be reasonably anticipated or foreseen.” *Black’s Law Dictionary* (6th ed.), p. 1225.

actual damages to the jury's satisfaction, albeit, for reasons set forth above, damages arguably flowing from nuisance, not trespass. Nonetheless, because the jury instruction at issue did not recognize the principle of presumed damages, we take this opportunity to reiterate this final distinction between trespass and nuisance.

The trial court told the jury that "trespass ... gives rise to a right to recover damages for the trespass, if any damages were caused by the trespass." This instruction would be appropriate for nuisance, or negligence, under which theories the plaintiff must prove all damages, but not for trespass. A jury instruction with respect to the latter should announce that because the violation of the right to exclude causes cognizable injury in and of itself, a plaintiff proving that violation is presumptively entitled to at least nominal damages. The jury should be further instructed that beyond the presumed damages, the plaintiff may recover any additional, actual damages proved.

The distinction between presumed damages in cases of trespass and the need to prove damages in cases of nuisance may well be reconciled with the Supreme Court's statement in footnote 23 of *Adkins* that recovery in "trespass, like nuisance" should be limited "to a proper case." We hold that recovery in trespass is appropriate for any appreciable intrusion onto land in violation of the plaintiff's right to exclude, while recovery in nuisance is appropriate for only substantial and unreasonable interference with the plaintiff's right to quiet enjoyment.

#### IV. Conclusion

There is no need to reformulate the traditional law of trespass to accommodate the problems of airborne pollution, noise, or vibrations, because the doctrines of nuisance and related causes of action have always stood ready to provide remedies. Trespass in Michigan remains a distinct doctrine providing a remedy for violation of a

distinct property right. A possessor of land proving a direct or immediate intrusion of a physical, tangible object onto the land is presumptively entitled to recover at least nominal damages even absent any proof of actual injury and may recover additional damages for any injuries actually proved.

Because Michigan does not recognize a cause of action in trespass for airborne particulate, noise, or vibrations, we hereby vacate the jury verdict in this matter and remand this case to the trial court for further proceedings consistent with this opinion. We do not retain jurisdiction.

Reversed and remanded. We do not retain jurisdiction.

### 1.3.2. Law and Economics

**From A. Mitchell Polinsky and Steven Shavell, *Economic Analysis of Law*, in *The New Palgrave Dictionary of Economics* (2d ed.)**

Economic analysis of law seeks to identify the effects of legal rules on the behavior of relevant actors and whether these effects are socially desirable. The approach employed is that of economic analysis generally: the behavior of individuals and firms is described assuming that they are forward looking and rational, and the framework of welfare economics is adopted to assess the social desirability of outcomes. The field may be said to have begun with Bentham (1789), who systematically examined how actors would behave in the face of legal incentives (especially criminal sanctions) and who evaluated outcomes with respect to a clearly stated measure of social welfare (utilitarianism). His work was left essentially undeveloped until four important contributions were made: Coase (1960) on externalities and liability, Becker (1968) on crime and law enforcement, Calabresi (1970) on accident law, and Posner (1972) on economic analysis of law in general.

...

## 1. PROPERTY LAW.

...

*Externalities.* When individuals use property, they may cause externalities, namely, harm or benefit to others. As a general matter, it is socially desirable for individuals to do more than is in their self-interest to reduce detrimental externalities and to act so as to increase beneficial externalities. The socially optimal resolution of harmful externalities often involves the behavior of victims as well as that of injurers. If victims can do things to reduce the amount of harm more cheaply than injurers (say install air filters to avoid pollution), it is optimal for victims to do so. Moreover, victims can sometimes alter their locations to reduce their exposure to harm.

Legal intervention can ameliorate problems of externalities. A major form of intervention that has been studied is *direct regulation*, under which the state restricts permissible behavior, such as requiring factories to use smoke arrestors. Closely related is the *injunction*, whereby a potential victim can enlist the power of the state to force a potential injurer to take steps to prevent harm or to cease his activity. Society can also make use of financial incentives to induce injurers to reduce harmful externalities. Under the *corrective tax*, a party pays the state an amount equal to the expected harm he causes, for example, the expected harm due to a discharge of a pollutant into a lake. There is also *liability*, a privately-initiated means of providing financial incentives, under which injurers pay for harm done if sued by victims. These methods differ in the information that the state needs to apply them, in whether they require or harness information that victims have about harm, and in other respects, such that each may be superior to the other in different circumstances (Shavell, 1993).

Parties affected by externalities will sometimes have the opportunity to make mutually beneficial agreements with those who generate the externalities, as Coase (1960) stressed. But bargaining may not occur for many reasons: cost; collective action problems (such as when many victims each face small harms); and lack of knowledge of harm (such as from an invisible carcinogen). If bargaining does occur, it may not be successful, owing to asymmetric information. These difficulties often make bargaining a

problematic solution to externality problems and imply that liability rules are needed, as discussed by Calabresi and Melamed (1972).

... .

## 6. CRITICISM OF ECONOMIC ANALYSIS OF LAW.

Many observers, and particularly noneconomists, view economic analysis of law with skepticism. We consider several such criticisms here.

*Description of behavior.* It is sometimes claimed that individuals and firms do not respond to legal rules as rational maximizers of their well-being. For example, it is often asserted that decisions to commit crimes are not governed by economists' usual assumptions. Some skeptics also suggest that, in predicting individuals' behavior, certain standard assumptions are inapplicable. For example, in predicting compliance with a law, the assumption that preferences be taken as given would be inappropriate if a legal rule would change people's preferences, as some say was the case with civil rights laws and environmental laws. In addition, laws may frame individuals' understanding of problems, which could affect their probability assessments or willingness to pay. The emerging field of behavioral economics, as well as work in various disciplines that address social norms, is beginning to examine these sorts of issues (Jolls et al., 1998).

*Distribution of income.* A frequent criticism of economic analysis of law concerns its focus on efficiency, to the exclusion of the distribution of income. The claim of critics is that legal rules should be selected in a manner that takes into account their effects on the rich and the poor. But achieving sought-after redistribution through income tax and transfer programs tends to be superior to redistribution through the choice of legal rules. This is because redistribution through legal rules and the tax-transfer system both will distort individuals' labor-leisure decisions in the same manner, but redistribution through legal rules often will require choosing an inefficient rule, which imposes an additional cost (Shavell, 1981; Kaplow and Shavell, 1994b).

Moreover, it is difficult to redistribute income systematically through the choice of legal rules: many individuals are never involved in litigation; and for those who are, there is substantial income heterogeneity among plaintiffs as well as among defendants. Additionally, in contractual contexts, the choice of a legal rule often will not have any distributional effect because contract terms, notably, the price, will adjust so that any agreement into which parties enter will continue to reflect the initial distribution of bargaining power between them.

*Concerns for fairness.* An additional criticism is that the conventional economic approach slights important concerns about fairness, justice, and rights. Some of these notions refer implicitly to the appropriateness of the distribution of income and, accordingly, are encompassed by our preceding remarks. Also, to some degree, the notions are motivated by instrumental concerns. For example, the attraction of paying fair compensation to victims must derive in part from the beneficial risk reduction effected by such payments, and the appeal of obeying contractual promises must rest in part on the desirable consequences contract performance has on production and exchange. To some extent, therefore, critics' concerns are already taken into account in standard economic analysis.

However, many who promote fairness, justice, and rights do not regard these notions merely as some sort of proxy for attaining instrumental objectives. Instead, they believe that satisfying these notions is intrinsically valuable. This view also can be partially reconciled with the economic conception of social welfare: if individuals have a preference for a legal rule or institution because they regard it as fair, that should be credited in the determination of social welfare, just as any preference should.

But many commentators take the position that conceptions of fairness are important as ethical principles in themselves, without regard to any possible relationship the principles may have to individuals' welfare. This opinion is the subject of longstanding debate among moral philosophers. Some readers may be skeptical of normative views that are not grounded in individuals' well-being

because embracing such views entails a willingness to sacrifice individuals' well-being. Indeed, consistently pursuing any non-welfarist principle must sometimes result in everyone being made worse off; see Kaplow and Shavell (2001, 2002).

*Efficiency of judge-made law.* Also criticized is the contention of some economically-oriented legal academics, notably Posner (1972), that judge-made law tends to be efficient (in contrast to legislation, which is said to reflect the influence of special interest groups). Some critics believe that judge-made law is guided by notions of fairness, or is influenced by legal culture or judges' biases, and thus will not necessarily be efficient. Whatever is the merit of the critics' claims, they are descriptive assertions about the law, and their validity does not bear on the power of economics to predict behavior in response to legal rules or on the value of normative economic analysis of law.

**Ronald H. Coase , *The Problem of Social Cost*, 3 J. of Law and Econ. 1 (1960) (excerpted)**

This paper is concerned with those actions of business firms which have harmful effects on others. The standard example is that of a factory the smoke from which has harmful effects on those occupying neighboring properties.

...

The traditional approach has tended to obscure the nature of the choice that has to be made. The question is commonly thought of as one in which A inflicts harm on B and what has to be decided is: how should we restrain A? But this is wrong. We are dealing with a problem of a reciprocal nature. To avoid the harm to B would inflict harm on A. The real question that has to be decided is: should A be allowed to harm B or should B be allowed to harm A? The problem is to avoid the more serious harm. I instanced in my previous article the case of a confectioner the noise and vibrations from whose machinery disturbed a doctor in his work. To avoid harming the doctor would inflict harm on the confectioner...  
...[Consider] the contamination of a stream. If we assume that the harmful effect of the pollution is that it kills the fish, the question



to be decided is: is the value of the fish lost greater or less than the value of the product which the contamination of the stream makes possible. It goes almost without saying that this problem has to be looked at in total *and* at the margin.

I propose to start my analysis by examining a case in which most economists would presumably agree that the problem would be solved in a completely satisfactory manner: when the damaging business has to pay for all damage caused *and* the pricing system works smoothly (strictly this means that the operation of a pricing system is without cost).

A good example of the problem under discussion is afforded by the case of straying cattle which destroy crops growing on neighboring land... . I shall assume ... that the price of the crop is \$1 per ton. Also, I assume that the relation between the number of cattle in the herd and the annual crop loss is as follows:

<b>Number in Herd</b>	<b>Annual Crop Loss (tons)</b>	<b>Marginal Crop Loss (tons)</b>
1	1	1
2	3	2
3	6	3
4	10	4

Given that the cattle-raiser is liable for the damage caused, the additional annual cost imposed on the cattle-raiser if he increased his herd from, say, two to three steers is \$3 and in deciding on the size of the herd, he will take this into account along with his other costs. That is, he will not increase the size of the herd unless the value of the additional meat produced (assuming that the cattle-raiser slaughters the cattle) is greater than the additional costs that this will entail, including the value of the additional crops destroyed...

...

...Assume initially that the value of the crop obtained from cultivating a given tract of land is \$12 and that the cost incurred in

cultivating this tract of land is \$10, the net gain from cultivating the land being \$2. I assume for purposes of simplicity that the farmer owns the land. Now assume that the cattle-raiser starts operations on the neighboring property and that the value of the crops damaged is \$1. In this case \$11 is obtained by the farmer from sale on the market and \$1 is obtained from the cattle-raiser for damage suffered and the net gain remains \$2.

Now suppose that the cattle-raiser finds it profitable to increase the size of his herd, even though the amount of damage rises to \$3; which means that the value of the additional meat production is greater than the additional costs, including the additional \$2 payment for damage. But the total payment for damage is now \$3. The net gain to the farmer from cultivating the land is still \$2. The cattle-raiser would be better off if the farmer would agree not to cultivate his land for any payment less than \$3. The farmer would be agreeable to not cultivating the land for any payment greater than \$2. There is clearly room for a mutually satisfactory bargain which would lead to the abandonment of cultivation... .

...

...A procedure which merely provided for payment for damage to the crop caused by the cattle but which did not allow for the possibility of cultivation being discontinued would result in too small an employment of factors of production in cattle-raising and too large an employment of factors in cultivation of the crop. But given the possibility of market transactions, a situation in which damage to crops exceeded the rent of the land would not endure. Whether the cattle-raiser pays the farmer to leave the land uncultivated or himself rents the land by paying the land-owner an amount slightly greater than the farmer would pay (if the farmer was him-self renting the land), the final result would be the same and would maximize the value of production... .

...

I now turn to the case in which, although the pricing system is assumed to work smoothly (that is, costlessly), the damaging business is not liable for any of the damage which it causes. This

business does not have to make a payment to those damaged by its actions... ..I return to the case of the farmer and the cattle-raiser. The farmer would suffer increased damage to his crop as the size of the herd increased. Suppose that the size of the cattle-raiser's herd is three steers (and that this is the size of the herd that would be maintained if crop damage was not taken into account). Then the farmer would be willing to pay up to \$3 if the cattle-raiser would reduce his herd to two steers, up to \$5 if the herd were reduced to one steer and would pay up to \$6 if cattle-raising was abandoned. The cattle-raiser would therefore receive \$3 from the farmer if he kept two steers instead of three. This \$3 foregone is therefore part of the cost incurred in keeping the third steer. Whether the \$3 is a payment which the cattle-raiser has to make if he adds the third steer to his herd (which it would be if the cattle-raiser was liable to the farmer for damage caused to the crop) or whether it is a sum of money which he would have received if he did not keep a third steer (which it would be if the cattle-raiser was not liable to the farmer for damage caused to the crop) does not affect the final result. In both cases \$3 is part of the cost of adding a third steer, to be included along with the other costs. If the increase in the value of production in cattle-raising through increasing the size of the herd from two to three is greater than the additional costs that have to be incurred (including the \$3 damage to crops), the size of the herd will be increased. Otherwise, it will not. The size of the herd will be the same whether the cattle raiser is liable for damage caused to the crop or not.

...

It is necessary to know whether the damaging-business is liable or not for damage caused since without the establishment of this initial delimitation of rights there can be no marked transactions to transfer and recombine them. But the ultimate result (which maximizes the value of production) is independent of the legal position if the pricing system is assumed to work without cost.

...

...Of course, if market transactions were costless, all that matters (questions of equity apart) is that the rights of the various parties should be well-defined and the results of legal actions easy to forecast. But as we have seen, the situation is quite different when market transactions are so costly as to make it difficult to change the arrangement of rights established by the law. In such cases, the courts directly influence economic activity. It would therefore seem desirable that the courts should understand the economic consequences of their decisions and should, insofar as this is possible without creating too much uncertainty about the legal position itself, take these consequences into account when making their decisions. Even when it is possible to change the legal delimitation of rights through market transactions, it is obviously desirable to reduce the need for such transactions and thus reduce the employment of resources in carrying them out.

### 1.3.3. Problems

#### Problems

1. True or false: To obtain nominal damages, a plaintiff must show at least some form of loss.
2. True or false: Even if consent is obtained by fraud, it may negate trespass.
3. True or false: For the *Adams* court, vibrations interfering with one's property would not be considered a nuisance unless they were so intense that they physically damaged or destroyed structures on the plaintiff's land.
4. The Fountainebleau hotel extension would clearly harm the Eden Roc hotel by casting a shadow over the pool area. The "sic utere" formulation - that one's right to use one's property is limited only to the extent a use would harm others - would seem to dictate that Fountainebleau's harmful use not be allowed. How did the court deal with "sic utere"?
5. What are two externalities that arise from an individual's decision to drive across town to visit a friend? Are these problematic, and if so, what's one thing we could do to solve this problem?

## Answers

1. To obtain nominal damages, a plaintiff must show at least some form of loss.

False: It's impossible to avoid all ambiguity here, but nominal damages are awarded for some causes of action (like trespass to land) even in the absence of any loss. While it's possible to construe "loss" so broadly as to include bare violation of a legal right, I don't think that's the most reasonable construction.

2. Even if consent is obtained by fraud, it may negate trespass.

True: This is *Desnick*. Note I used the word "may" here. *Desnick* does not hold that any entrance to property obtained by lying about one's purpose is ok, only that dishonestly obtained consent does not amount to trespass where the entry does not cause the injuries against which trespass is designed to protect.

3. For the *Adams* court, vibrations interfering with one's property would not be considered a trespass unless they were so intense that they physically damaged or destroyed structures on the plaintiff's land.

False: See n.12. Such vibrations are obviously harmful, but they aren't a violation of the landowners right to exclude but rather his or her right to use/enjoy the property, a right protected in nuisance.

4. The Fountainebleau hotel extension would clearly harm the Eden Roc hotel by casting a shadow over the pool area. The "sic utere" formulation - that one's right to use one's property is limited only to the extent a use would harm others - would seem to dictate that Fountainebleau's harmful use not be allowed. How did the court deal with "sic utere"?

The court said that the principle extends only to preventing uses of one's property that harm the *rights* of another. The court decided that the plaintiff had no legal right to receive sunlight through the property of a neighbor.

5. What are two externalities that arise from an individual's decision to drive across town to visit a friend? Are these problematic, and if so, what's one thing we could do to solve this problem?

You should be looking for any of the aspects of driving that impose costs the driver does not bear. For example pollution and congestion are marginally increased by one's driving. We generally do not bear, individually, the full cost of either. You might also observe that the risk of injury to others may not be part of the private cost-benefit calculation that goes into driving. It's true, though, that one's insurance premiums will increase with an accident. And it is a cost to you that by driving you risk an increase in your premiums. This cost, though, might not reflect the true cost of the risk you impose on others.

How to solve? Well, if we do like Pigou, we'll look for ways to internalize these externalities. This generally means some kind of tax (whether you call it a toll, tax, surcharge, fee, etc.) or possibly regulation. So we may choose a gas tax meant to charge an individual for the harm caused by pollution. We might use some sort of toll system meant to charge an individual for his or her marginal contribution to road congestion. There are plenty of other ways to answer here, so long as you identify a cost that's not internalized and make some suggestion for how we should prevent an individual from making a distorted (i.e. selfishly smart but socially dumb) economic decision.

#### 1.3.4. Application

##### **Prah v. Maretti, 108 Wis. 2d 223 (1982)**

John F. Maloney, Milwaukee, argued, for plaintiff-appellant; Jonathan A. Mulligan and Mulcahy & Wherry, S. C., Milwaukee, on brief.

Jack C. Horth, Milwaukee, for defendant-respondent.

Craig Gordon Smith, Milwaukee, and Alan S. Miller, Washington, D. C., amicus curiae for Natural Resources Defense Council.

Anthony C. Liotta, Acting Asst. Atty. Gen., Land and Natural Resources Division, Washington, D. C., Joan F. Kessler, U. S. Atty., E. D. Wis., Milwaukee, Kathryn A. Oberly, Chief Energy Section, J. Vance Hughes, Chief, Sp. Litigation Section, Jacques B. Gelin and James P. Leape, Attys., U. S. Dept. of Justice, Washington, D. C., for amicus curiae.

ABRAHAMSON, Justice.

... . This case ... involves a conflict between one landowner (Glenn Prah, the plaintiff) interested in unobstructed access to sunlight across adjoining property as a natural source of energy and an adjoining landowner (Richard D. Maretti, the defendant) interested in the development of his land.

The circuit court concluded that the plaintiff presented no claim upon which relief could be granted and granted summary judgment for the defendant. We reverse the judgment of the circuit court and remand the cause to the circuit court for further proceedings.

I.

According to the complaint, the plaintiff is the owner of a residence which was constructed during the years 1978-1979. The complaint alleges that the residence has a solar system which includes collectors on the roof to supply

energy for heat and hot water and that after the plaintiff built his solar-heated house, the defendant purchased the lot adjacent to and immediately to the south of the plaintiff's lot and commenced planning construction of a home. The complaint further states that when the plaintiff learned of defendant's plans to build the house he advised the defendant that if the house were built at the proposed location, defendant's house would substantially and adversely affect the integrity of plaintiff's solar system and could cause plaintiff other damage. Nevertheless, the defendant began construction. The complaint further alleges that the plaintiff is entitled to "unrestricted use of the sun and its solar power" and demands judgment for injunctive relief and damages.<sup>1</sup>

After filing his complaint, the plaintiff moved for a temporary injunction to restrain and enjoin construction by the defendant. In ruling on that motion the circuit court heard testimony, received affidavits and viewed the site.

The record made on the motion reveals the following additional facts: Plaintiff's home was the first residence built in the subdivision, and although plaintiff did not build his house in the center of the lot it was built in accordance with applicable restrictions. Plaintiff advised defendant that if the defendant's home were built at the proposed site it would cause a shadowing effect on the solar collectors which would reduce the efficiency of the system and possibly damage the system. To avoid these adverse effects, plaintiff requested defendant to locate his home an additional several feet away from the plaintiff's lot line, the exact number being disputed. Plaintiff and defendant failed

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<sup>1</sup> . . . . For a discussion of protecting solar access, see Note, *Obtaining Access to Solar Energy: Nuisance, Water Rights, and Zoning Administration*, 45 Bkyn. L. Rev. 357 (1979); Comment, *Obstruction of Sunlight as a Private Nuisance*, 65 Cal. L. Rev. 94-119 (1977); Comment, *Solar Rights: Guaranteeing a Place in the Sun*, 57 Ore. L. Rev. 94 (1977); Note, *The Allocation of Sunlight; Solar Rights and the Prior Appropriation Doctrine*, 47 U. Colo. L. Rev. 421 (1976).



to reach an agreement on the location of defendant's home before defendant started construction. The Architectural Control Committee and the Planning Commission of the City of Muskego approved the defendant's plans for his home, including its location on the lot. After such approval, the defendant apparently changed the grade of the property without prior notice to the Architectural Control Committee. The problem with defendant's proposed construction, as far as the plaintiff's interests are concerned, arises from a combination of the grade and the distance of defendant's home from the defendant's lot line.

The circuit court denied plaintiff's motion for injunctive relief, declared it would entertain a motion for summary judgment and thereafter entered judgment in favor of the defendant.

## II.

...

In this case there is some ambiguity whether the judgment was based on the complaint or on factual matters outside the pleadings which were presented to the circuit court in connection with the motion for a temporary injunction. Consequently, we shall first test the sufficiency of the complaint and then determine whether the matters outside the pleadings present disputed material facts sufficient to justify a trial.

## III.

In testing the sufficiency of the complaint the facts pleaded by the plaintiff, and all reasonable inferences therefrom, are accepted as true. The pleadings are to be liberally construed with a view to substantial justice to the parties, and the complaint should be dismissed as legally insufficient only if "it is quite clear that under no circumstances can the plaintiff recover."

...

We consider first whether the complaint states a claim for relief based on common law private nuisance. This state has long recognized that an owner of land does not have an absolute or unlimited right to use the land in a way which injures the rights of others. The rights of neighboring landowners are relative; the uses by one must not unreasonably impair the uses or enjoyment of the other.<sup>2</sup> When one landowner's use of his or her property unreasonably interferes with another's enjoyment of his or her property, that use is said to be a private nuisance. *Hoene v. Milwaukee*, 17 Wis. 2d 209, 214 (1962); *Metzger v. Hochrein*, 107 Wis. 267, 269 (1900). See also Prosser, *Law of Torts* sec. 89, p. 591 (2d ed. 1971).

The private nuisance doctrine has traditionally been employed in this state to balance the rights of landowners, and this court has recently adopted the analysis of private

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<sup>2</sup> In *Abdella v. Smith*, 34 Wis. 2d 393, 399 (1967), this court quoted with approval Dean Prosser's description of the judicial balancing of the reciprocal rights and privileges of neighbors in the use of their land:

Most of the litigation as to private nuisance has dealt with the conflicting interests of landowners and the question of the reasonableness of the defendant's conduct: The defendant's privilege of making a reasonable use of his own property for his own benefit and conducting his affairs in his own way is no less important than the plaintiff's right to use and enjoy his premises. The two are correlative and interdependent, and neither is entitled to prevail entirely, at the expense of the other. Some balance must be struck between the two. The plaintiff must be expected to endure some inconvenience rather than curtail the defendant's freedom of action, and the defendant must so use his own property that he causes no unreasonable harm to the plaintiff. The law of private nuisance is very largely a series of adjustments to limit the reciprocal rights and privileges of both. In every case the court must make a comparative evaluation of the conflicting interests according to objective legal standards, and the gravity of the harm to the plaintiff must be weighed against the utility of the defendant's conduct.

Prosser, *Law of Torts*, sec. 89, p. 596 (2d ed. 1971) (Citations omitted).

nuisance set forth in the Restatement (Second) of Torts. The Restatement defines private nuisance as “a nontrespassory invasion of another’s interest in the private use and enjoyment of land.” Restatement (Second) of Torts sec. 821D (1977). The phrase “interest in the private use and enjoyment of land” as used in sec. 821D is broadly defined to include any disturbance of the enjoyment of property. The comment in the Restatement describes the landowner’s interest protected by private nuisance law as follows:

The phrase “interest in the use and enjoyment of land” is used in this Restatement in a broad sense. It comprehends not only the interests that a person may have in the actual present use of land for residential, agricultural, commercial, industrial and other purposes, but also his interests in having the present use value of the land unimpaired by changes in its physical condition. Thus the destruction of trees on vacant land is as much an invasion of the owner’s interest in its use and enjoyment as is the destruction of crops or flowers that he is growing on the land for his present use. ‘Interest in use and enjoyment’ also comprehends the pleasure, comfort and enjoyment that a person normally derives from the occupancy of land. Freedom from discomfort and annoyance while using land is often as important to a person as freedom from physical interruption with his use or freedom from detrimental change in the physical condition of the land itself.

Restatement (Second) of Torts, Sec. 821D, Comment b, p. 101 (1977)

Although the defendant's obstruction of the plaintiff's access to sunlight appears to fall within the Restatement's broad concept of a private nuisance as a nontrespassory invasion of another's interest in the private use and enjoyment of land, the defendant asserts that he has a right to develop his property in compliance with statutes, ordinances and private covenants without regard to the effect of such development upon the plaintiff's access to sunlight. In essence, the defendant is asking this court to hold that the private nuisance doctrine is not applicable in the instant case and that his right to develop his land is a right which is *per se* superior to his neighbor's interest in access to sunlight. This position is expressed in the maxim "cujus est solum, ejus est usque ad coelum et ad infernos," that is, the owner of land owns up to the sky and down to the center of the earth. The rights of the surface owner are, however, not unlimited. *U. S. v. Causby*, 328 U.S. 256, 260-1 (1946).

The defendant is not completely correct in asserting that the common law did not protect a landowner's access to sunlight across adjoining property. At English common law a landowner could acquire a right to receive sunlight across adjoining land by both express agreement and under the judge-made doctrine of "ancient lights." Under the doctrine of ancient lights if the landowner had received sunlight across adjoining property for a specified period of time, the landowner was entitled to continue to receive unobstructed access to sunlight across the adjoining property. Under the doctrine the landowner acquired a negative prescriptive

easement and could prevent the adjoining landowner from obstructing access to light.<sup>3</sup>

Although American courts have not been as receptive to protecting a landowner's access to sunlight as the English courts, American courts have afforded some protection to a landowner's interest in access to sunlight. American courts honor express easements to sunlight. American courts initially enforced the English common law doctrine of ancient lights, but later every state which considered the doctrine repudiated it as inconsistent with the needs of a developing country. Indeed, for just that reason this court concluded that an easement to light and air over adjacent property could not be created or acquired by prescription and has been unwilling to recognize such an easement by implication. *Depner v. United States National Bank*, 202 Wis. 405, 408 (1930); *Miller v. Hoeschler*, 126 Wis. 263, 268-69 (1905).

Many jurisdictions in this country have protected a landowner from malicious obstruction of access to light (the spite fence cases) under the common law private nuisance doctrine.<sup>4</sup> If an activity is motivated by malice it lacks utility and the harm it causes others outweighs any social values. This court was reluctant to protect a landowner's interest in sunlight even against a spite fence, only to be overruled by the legislature. Shortly after this court upheld a landowner's right to erect a useless and

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<sup>3</sup> Pfeiffer, *Ancient Lights: Legal Protection of Access to Solar Energy*, 68 ABAJ 288 (1982). No American common law state recognizes a landowner's right to acquire an easement of light by prescription. Comment, *Solar Lights: Guaranteeing a Place in the Sun*, 57 Ore. L. Rev. 94, 112 (1977).

<sup>4</sup> In several of the spite fence cases, courts have recognized the property owner's interest in sunlight. *Hornsby v. Smith*, 191 Ga. 491, 500 (1941) ("the air and light no matter from which direction they come are God-given, and are essential to the life, comfort, and happiness of everyone"); *Burke v. Smith*, 69 Mich. 380, 389 (1888) ("the right to breathe the air and enjoy the sunshine, is a natural one"); *Barger v. Barringer*, 151 N.C. 433, 437 (1909) ("light and air are as much a necessity as water, and all are the common heritage of mankind").

unsightly sixteen-foot spite fence four feet from his neighbor's windows, *Metzger v. Hochrein*, 107 Wis. 267 (1900), the legislature enacted a law specifically defining a spite fence as an actionable private nuisance.<sup>5</sup> Thus a landowner's interest in sunlight has been protected in this country by common law private nuisance law at least in the narrow context of the modern American rule invalidating spite fences.

This court's reluctance in the nineteenth and early part of the twentieth century to provide broader protection for a landowner's access to sunlight was premised on three policy considerations. First, the right of landowners to use their property as they wished, as long as they did not cause physical damage to a neighbor, was jealously guarded. *Metzger v. Hochrein*, 107 Wis. 267, 272 (1900).

Second, sunlight was valued only for aesthetic enjoyment or as illumination. Since artificial light could be used for illumination, loss of sunlight was at most a personal annoyance which was given little, if any, weight by society.

Third, society had a significant interest in not restricting or impeding land development. *Dillman v. Hoffman*, 38 Wis. 559, 574 (1875). This court repeatedly emphasized that in the growth period of the nineteenth and early twentieth centuries change is to be expected and is essential to property and that recognition of a right to sunlight would hinder property development. The court expressed this concept as follows:

As the city grows, large grounds appurtenant to residences must be cut up to supply more residences.... The cistern, the outhouse, the cesspool, and the private drain must disappear in

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<sup>5</sup> The legislature specifically overruled *Metzger*, ch. 81, Laws of 1903; sec. 280.08 Stats. 1925. Cf. *Steiger v. Nowakowski*, 67 Wis. 2d 355 (1975).

deference to the public waterworks and sewer; the terrace and the garden, to the need for more complete occupancy.... Strict limitation [on the recognition of easements of light and air over adjacent premises is] in accord with the popular conception upon which real estate has been and is daily being conveyed in Wisconsin and to be essential to easy and rapid development at least of our municipalities.

*Miller v. Hoeschler*, *supra*, 126 Wis. at 268, 270; quoted with approval in *Depner*, *supra*, 202 Wis. at 409.

Considering these three policies, this court concluded that in the absence of an express agreement granting access to sunlight, a landowner's obstruction of another's access to sunlight was not actionable. *Miller v. Hoeschler*, *supra*, 126 Wis. at 271; *Depner v. United States National Bank*, *supra*, 202 Wis. at 410. These three policies are no longer fully accepted or applicable. They reflect factual circumstances and social priorities that are now obsolete.

First, society has increasingly regulated the use of land by the landowner for the general welfare. *Euclid v. Ambler Realty Co.*, 272 U.S. 365 (1926); *Just v. Marinette*, 56 Wis. 2d 7 (1972).

Second, access to sunlight has taken on a new significance in recent years. In this case the plaintiff seeks to protect access to sunlight, not for aesthetic reasons or as a source of illumination but as a source of energy. Access to sunlight as an energy source is of significance both to the landowner

who invests in solar collectors and to a society which has an interest in developing alternative sources of energy.<sup>6</sup>

Third, the policy of favoring unhindered private development in an expanding economy is no longer in harmony with the realities of our society. *State v. Deetz*, 66 Wis. 2d 1 (1974). The need for easy and rapid development is not as great today as it once was, while our perception of the value of sunlight as a source of energy has increased significantly.

Courts should not implement obsolete policies that have lost their vigor over the course of the years. The law of private nuisance is better suited to resolve landowners' disputes about property development in the 1980's than is a rigid rule which does not recognize a landowner's interest in access to sunlight. As we said in *Ballstadt v. Pagel*, 202 Wis. 484, 489 (1930), "What is regarded in law as constituting a nuisance in modern times would no doubt have been tolerated without question in former times." We read *State v. Deetz*, 66 Wis. 2d 1 (1974), as an endorsement of the application of common law nuisance to situations involving the conflicting interests of landowners and as rejecting per se exclusions to the nuisance law reasonable use doctrine.

In *Deetz* the court abandoned the rigid common law common enemy rule with respect to surface water and adopted the private nuisance reasonable use rule, namely that the landowner is subject to liability if his or her interference with the flow of surface waters unreasonably

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<sup>6</sup> State and federal governments are encouraging the use of the sun as a significant source of energy. In this state the legislature has granted tax benefits to encourage the utilization of solar energy. See Ch. 349, 350, Laws of 1979. See also Ch. 354, Laws of 1981 (eff. May 7, 1982) enabling legislation providing for local ordinances guaranteeing access to sunlight.

The federal government has also recognized the importance of solar energy and currently encourages its utilization by means of tax benefits, direct subsidies and government loans for solar projects. [citations omitted]



invades a neighbor's interest in the use and enjoyment of land. Restatement (Second) of Torts, sec. 822, 826, 829 (1977) This court concluded that the common enemy rule which served society "well in the days of burgeoning national expansion of the mid-nineteenth and early-twentieth centuries" should be abandoned because it was no longer "in harmony with the realities of our society." *Deetz*, *supra*, 66 Wis. 2d at 14-15. We recognized in *Deetz* that common law rules adapt to changing social values and conditions.<sup>7</sup>

Yet the defendant would have us ignore the flexible private nuisance law as a means of resolving the dispute between the landowners in this case and would have us adopt an approach, already abandoned in *Deetz*, of favoring the unrestricted development of land and of applying a rigid and inflexible rule protecting his right to build on his land

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<sup>7</sup> This court has recognized "that the common law is susceptible of growth and adaptation to new circumstances and situations, and that courts have power to declare and effectuate what is the present rule in respect of a given subject without regard to the old rule.... The common law is not immutable, but flexible, and upon its own principles adapts itself to varying conditions." *Dimick v. Schiedt*, 293 U.S. 474, 487, 55 S.Ct. 296, 301, 79 L.Ed. 603 (1935), quoted with approval in *Schwanke v. Garlt*, 219 Wis. 367, 371, 263 N.W. 176 (1935). In *Bielskei v. Schulze*, 16 Wis. 2d 1, 11 (1962), this court said:

Inherent in the common law is a dynamic principle which allows it to grow and to tailor itself to meet changing needs within the doctrine of stare decisis, which, if correctly understood, was not static and did not forever prevent the courts from reversing themselves or from applying principles of common law to new situations as the need arose. If this were not so, we must succumb to a rule that a judge should let others "long dead and unaware of the problems of the age in which he lives, do his thinking for him." Mr. Justice Douglas, *Stare Decisis*, 49 Columbia Law Review (1949). 735, 736.

The genius of the common law is its ability to adapt itself to the changing needs of society.

*Moran v. Quality Aluminum Casting Co.*, 34 Wis. 2d 542, 551 (1967). *See also State v. Esser*, 16 Wis. 2d 567, 581 (1962).

and disregarding any interest of the plaintiff in the use and enjoyment of his land. This we refuse to do.<sup>8</sup>

Private nuisance law, the law traditionally used to adjudicate conflicts between private landowners, has the flexibility to protect both a landowner's right of access to sunlight and another landowner's right to develop land. Private nuisance law is better suited to regulate access to sunlight in modern society and is more in harmony with legislative policy and the prior decisions of this court than is an inflexible doctrine of non-recognition of any interest in access to sunlight across adjoining land.<sup>9</sup>

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<sup>8</sup> Defendant's position that a landowner's interest in access to sunlight across adjoining land is not "legally enforceable" and is therefore excluded per se from private nuisance law was adopted in *Fontainebleau Hotel Corp. v. Forty-five Twenty-five, Inc.*, 114 So.2d 357 (Fla. App. 1959), *cert. den.* 117 So.2d 842 (Fla. 1960). The Florida district court of appeals permitted construction of a building which cast a shadow on a neighboring hotel's swimming pool. The court asserted that nuisance law protects only those interests "which [are] recognized and protected by law," and that there is no legally recognized or protected right to access to sunlight. A property owner does not, said the Florida court, in the absence of a contract or statute, acquire a presumptive or implied right to the free flow of light and air across adjoining land. The Florida court then concluded that a lawful structure which causes injury to another by cutting off light and air—whether or not erected partly for spite—does not give rise to a cause of action for damages or for an injunction. See also *People ex rel Hoogasian v. Sears, Roebuck & Co.*, 52 Ill. 2d 301 (1972).

We do not find the reasoning of *Fontainebleau* persuasive. The court leaped from rejecting an easement by prescription (the doctrine of ancient lights) and an easement by implication to the conclusion that there is no right to protection from obstruction of access to sunlight. The court's statement that a landowner has no right to light should be the conclusion, not its initial premise. The court did not explain why an owner's interest in unobstructed light should not be protected or in what manner an owner's interest in unobstructed sunlight differs from an owner's interest in being free from obtrusive noises or smells or differs from an owner's interest in unobstructed use of water. The recognition of a *per se* exception to private nuisance law may invite unreasonable behavior.

<sup>9</sup> For a discussion of nuisance law, see Ellickson, *Alternatives to Zoning: Covenants, Nuisance Rules, and Fines as Land Use Controls*, 40 U. Chi. L. Rev. 681 (1973); Comment, *Nuisance as a Modern Mode of Land Use Control*, 46 Wash. L. Rev. 47 (1970).

We therefore hold that private nuisance law, that is, the reasonable use doctrine as set forth in the Restatement, is applicable to the instant case. Recognition of a nuisance claim for unreasonable obstruction of access to sunlight will not prevent land development or unduly hinder the use of adjoining land. It will promote the reasonable use and enjoyment of land in a manner suitable to the 1980's. That obstruction of access to light might be found to constitute a nuisance in certain circumstances does not mean that it will be or must be found to constitute a nuisance under all circumstances. The result in each case depends on whether the conduct complained of is unreasonable.

Accordingly we hold that the plaintiff in this case has stated a claim under which relief can be granted. Nonetheless we do not determine whether the plaintiff in this case is entitled to relief. In order to be entitled to relief the plaintiff must prove the elements required to establish actionable nuisance, and the conduct of the defendant herein must be judged by the reasonable use doctrine.

#### IV.

The defendant asserts that even if we hold that the private nuisance doctrine applies to obstruction of access to sunlight across adjoining land, the circuit court's granting of summary judgment should be affirmed.

Although the memorandum decision of the circuit court in the instant case is unclear, it appears that the circuit court recognized that the common law private nuisance doctrine was applicable but concluded that defendant's conduct was not unreasonable.<sup>10</sup> The circuit court apparently attempted

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<sup>10</sup> As noted previously this court has adopted the reasonableness doctrine set forth in sec. 822 of the Restatement (Second) of Torts. *CEW Mgmt. Corp. v. First Federal Savings & Loan Association*, 88 Wis. 2d 631, 633 (1979). Sec. 822 provides as follows:

One is subject to liability for a private nuisance if, but only if, his conduct is a legal cause of an invasion of another's

to balance the utility of the defendant's conduct with the gravity of the harm. Sec. 826, Restatement (Second) of Torts (1977).<sup>11</sup> The defendant urges us to accept the circuit court's balance as adequate. We decline to do so.

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interest in the private use and enjoyment of land, and the invasion is either

- (a) intentional and unreasonable, or
- (b) unintentional and otherwise actionable under the rules controlling liability for negligent or reckless conduct, or for abnormally dangerous conditions or activities.”

Further, sec. 821F, Restatement (Second) of Torts (1977) provides as follows:

There is liability for a nuisance only to those to whom it causes significant harm, of a kind that would be suffered by a normal person in the community or by property in normal condition and used for a normal purpose.

<sup>11</sup> The factors involved in determining the gravity of the harm caused by the conduct complained of are set out in sec. 827 of the Restatement as follows:

Sec. 827. Gravity of Harm-Factors Involved.

In determining the gravity of the harm from an intentional invasion of another's interest in the use and enjoyment of land, the following factors are important:

- (a) The extent of the harm involved;
- (b) the character of the harm involved;
- (c) the social value that the law attaches to the type of use or enjoyment invaded;
- (d) the suitability of the particular use or enjoyment invaded to the character of the locality; and
- (e) the burden on the person harmed of avoiding the harm.

The factors involved in determining the utility of conduct complained of are set out in sec. 828 of the Restatement as follows:

Sec. 828. Utility of Conduct-Factors Involved.

The circuit court concluded that because the defendant's proposed house was in conformity with zoning regulations, building codes and deed restrictions, the defendant's use of the land was reasonable. This court has concluded that a landowner's compliance with zoning laws does not automatically bar a nuisance claim. Compliance with the law "is not the controlling factor, though it is, of course, entitled to some weight." *Bie v. Ingersoll*, 27 Wis. 2d 490, 495 (1965). The circuit court also concluded that the plaintiff could have avoided any harm by locating his own house in a better place. Again, plaintiff's ability to avoid the harm is a relevant but not a conclusive factor. *See* secs. 826, 827, 828, Restatement (Second) of Torts (1977).

Furthermore, our examination of the record leads us to conclude that the record does not furnish an adequate basis for the circuit court to apply the proper legal principles on summary judgment. The application of the reasonable use standard in nuisance cases normally requires a full exposition of all underlying facts and circumstances. Too little is known in this case of such matters as the extent of the harm to the plaintiff, the suitability of solar heat in that neighborhood, the availability of remedies to the plaintiff, and the costs to the defendant of avoiding the harm. Summary judgment is not an appropriate procedural vehicle in this case when the circuit court must weigh evidence which has not been presented at trial.

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In determining the utility of conduct that causes an intentional invasion of another's interest in the use and enjoyment of land, the following factors are important:

- (a) the social value that the law attaches to the primary purpose of the conduct;
- (b) the suitability of the conduct to the character of the locality; and
- (c) the impracticability of preventing or avoiding the invasion.

For the reasons set forth, we reverse the judgment of the circuit court dismissing the complaint and remand the matter to circuit court for further proceedings not inconsistent with this opinion.

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CALLOW, Justice (dissenting).

The majority has adopted the Restatement's reasonable use doctrine to grant an owner of a solar heated home a cause of action against his neighbor who, in acting entirely within the applicable ordinances and statutes, seeks to design and build his home in such a location that it may, at various times during the day, shade the plaintiff's solar collector, thereby impeding the efficiency of his heating system<sup>12</sup> during several months of the year. Because I believe the facts of this case clearly reveal that a cause of action for private nuisance will not lie, I dissent.

The majority arrives at its conclusion that the common law private nuisance doctrine is applicable by analogizing this situation with the spite fence cases which protect a landowner from *malicious* obstruction of access to light. *See Piccirilli v. Groccia*, 114 R.I. 36, 39 (1974) (plaintiff must prove allegedly objectionable fence was erected *solely* for the avowed purpose of damaging the abutting neighbor and not for the advantage of the person who constructed the fence); *Schorck v. Epperson*, 74 Wyo. 286, 287-88 (1955) (doctrine of private nuisance founded on maxim that no one should have a legal right to make a malicious use of his property for no benefit to himself but merely to injure another). [citations omitted] Courts have likewise refused to limit interference with television reception and other broadcast signals. *The People ex rel. Hoogasian v. Sears, Roebuck and Co.*, 52 Ill. 2d 301, 305 (1972). Clearly, the spite fence

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<sup>12</sup> Plaintiff testified that he has a backup electrical system as required by law in this state. Thus, if the solar system fails or loses efficiency, he may resort to the electrical system.

cases, as their name implies, require malice which is not claimed in this case.

The majority then concludes that this court's past reluctance to extend protection to a landowner's access to sunlight beyond the spite fence cases is based on obsolete policies which have lost their vigor over the course of the years. The three obsolete policies cited by the majority are: (1) Right of landowners to use their property as they desire as long as no physical damage is done to a neighbor; (2) In the past, sunlight was valued only for aesthetic value, not a source of energy; and (3) Society has a significant interest in not impeding land development. The majority has failed to convince me that these policies are obsolete.

It is a fundamental principle of law that a "landowner owns at least as much of the space above the ground as he can occupy or use in connection with the land." As stated in the frequently cited and followed case of *Fontainebleau Hotel Corp. v. Forty-Five Twenty-Five, Inc.*, 114 So.2d 357 (Fla. Dist. Ct. App. 1959):

There being, then, no legal right to the free flow of light and air from the adjoining land, it is universally held that where a structure serves a useful and beneficial purpose, it does not give rise to a cause of action, either for damages or for an injunction under the maxim *sic utere tuo ut alienum non laedas*, even though it causes injury to another by cutting off the light and air and interfering with the view that would otherwise be available over adjoining land in its natural state, regardless of the fact that the structure may have been erected partly for spite.

*Id.* at 359 (emphasis in original). I firmly believe that a landowner's right to use his property within the limits of

ordinances, statutes, and restrictions of record where such use is necessary to serve his legitimate needs is a fundamental precept of a free society which this court should strive to uphold.

As one commentator has suggested:

It is fashionable to dismiss such values as deriving from a bygone era in which people valued development as a 'goal in itself,' but current market prices for real estate, and more particularly the premiums paid for land whose zoning permits intensive use, suggest that people still place very high values on such rights.

Williams, *Solar Access and Property Rights: A Maverick Analysis*, 11 Conn. L. Rev. 430, 443 (1979) (footnote omitted). Cf. Goble, *Solar Access and Property Rights: Reply to a "Maverick" Analysis*, 12 Conn. L. Rev. 270 (1980).

The majority cites two zoning cases, *Village of Euclid v. Ambler Realty Company*, 272 U.S. 365 (1926), and *Just v. Marinette County*, 56 Wis. 2d 7 (1972), to support the conclusion that society has increasingly regulated private land use in the name of public welfare. The cases involving the use of police power and eminent domain are clearly distinguishable from the present situation as they relate to interference with a private right solely for the public health, safety, morals, or welfare. In the instant case, we are dealing with an action which seeks to restrict the defendant's private right to use his property, notwithstanding a complete lack of notice of restriction to the defendant and the defendant's compliance with applicable ordinances and statutes. The plaintiff who *knew* of the potential problem before the defendant acquired the land seeks to impose such use restriction to accommodate his personal, private benefit—a benefit which could have been accommodated by



the plaintiff locating his home in a different place on his property or by acquiring the land in question when it was for sale prior to its acquisition by the defendant.

I know of no cases repudiating policies favoring the right of a landowner to use his property as he lawfully desires or which declare such policies are “no longer fully accepted or applicable” in this context.<sup>13</sup> The right of a property owner to lawful enjoyment of his property should be vigorously protected, particularly in those cases where the adjacent property owner could have insulated himself from the alleged problem by acquiring the land as a defense to the potential problem or by provident use of his own property.

The majority concludes that sunlight has not heretofore been accorded the status of a source of energy, and consequently it has taken on a new significance in recent years. Solar energy for home heating is at this time sparingly used and of questionable economic value because solar collectors are not mass produced, and consequently, they are very costly. Their limited efficiency may explain the lack of production.

Regarding the third policy the majority apparently believes is obsolete (that society has a significant interest in not restricting land development), it cites *State v. Deetz*, 66 Wis. 2d 1 (1974). I concede the law may be tending to recognize the value of aesthetics over increased volume development and that an individual may not use his land in such a way as to harm the public. The instant case, however, deals with a

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<sup>13</sup> Perhaps one reason courts have been hesitant to recognize a cause of action for solar blockage is that such a suit would normally only occur between two abutting landowners, and it is hoped that neighbors will compromise and reach agreement between themselves. This has, undoubtedly, been done in a large percentage of cases. To now recognize a cause of action for solar blockage may thwart a policy of compromise between neighbors. See Williams, *Solar Access and Property Rights: A Maverick Analysis*, 11 Conn. L. Rev. 430, 441-42 (1979). See also S. Kraemer, *Solar Law*, 138 (1978) (“[a] deterring factor to the use of private nuisance to assure access to direct sunlight is the resultant litigation between neighbors”).

private benefit. I note that this court in *Deetz* stated: “The reasonable use rule retains ... a policy of favoring land improvement and development.” *Id.* at 20. *See also id.* at 15. I find it significant that community planners are dealing with this country’s continued population growth and building revitalization where “[t]he number of households is expected to reach almost 100 million by the end of the decade; that would be 34 percent higher than the number in 1970.” F. Strom, *1981 Zoning and Planning Law Handbook*, sec. 22.02, 396 (1981). It is clear that community planners are acutely aware of the present housing shortages, particularly among those two groups with limited financial resources, the young and the elderly. *Id.* While the majority’s policy arguments may be directed to a cause of action for public nuisance, we are presented with a private nuisance case which I believe is distinguishable in this regard.<sup>14</sup>

I would submit that any policy decisions in this area are best left for the legislature. “What is ‘desirable’ or ‘advisable’ or ‘ought to be’ is a question of policy, not a question of fact. What is ‘necessary’ or what is ‘in the best interest’ is not a fact and its determination by the judiciary is an exercise of legislative power when each involves political considerations.” *In re City of Beloit*, 37 Wis. 2d 637, 644 (1968). I would concur with these observations of the trial judge: “While temptation lingers for the court to

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<sup>14</sup> I am amused at the majority’s contention that what constitutes a nuisance today would have been accepted without question in earlier times. This calls to mind the fact that, in early days of travel by horses, the first automobiles were considered nuisances. Later, when automobile travel became developed, the horse became the nuisance. Ellickson, *Alternatives to Zoning: Covenants, Nuisance Rules, and Fines as Land Use Controls*, 40 U. Chi. L. Rev. 681, 731 (1973). This makes me wonder if we are examining the proper nuisance in the case before us. In other words, could it be said that the solar energy user is creating the nuisance when others must conform their homes to accommodate his use? I note that solar panel glare may temporarily blind automobile drivers, reflect into adjacent buildings causing excessive heat, and otherwise irritate neighbors. Certainly in these instances the solar heating system constitutes the nuisance.

declare by judicial fiat what is right and what should be done, under the facts in this case, such action under our form of constitutional government where the three branches each have their defined jurisdiction and power, would be an intrusion of judicial egoism over legislative passivity.”

The legislature has recently acted in this area. Chapter 354, Laws of 1981 (effective May 7, 1982), was enacted to provide the underlying legislation enabling local governments to enact ordinances establishing procedures for guaranteeing access to sunlight. This court’s intrusion into an area where legislative action is being taken is unwarranted, and it may undermine a legislative scheme for orderly development not yet fully operational.

[Judge Callow excerpts statutory provisions prohibiting certain light blockage but only according to a permit scheme and with notice to neighboring owners.] This legislative scheme would deal with the type of problem presented in the present case and precludes the need for judicial activism in this area.

I examine with interest the definition of nuisance as set out in the Restatement (Second) of Torts and adopted in the majority opinion: “A private nuisance is a nontrespassory *invasion* of another’s interest in the private use and enjoyment of land.” Restatement (Second) of Torts sec. 821D (1977) (emphasis added). The majority believes that the defendant’s obstruction of the plaintiff’s access to sunlight falls within the broad definition of “use and enjoyment of land.” *Supra*, at 187-188. I do not believe the defendant’s “obstruction” of the plaintiff’s access to sunlight falls within the definition of “invasion,” as it applies to the private use and enjoyment of land. Invasion is typically synonymous with “entry,” “attack,” “penetration,” “hostile entrance,” “the incoming or spread of something unusually hurtful.” *Webster’s Third International Dictionary*, 1188 (1966). Most of the nuisance cases arising

under this definition involve noxious odors, smoke, blasting, flooding, or *excessive light* invading the plaintiff's right to the use of enjoyment of his property. *See* Prosser, *Law of Torts*, sec. 89, 591-92 (4th ed. 1971).<sup>15</sup> *See* Williams, *Solar Access and Property Rights: A Maverick Analysis*, 11 Conn. L. Rev. at 441 (there are significant practical differences between dust and noise, on the one hand, and solar access blockage on the other). Clearly, an owner who merely builds his home in compliance with all building code and municipal regulations is not "invading" another's right to the use and enjoyment of his property. To say so is to acknowledge that all construction may be an "invasion" because all construction has some restrictive impact on adjacent land. A "view," for example, is modified by any construction simply because it is there.

In order for a nuisance to be actionable in the instant case, the defendant's conduct must be "intentional and unreasonable." It is impossible for me to accept the majority's conclusion that Mr. Maretta, in lawfully seeking to construct his home, may be intentionally and unreasonably interfering with the plaintiff's access to sunlight. In addressing the "unreasonableness" component of the actor's conduct, it is important to note that "[t]here is liability for a nuisance only to those to whom it causes significant harm, of a kind that would be suffered by a normal person in the community or by property in normal condition and used for a normal purpose." Restatement (Second) of Torts sec. 821F (1979). The comments to the Restatement further reveal that "[i]f normal persons in that locality would not be substantially annoyed or disturbed by the situation, then the invasion is not a significant one,

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<sup>15</sup> Dean Prosser also includes disturbances with peace of mind occasioned by "bawdy houses," stored explosives, or fire hazards within the purview of the definition of nuisance. I submit these indicia of nuisance relate to a defendant's unreasonable or unlawful use of his property.

even though the idiosyncrasies of the particular plaintiff may make it unendurable to him.” *Id.* Comment d.<sup>16</sup>

I conclude that plaintiff’s solar heating system is an unusually sensitive use. In other words, the defendant’s proposed construction of his home, under ordinary circumstances, would not interfere with the use and enjoyment of the usual person’s property. *See* W. Prosser, *supra*, sec. 87 at 578-79. “The plaintiff cannot, by devoting his own land to an unusually sensitive use, such as a drive-in motion picture theater easily affected by light, make a nuisance out of conduct of the adjoining defendant which would otherwise be harmless.” *Id.* at 579 (footnote omitted).<sup>17</sup>

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<sup>16</sup> Consider, for example, the following illustrations provided in the Restatement:

2. A operates a race track, which is illuminated at night by flood lights directed downward. B operates next door an open-air motion picture theater, screened off from the highway. The reflection of A’s lights, equivalent to the light of the full moon, would be harmless and unobjectionable to anyone making a normal use of adjoining land, but so seriously interferes with the operation of B’s motion pictures that B loses customers. B cannot recover from A for a private nuisance.

3. A operates a slaughterhouse, which gives off highly offensive odors, sufficient to make life unendurable for any normal person living near it. B, who lives next door is without any sense of smell, and is not personally troubled by the odors. B can recover from A for a private nuisance.

Restatement (Second) of Torts sec. 821F (1979). In my opinion, the instant case clearly fits under the first example.

<sup>17</sup>Amicus curiae United States of America in its brief to this court advances the proposition that even a sensitive use is entitled to protection from unreasonable interference. Amicus analogizes to several “mink cases” which involve negligence actions. [citations omitted] A thorough reading of these decisions reveals that they are clearly distinguishable from the case at bar. No cases have been cited in this jurisdiction which limit this.

I note that the federal government supports the plaintiff’s position in the instant case. If solar energy is in the national interest, federal legislation should be enacted.

Looking solely at the defendant's conduct, the circuit court concluded that the defendant's construction of a house did not create a cause of action for nuisance because the defendant's proposed home was in conformity with zoning regulations, building codes, deed restrictions, as well as the fact that the defendant's use of the land to build his home was reasonable. The majority, however, cites *Bie v. Ingersoll, supra*, for the proposition that compliance with the law is not the controlling factor in evaluating a nuisance claim. I note that *Bie* involved the operation of an asphalt plant from which dust and odors permeated the plaintiff's adjoining residence. The defendants asserted that, because the property occupied by the asphalt plant was zoned for industrial use, the plant could not constitute a nuisance. This court concluded that the zoning classification was not the controlling factor. "It is rather 'the peculiar nature and the location of the business, not the fact that it is a business, that constitutes the private nuisance.'" 27 Wis. 2d at 495. The *Bie* case is clearly distinguishable from the case at bar. Here, the defendant seeks to build his home in compliance with all existing laws, and it will have no "peculiar nature." As I read the *Bie* case, the negative implication from its facts is that a business which does not emit dust or odors (*i.e.*, which has no peculiar nature) and which is in conformity with zoning regulations is not a private nuisance. I would hold under the facts of the instant case that the defendant's conduct is not unreasonable per se, and consequently, a nuisance cause of action cannot stand.

I further believe that the majority's conclusion that a cause of action exists in this case thwarts the very foundation of property law. Property law encompasses a system of filing and notice in a place for public records to provide prospective purchasers with any limitations on their use of the property. Such a notice is not alleged by the plaintiff. Only as a result of the majority's decision did Mr. Maretti

discover that a legitimate action exists which would require him to defend the design and location of his home against a nuisance suit, notwithstanding the fact that he located and began to build his house within the applicable building, municipal, and deed restrictions.

Obviously, the legislature was cognizant of the importance of notice. In Chapter 354, Laws of 1981, secs. 66.032(5) and (6) deal with notice to an adjoining landowner. [statutory excerpt omitted]

In recognizing this common law cause of action, this court's decision is in direct conflict with the 1981 legislative provisions for the granting of solar access permits. In a municipality which enacts the ordinance in conformity with the statute, neighbors know their respective rights. Under the majority decision, in a municipality which does not enact the ordinance, a common law cause of action for nuisance exists without any defined rights.

I believe the facts of the instant controversy present the classic case of the owner of a solar collector who fails to take any action to protect his investment. There is nothing in the record to indicate that Mr. Prah disclosed his situation to Mr. Maretti prior to Maretti's purchase of the lot or attempted to secure protection for his solar collector prior to Maretti's submission of his building plans to the architectural committee. Such inaction should be considered a significant factor in determining whether a cause of action exists.

The majority's failure to recognize the need for notice may perpetuate a vicious cycle. Maretti may feel compelled to sell his lot because of Prah's solar collector's interference with his plans to build his family home. If so, Maretti will not be obliged to inform prospective purchasers of the problem. Certainly, such information will reduce the value of his land. If the presence of collectors is sufficient notice, it cannot be said that the seller of the lot has a duty to

disclose information peculiarly within his knowledge. I do not believe that an adjacent lot owner should be obliged to experience the substantial economic loss resulting from the lot being rendered unbuildable by the contour of the land as it relates to the location and design of the adjoining home using solar collectors.<sup>18</sup>

I am troubled by the majority's apparent retrospective application of its decision. I note that the court in *Deetz* saw the wisdom and fairness in rendering a prospective decision. Surely, a decision such as this should be accorded prospective status. Creating the cause of action after the fact results in such unfair surprise and hardship to property owners such as Maretti.

Because I do not believe that the facts of the present case give rise to a cause of action for private nuisance, I dissent.

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<sup>18</sup> Mr. Prah could have avoided this litigation by building his own home in the center of his lot instead of only ten feet from the Maretti lot line and/or by purchasing the adjoining lot for his own protection. Mr. Maretti has already moved the proposed location of his home over an additional ten feet to accommodate Mr. Prah's solar collector, and he testified that moving the home any further would interfere with his view of the lake on which the property faces.



### 1.3.5. Property Rules and Liability Rules: Theory

#### Calabresi and Melamed's Cathedral

Coase's article demonstrates that legal rules are immaterial in private litigation so long as bargaining after a judgment is both permitted and *costless*. Were there no transaction costs, all factors of production would be put to their highest and best uses. Private parties would bargain around court judgments that inefficiently entitled *A* to grow crops or *B* to raise cattle.

But as Coase acknowledges, transaction costs are omnipresent and often immense in the real world. It costs resources in order to strike a deal. And yet, deals can indeed be struck. How should courts impose legal obligations now that we wish to take into account not just what *should* happen in the end but the much more complex question of **what role courts should play knowing that their judgments will be only part of the social forces that determine what does happen.**

#### *Property Rules and Liability Rules*

It is to this question that Guido Calabresi and A. Douglas Melamed attempted a partial answer in their famous article, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 Harv. L. Rev. 1089 (1972). Calabresi and Melamed's central insight was that judicial resolution involved a two-fold decision: whom to entitle and how to protect the entitlement. Either *A* or *B* will be adjudged the "winner," in the sense that they are granted the disputed entitlement (the right to pollute or the right to clean air, for example), but there is more to decide. How is the entitlement they have been granted protected by a court? Calabresi and Melamed:

An entitlement is protected by a property rule to the extent that someone who wishes to remove the entitlement from its holder must buy it from him in a voluntary transaction in which the value of the entitlement is

agreed upon by the seller. It is the form of entitlement which gives rise to the least amount of state intervention: once the original entitlement is decided upon, the state does not try to decide its value. It lets each of the parties say how much the entitlement is worth to him, and gives the seller a veto if the buyer does not offer enough. Property rules involve a collective decision as to who is to be given an initial entitlement but not as to the value of the entitlement.

Whenever someone may destroy the initial entitlement if he is willing to pay an objectively determined value for it, an entitlement is protected by a liability rule. This value may be what it is thought the original holder of the entitlement would have sold it for. But the holder's complaint that he would have demanded more will not avail him once the objectively determined value is set. Obviously, liability rules involve an additional stage of state intervention: not only are entitlements protected, but their transfer or destruction is allowed on the basis of a value determined by some organ of the state rather than by the parties themselves.

An entitlement is inalienable to the extent that its transfer is not permitted between a willing buyer and a willing seller... .

When a court awards damages, it is applying a liability rule, since the court, rather than the winner of the lawsuit, determines the value of what was lost to the winner. When a court awards an

injunction, it gives to the winner an absolute right to refuse the loser's request that he or she part with the subject of the injunction. If the loser wants it, he or she must meet the price that the winner sets to take the entitlement, even if that price is sky high.

Note, too, that what we call our property is protected in different ways in different situations. A home may be protected by a property rule against those who would trespass and take it. A court will order the trespassers thrown out and give to the record owner the right to insist on a price of his or her choosing to sell the house. But that same house may be protected only by a liability rule against the city in which it is located. The city, using its power of eminent domain, may take the house from the owner so long as it pays what a court determines is fair market value, irrespective of the price the owner would want to charge.

We have now enlarged the apparent set of options a court has in resolving a dispute. It may award the disputed entitlement (the right to pollute or to be free from pollution, the right to enter property or the right to refuse entry, etc.) to *A* or to *B*, and it may protect the entitlement it awards with a property, liability rule, or inalienability rule.

### *Choosing a Rule*

How and why might a court choose a winner of the entitlement and choose whether to protect the entitlement with a property or liability rule? (Let's exclude, for the moment, the inalienability rule.) Assume we have a plaintiff (P) suing a defendant (D) over an alleged nuisance. D wants to continue the nuisance, and P wants to stop it. The options confronting a court can be placed in a two by two chart, leading to four possible rules.

	<b>Property Rule Protection</b>	<b>Liability Rule Protection</b>
<b>P Wins</b>	1: D must get P's consent to continue	2: D must pay damages to continue
<b>D Wins</b>	3: D must consent to stop	4: P can force D to stop by paying damages

How is a judge to choose among these rules? Calabresi and Melamed explain that courts base these decisions on various grounds: economic efficiency (attempting to ensure that the entitlement is awarded so that it winds up, perhaps after market transactions, so that no further transactions could be had without making someone worse off to a greater degree than others are made better off),<sup>1</sup> distributional goals (the preferences a society has for the distribution of wealth and specific goods, like food and health care), and, perhaps, other justice goals.

Restricting our attention to economic efficiency, we might at first wish to apply what we learned from Coase and assume that we should always use property rules and that it does not matter whether P or D wins the lawsuit. If we choose wrongly, for example if we decide P wins even though the entitlement to pollute is worth more to D than the entitlement to be free of pollution is worth to P, the parties can always transact after the fact to correct our mistake. That was the essence of (the second part of) the so-called Coase Theorem. But, as Coase himself indicated, this does not work if transaction costs are large. If the parties cannot easily correct our mistakes through post-judgment bargaining, then it matters very much where we place the entitlement.

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<sup>1</sup> There are various criteria for economic efficiency. The one here implied is called Kaldor-Hicks efficiency. The details do not concern us for the moment, beyond an understanding that this notion of efficiency applies to changes in the social order that provide more total gains to the winners than losses to the losers. At least in theory, the winners in such a situation could fully compensate the losers and still come out ahead.

For example, transactions will be difficult if there are many individuals on one side, as in the case of a polluting factory and a town. For example, members of the town may act selfishly and refuse to pay their share (believing others will pick up the slack) in the event the entitlement was wrongly awarded to the factory. This is called free riding. If we erred the other way, wrongly awarding the entitlement to the town when in fact the factory values production more than the town values clean air, then some town members may selfishly demand too much to permit the factory to pollute. In other words, they may be hold-outs. If 10,000 people each have an individual right to stop a factory, so that the factory must strike a deal with each person in order to go into production, then it should be obvious that the factory faces a very expensive contracting problem and is subject to hold-outs.

Liability rules solve such problems. Replacing 10,000 individual negotiations with a court-determined damages award solves the problem of hold-outs and free riders. A court could, for example, following Rule 2 from the boxes above, allow the factory pollute, on the condition that it pay damages to the town members.

But the very thing that makes the liability rule so attractive, that it eliminates potentially expensive, individualized negotiation with a court's determination of fair market values, also makes it potentially unattractive from an efficiency standpoint. It relies on the court's ability to estimate the true values of the entitlement to the parties. The court may not be good at this. The very foundation of free markets is the belief that, in general, individuals know better than others how much things are worth to them. In setting damages, courts may not arrive at amounts that reflect what parties would pay or accept in the absence of transaction costs. That error represents an economic inefficiency and may lead to a shuttered factory that would in fact be efficient or a polluting factory that is inefficient.

Acting in realm of uncertainty, perhaps courts should do as best they can to put liability on (the opposite of grant the entitlement to) the party best positioned both to determine whether what that party wants is worth the damages award or negotiation. The court

should also consider whether placing liability on one party or the other makes transactions more likely. And, finally, if bargaining looks particularly expensive and the court is reasonably well positioned to determine the value of the entitlement to each side, then the court should consider a liability rule. Calabresi and Melamed summarize the efficiency concerns thusly:

(1) that economic efficiency standing alone would dictate that set of entitlements which favors knowledgeable choices between social benefits and the social costs of obtaining them, and between social costs and the social costs of avoiding them; (2) that this implies, in the absence of certainty as to whether a benefit is worth its costs to society, that the cost should be put on the party or activity best located to make such a cost-benefit analysis; (3) that in particular contexts like accidents or pollution this suggests putting costs on the party or activity which can most cheaply avoid them; (4) that in the absence of certainty as to who that party or activity is, the costs should be put on the party or activity which can with the lowest transaction costs act in the market to correct an error in entitlements by inducing the party who can avoid social costs most cheaply to do so; and (5) that since we are in an area where by hypothesis markets do not work perfectly – there are transaction costs – a decision will often have to be made on whether market transactions [property rule protection] or collective fiat [liability rule protection] is most likely to bring

us closer to the [efficient] result the “perfect” market would reach.

*Nuisance Law*

Suppose a plaintiff, P, sues a defendant, D, for committing what P believes is a nuisance. How should a court decide whether P should prevail and whether it should enjoin D’s conduct or permit D’s conduct with the payment of damages to P? Consider the example of the plaintiff Fontainebleau Hotel (building the shadow-casting addition) and the defendant Eden Roc Hotel (whose pool would cast in shade by the addition). The court must decide among the four options in our grid.

	<b>Property Rule Protection</b>	<b>Liability Rule Protection</b>
P Wins	1: Nuisance enjoined	2: Damages for nuisance but D can continue
D Wins	3: No nuisance	4: P can force D to stop by paying damages

Which of the parties is the cheapest cost avoider, the one best able to calculate the total social costs and benefits from the proposed addition? Arguably, it would be Fountainebleau, which probably has better information about the costs of the addition and the revenue benefits it would bring. Although, Eden Roc might be better positioned to understand how the shadowed pool area would impact its business, that is the sort of damage that might not be difficult to calculate for anyone in the hotel business in the area. So perhaps we would be justified placing liability on the defendant, Fountainebleau.

Should we protect Eden Roc’s entitlement with a property or liability rule? There are only two parties, and so we do not have much concern about free riders or hold-outs. Are we concerned about strategic bargaining, the possibility that in negotiating Eden Roc would attempt to garner too much of the surplus for itself,

mistaken about Fountainebleau's willingness to pay – the kind of negotiating difficulty that could derail a deal that would be better for both sides if reached? Perhaps, and perhaps there's some animosity on both sides – not to mention the fact that Eden Roc, as a competitor might have an unusual incentive to reduce the profitability of Fountainebleau. While property rule protection is ordinarily justified when there are a small number of commercial parties, liability rule protection does not seem like a bad option here. The damage caused to Eden Roc by the shadowing of its property seems like the sort of discrete harm that could be estimated reasonably through manageable expert testimony. Moreover, sentimental attachment or other idiosyncratic valuation that might not be captured by fair market value estimates is not relevant here, in the case of a commercial property.

Thus, resort to Rule 1, as the court in fact chose on purely formalistic grounds, or Rule 2 appear to be reasonable choices. The next two cases are ones in which the courts chose liability rules. As you read them, ask yourself why they did.

### **1.3.6. Property Rules and Liability Rules: Practice**

#### **Boomer v. Atlantic Cement Co., 26 N.Y.2d 219 (1970)**

BERGAN, J.

Defendant operates a large cement plant near Albany. These are actions for injunction and damages by neighboring land owners alleging injury to property from dirt, smoke and vibration emanating from the plant. A nuisance has been found after trial, temporary damages have been allowed; but an injunction has been denied.

The public concern with air pollution arising from many sources in industry and in transportation is currently accorded ever wider recognition accompanied by a growing sense of responsibility in State and Federal Governments to control it. Cement plants are obvious sources of air pollution in the neighborhoods where they operate.



But there is now before the court private litigation in which individual property owners have sought specific relief from a single plant operation. The threshold question raised by the division of view on this appeal is whether the court should resolve the litigation between the parties now before it as equitably as seems possible; or whether, seeking promotion of the general public welfare, it should channel private litigation into broad public objectives.

A court performs its essential function when it decides the rights of parties before it. Its decision of private controversies may sometimes greatly affect public issues. Large questions of law are often resolved by the manner in which private litigation is decided. But this is normally an incident to the court's main function to settle controversy. It is a rare exercise of judicial power to use a decision in private litigation as a purposeful mechanism to achieve direct public objectives greatly beyond the rights and interests before the court.

Effective control of air pollution is a problem presently far from solution even with the full public and financial powers of government. In large measure adequate technical procedures are yet to be developed and some that appear possible may be economically impracticable.

It seems apparent that the amelioration of air pollution will depend on technical research in great depth; on a carefully balanced consideration of the economic impact of close regulation; and of the actual effect on public health. It is likely to require massive public expenditure and to demand more than any local community can accomplish and to depend on regional and interstate controls.

A court should not try to do this on its own as a by-product of private litigation and it seems manifest that the judicial establishment is neither equipped in the limited nature of any judgment it can pronounce nor prepared to lay down and implement an effective policy for the

elimination of air pollution. This is an area beyond the circumference of one private lawsuit. It is a direct responsibility for government and should not thus be undertaken as an incident to solving a dispute between property owners and a single cement plant – one of many – in the Hudson River valley.

The cement making operations of defendant have been found by the court at Special Term to have damaged the nearby properties of plaintiffs in these two actions. That court, as it has been noted, accordingly found defendant maintained a nuisance and this has been affirmed at the Appellate Division. The total damage to plaintiffs' properties is, however, relatively small in comparison with the value of defendant's operation and with the consequences of the injunction which plaintiffs seek.

The ground for the denial of injunction, notwithstanding the finding both that there is a nuisance and that plaintiffs have been damaged substantially, is the large disparity in economic consequences of the nuisance and of the injunction. This theory cannot, however, be sustained without overruling a doctrine which has been consistently reaffirmed in several leading cases in this court and which has never been disavowed here, namely that where a nuisance has been found and where there has been any substantial damage shown by the party complaining an injunction will be granted.

The rule in New York has been that such a nuisance will be enjoined although marked disparity be shown in economic consequence between the effect of the injunction and the effect of the nuisance.

The problem of disparity in economic consequence was sharply in focus in *Whalen v. Union Bag & Paper Co.* (208 N. Y. 1). A pulp mill entailing an investment of more than a million dollars polluted a stream in which plaintiff, who owned a farm, was "a lower riparian owner". The economic

loss to plaintiff from this pollution was small. This court, reversing the Appellate Division, reinstated the injunction granted by the Special Term against the argument of the mill owner that in view of “the slight advantage to plaintiff and the great loss that will be inflicted on defendant” an injunction should not be granted (p. 2). “Such a balancing of injuries cannot be justified by the circumstances of this case”, Judge Werner noted (p. 4). He continued: “Although the damage to the plaintiff may be slight as compared with the defendant’s expense of abating the condition, that is not a good reason for refusing an injunction” (p. 5).

Thus the unconditional injunction granted at Special Term was reinstated. The rule laid down in that case, then, is that whenever the damage resulting from a nuisance is found not “unsubstantial”, viz., \$100 a year, injunction would follow. This states a rule that had been followed in this court with marked consistency (*McCarty v. Natural Carbonic Gas Co.*, 189 N. Y. 40; *Strobel v. Kerr Salt Co.*, 164 N. Y. 303; *Campbell v. Seaman*, 63 N. Y. 568).

There are cases where injunction has been denied. *McCann v. Chasm Power Co.* (211 N. Y. 301) is one of them. There, however, the damage shown by plaintiffs was not only unsubstantial, it was non-existent. Plaintiffs owned a rocky bank of the stream in which defendant had raised the level of the water. This had no economic or other adverse consequence to plaintiffs, and thus injunctive relief was denied. Similar is the basis for denial of injunction in *Forstmann v. Joray Holding Co.* (244 N. Y. 22) where no benefit to plaintiffs could be seen from the injunction sought (p. 32). Thus if, within *Whalen v. Union Bag & Paper Co.* (supra.) which authoritatively states the rule in New York, the damage to plaintiffs in these present cases from defendant’s cement plant is “not unsubstantial”, an injunction should follow.

Although the court at Special Term and the Appellate Division held that injunction should be denied, it was

found that plaintiffs had been damaged in various specific amounts up to the time of the trial and damages to the respective plaintiffs were awarded for those amounts. The effect of this was, injunction having been denied, plaintiffs could maintain successive actions at law for damages thereafter as further damage was incurred.

The court at Special Term also found the amount of permanent damage attributable to each plaintiff, for the guidance of the parties in the event both sides stipulated to the payment and acceptance of such permanent damage as a settlement of all the controversies among the parties. The total of permanent damages to all plaintiffs thus found was \$185,000. This basis of adjustment has not resulted in any stipulation by the parties.

This result at Special Term and at the Appellate Division is a departure from a rule that has become settled; but to follow the rule literally in these cases would be to close down the plant at once. This court is fully agreed to avoid that immediately drastic remedy; the difference in view is how best to avoid it.<sup>1</sup>

One alternative is to grant the injunction but postpone its effect to a specified future date to give opportunity for technical advances to permit defendant to eliminate the nuisance; another is to grant the injunction conditioned on the payment of permanent damages to plaintiffs which would compensate them for the total economic loss to their property present and future caused by defendant's operations. For reasons which will be developed the court chooses the latter alternative.

If the injunction were to be granted unless within a short period – e.g., 18 months – the nuisance be abated by

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<sup>1</sup> Respondent's investment in the plant is in excess of \$45,000,000. There are over 300 people employed there.

improved methods, there would be no assurance that any significant technical improvement would occur.

The parties could settle this private litigation at any time if defendant paid enough money and the imminent threat of closing the plant would build up the pressure on defendant. If there were no improved techniques found, there would inevitably be applications to the court at Special Term for extensions of time to perform on showing of good faith efforts to find such techniques.

Moreover, techniques to eliminate dust and other annoying by-products of cement making are unlikely to be developed by any research the defendant can undertake within any short period, but will depend on the total resources of the cement industry Nationwide and throughout the world. The problem is universal wherever cement is made.

For obvious reasons the rate of the research is beyond control of defendant. If at the end of 18 months the whole industry has not found a technical solution a court would be hard put to close down this one cement plant if due regard be given to equitable principles.

On the other hand, to grant the injunction unless defendant pays plaintiffs such permanent damages as may be fixed by the court seems to do justice between the contending parties. All of the attributions of economic loss to the properties on which plaintiffs' complaints are based will have been redressed.

The nuisance complained of by these plaintiffs may have other public or private consequences, but these particular parties are the only ones who have sought remedies and the judgment proposed will fully redress them. The limitation of relief granted is a limitation only within the four corners of these actions and does not foreclose public health or other public agencies from seeking proper relief in a proper court.

It seems reasonable to think that the risk of being required to pay permanent damages to injured property owners by cement plant owners would itself be a reasonable effective spur to research for improved techniques to minimize nuisance.

The power of the court to condition on equitable grounds the continuance of an injunction on the payment of permanent damages seems undoubted. (See, e.g., the alternatives considered in *McCarty v. Natural Carbonic Gas Co.*, supra.;, as well as *Strobel v. Kerr Salt Co.*, supra.;)

The damage base here suggested is consistent with the general rule in those nuisance cases where damages are allowed. “Where a nuisance is of such a permanent and unabatable character that a single recovery can be had, including the whole damage past and future resulting therefrom, there can be but one recovery” (66 C. J. S., Nuisances, s 140, p. 947). It has been said that permanent damages are allowed where the loss recoverable would obviously be small as compared with the cost of removal of the nuisance (*Kentucky-Ohio Gas Co. v. Bowling*, 264 Ky. 470, 477).

The present cases and the remedy here proposed are in a number of other respects rather similar to *Northern Indiana Public Serv. Co. v. Vesey* (210 Ind. 338) decided by the Supreme Court of Indiana. The gases, odors, ammonia and smoke from the Northern Indiana company’s gas plant damaged the nearby Vesey greenhouse operation. An injunction and damages were sought, but an injunction was denied and the relief granted was limited to permanent damages “present, past, and future” (p. 371).

Denial of injunction was grounded on a public interest in the operation of the gas plant and on the court’s conclusion “that less injury would be occasioned by requiring the appellant [Public Service] to pay the appellee [Vesey] all damages suffered by it \* \* \* than by enjoining the operation

of the gas plant; and that the maintenance and operation of the gas plant should not be enjoined” (p. 349).

The Indiana Supreme Court opinion continued: “When the trial court refused injunctive relief to the appellee upon the ground of public interest in the continuance of the gas plant, it properly retained jurisdiction of the case and awarded full compensation to the appellee. This is upon the general equitable principle that equity will give full relief in one action and prevent a multiplicity of suits” (pp. 353-354).

It was held that in this type of continuing and recurrent nuisance permanent damages were appropriate. See, also, *City of Amarillo v. Ware* (120 Tex. 456) where recurring overflows from a system of storm sewers were treated as the kind of nuisance for which permanent depreciation of value of affected property would be recoverable.

There is some parallel to the conditioning of an injunction on the payment of permanent damages in the noted “elevated railway cases” (*Pappenheim v. Metropolitan El. Ry. Co.*, 128 N. Y. 436, and others which followed). Decisions in these cases were based on the finding that the railways created a nuisance as to adjacent property owners, but in lieu of enjoining their operation, the court allowed permanent damages.

Judge Finch, reviewing these cases in *Ferguson v. Village of Hamburg* (272 N. Y. 234, 239-240), said: “The courts decided that the plaintiffs had a valuable right which was being impaired, but did not grant an absolute injunction or require the railway companies to resort to separate condemnation proceedings. Instead they held that a court of equity could ascertain the damages and grant an injunction which was not to be effective unless the defendant failed to pay the amount fixed as damages for the past and permanent injury inflicted.” (See, also, *Lynch v. Metropolitan El. Ry. Co.*, 129 N. Y. 274; *Van Allen v. New*

*York El. R. R. Co.*, 144 N. Y. 174; *Cox v. City of New York*, 265 N. Y. 411, and similarly, *Westphal v. City of New York*, 177 N. Y. 140.)

Thus it seems fair to both sides to grant permanent damages to plaintiffs which will terminate this private litigation. The theory of damage is the “servitude on land” of plaintiffs imposed by defendant’s nuisance. (See *United States v. Causby*, 328 U. S. 256, 261, 262, 267, where the term “servitude” addressed to the land was used by Justice Douglas relating to the effect of airplane noise on property near an airport.)

The judgment, by allowance of permanent damages imposing a servitude on land, which is the basis of the actions, would preclude future recovery by plaintiffs or their grantees (see *Northern Indiana Public Serv. Co. v. Vesey*, supra., p. 351).

This should be placed beyond debate by a provision of the judgment that the payment by defendant and the acceptance by plaintiffs of permanent damages found by the court shall be in compensation for a servitude on the land.

Although the Trial Term has found permanent damages as a possible basis of settlement of the litigation, on remission the court should be entirely free to re-examine this subject. It may again find the permanent damage already found; or make new findings.

The orders should be reversed, without costs, and the cases remitted to Supreme Court, Albany County to grant an injunction which shall be vacated upon payment by defendant of such amounts of permanent damage to the respective plaintiffs as shall for this purpose be determined by the court.

JASEN, J., Dissenting.



I agree with the majority that a reversal is required here, but I do not subscribe to the newly enunciated doctrine of assessment of permanent damages, in lieu of an injunction, where substantial property rights have been impaired by the creation of a nuisance.

It has long been the rule in this State, as the majority acknowledges, that a nuisance which results in substantial continuing damage to neighbors must be enjoined. (*Whalen v. Union Bag & Paper Co.*, 208 N. Y. 1; *Campbell v. Seaman*, 63 N. Y. 568; see, also, *Kennedy v. Moog Servocontrols*, 21 N Y 2d 966.) To now change the rule to permit the cement company to continue polluting the air indefinitely upon the payment of permanent damages is, in my opinion, compounding the magnitude of a very serious problem in our State and Nation today.

In recognition of this problem, the Legislature of this State has enacted the Air Pollution Control Act (Public Health Law, ss1264–1299-m) declaring that it is the State policy to require the use of all available and reasonable methods to prevent and control air pollution (Public Health Law, s1265).<sup>2</sup>

The harmful nature and widespread occurrence of air pollution have been extensively documented. Congressional hearings have revealed that air pollution causes substantial property damage, as well as being a contributing factor to a rising incidence of lung cancer, emphysema, bronchitis and asthma.<sup>3</sup>

The specific problem faced here is known as particulate contamination because of the fine dust particles emanating

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<sup>2</sup> See, also, Air Quality Act of 1967, 81 U. S. Stat. 485 (1967).

<sup>3</sup> See U. S. Cong., Senate Comm. on Public Works, Special Subcomm. on Air and Water Pollution, Air Pollution 1966, 89th Cong., 2d Sess., 1966, at pp. 22-24; U. S. Cong., Senate Comm. on Public Works, Special Subcomm. on Air and Water Pollution, Air Pollution 1968, 90th Cong., 2d Sess., 1968, at pp. 850, 1084.

from defendant's cement plant. The particular type of nuisance is not new, having appeared in many cases for at least the past 60 years. (See *Hulbert v. California Portland Cement Co.*, 161 Cal. 239 .) It is interesting to note that cement production has recently been identified as a significant source of particulate contamination in the Hudson Valley.<sup>4</sup> This type of pollution, wherein very small particles escape and stay in the atmosphere, has been denominated as the type of air pollution which produces the greatest hazard to human health.<sup>5</sup> We have thus a nuisance which not only is damaging to the plaintiffs,<sup>6</sup> but also is decidedly harmful to the general public.

I see grave dangers in overruling our long-established rule of granting an injunction where a nuisance results in substantial continuing damage. In permitting the injunction to become inoperative upon the payment of permanent damages, the majority is, in effect, licensing a continuing wrong. It is the same as saying to the cement company, you may continue to do harm to your neighbors so long as you pay a fee for it. Furthermore, once such permanent damages are assessed and paid, the incentive to alleviate the wrong would be eliminated, thereby continuing air pollution of an area without abatement.

It is true that some courts have sanctioned the remedy here proposed by the majority in a number of cases,<sup>7</sup> but none

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<sup>4</sup> New York State Bureau of Air Pollution Control Services, Air Pollution Capital District, 1968, at p. 8.

<sup>5</sup> J. Ludwig, Air Pollution Control Technology: Research and Development on New and Improved Systems, 33 Law & Contemp. Prob., 217, 219 (1968).

<sup>6</sup> There are seven plaintiffs here who have been substantially damaged by the maintenance of this nuisance. The trial court found their total permanent damages to equal \$185,000.

<sup>7</sup> See *United States v. Causby* (328 U. S. 256); *Kentucky-Ohio Gas Co. v. Bowling* (284 Ky. 470, 477); *Northern Indiana Public Serv. Co. v. Vesey* (210 Ind. 338); *City of Amarillo v. Ware* (120 Tex. 456); *Pappenheim v. Metropolitan El. Ry. Co.* (128 N. Y. 436); *Ferguson v. Village of Hamburg* (272 N. Y. 234).

of the authorities relied upon by the majority are analogous to the situation before us. In those cases, the courts, in denying an injunction and awarding money damages, grounded their decision on a showing that the use to which the property was intended to be put was primarily for the public benefit. Here, on the other hand, it is clearly established that the cement company is creating a continuing air pollution nuisance primarily for its own private interest with no public benefit.

This kind of inverse condemnation (*Ferguson v. Village of Hamburg*, 272 N. Y. 234) may not be invoked by a private person or corporation for private gain or advantage. Inverse condemnation should only be permitted when the public is primarily served in the taking or impairment of property. (*Matter of New York City Housing Auth. v. Muller*, 270 N. Y. 333, 343; *Pocantico Water Works Co. v. Bird*, 130 N. Y. 249, 258.) The promotion of the interests of the polluting cement company has, in my opinion, no public use or benefit.

Nor is it constitutionally permissible to impose servitude on land, without consent of the owner, by payment of permanent damages where the continuing impairment of the land is for a private use. (See *Fifth Ave. Coach Lines v. City of New York*, 11 N Y 2d 342, 347; *Walker v. City of Hutchinson*, 352 U. S. 112.) This is made clear by the State Constitution (art. I, s 7, subd. [a]) which provides that “[p]rivate property shall not be taken for *public* use without just compensation” (emphasis added). It is, of course, significant that the section makes no mention of taking for a *private* use.

In sum, then, by constitutional mandate as well as by judicial pronouncement, the permanent impairment of private property for private purposes is not authorized in the absence of clearly demonstrated public benefit and use.

I would enjoin the defendant cement company from continuing the discharge of dust particles upon its neighbors' properties unless, within 18 months, the cement company abated this nuisance.<sup>8</sup>

It is not my intention to cause the removal of the cement plant from the Albany area, but to recognize the urgency of the problem stemming from this stationary source of air pollution, and to allow the company a specified period of time to develop a means to alleviate this nuisance.

I am aware that the trial court found that the most modern dust control devices available have been installed in defendant's plant, but, I submit, this does not mean that better and more effective dust control devices could not be developed within the time allowed to abate the pollution.

Moreover, I believe it is incumbent upon the defendant to develop such devices, since the cement company, at the time the plant commenced production (1962), was well aware of the plaintiffs' presence in the area, as well as the probable consequences of its contemplated operation. Yet, it still chose to build and operate the plant at this site.

In a day when there is a growing concern for clean air, highly developed industry should not expect acquiescence by the courts, but should, instead, plan its operations to eliminate contamination of our air and damage to its neighbors.

Accordingly, the orders of the Appellate Division, insofar as they denied the injunction, should be reversed, and the actions remitted to Supreme Court, Albany County to grant an injunction to take effect 18 months hence, unless the

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<sup>8</sup> The issuance of an injunction to become effective in the future is not an entirely new concept. For instance, in *Schwarzenbach v. Oneonta Light & Power Co.* (207 N. Y. 671), an injunction against the maintenance of a dam spilling water on plaintiff's property was issued to become effective one year hence.

nuisance is abated by improved techniques prior to said date.

**Spur Industries, Inc. v. Del E. Webb Development  
Co., 494 P.2d 700 (Ariz. 1972)**

Snell & Wilmer, by Mark Wilmer, and John Lundin, Phoenix, for appellant and cross-appellee.

L. Dennis Marlowe, Tempe, for appellee and cross-appellant.

CAMERON, Vice Chief Justice.

From a judgment permanently enjoining the defendant, Spur Industries, Inc., from operating a cattle feedlot near the plaintiff Del E. Webb Development Company's Sun City, Spur appeals. Webb cross-appeals. Although numerous issues are raised, we feel that it is necessary to answer only two questions. They are:

1. Where the operation of a business, such as a cattle feedlot is lawful in the first instance, but becomes a nuisance by reason of a nearby residential area, may the feedlot operation be enjoined in an action brought by the developer of the residential area?
2. Assuming that the nuisance may be enjoined, may the developer of a completely new town or urban area in a previously agricultural area be required to indemnify the operator of the feedlot who must move or cease operation because of the presence of the residential area created by the developer?

The facts necessary for a determination of this matter on appeal are as follows. The area in question is located in Maricopa County, Arizona, some 14 to 15 miles west of the urban area of Phoenix, on the Phoenix-Wickenburg Highway, also known as Grand Avenue. About two miles south of Grand Avenue is Olive Avenue which runs east and west. 111th Avenue runs north and south as does the

Agua Fria River immediately to the west. See Exhibits A and B below.

Farming started in this area about 1911. In 1929, with the completion of the Carl Pleasant Dam, gravity flow water became available to the property located to the west of the Agua Fria River, though land to the east remained dependent upon well water for irrigation. By 1950, the only urban areas in the vicinity were the agriculturally related communities of Peoria, El Mirage, and Surprise located along Grand Avenue. Along 111th Avenue, approximately one mile south of Grand Avenue and 1 1/2 miles north of Olive Avenue, the community of Youngtown was commenced in 1954. Youngtown is a retirement community appealing primarily to senior citizens.

In 1956, Spur's predecessors in interest, H. Marion Welborn and the Northside Hay Mill and Trading Company, developed feed-lots, about 1/2 mile south of Olive Avenue, in an area between the confluence of the usually dry Agua Fria and New Rivers. The area is well suited for cattle feeding and in 1959, there were 25 cattle feeding pens or dairy operations within a 7 mile radius of the location developed by Spur's predecessors. In April and May of 1959, the Northside Hay Mill was feeding between 6,000 and 7,000 head of cattle and Welborn approximately 1,500 head on a combined area of 35 acres.

In May of 1959, Del Webb began to plan the development of an urban area to be known as Sun City. For this purpose, the Marinette and the Santa Fe Ranches, some 20,000 acres of farmland, were purchased for \$15,000,000 or \$750.00 per acre. This price was considerably less than the price of land located near the urban area of Phoenix, and along with the success of Youngtown was a factor influencing the decision to purchase the property in question.

By September 1959, Del Webb had started construction of a golf course south of Grand Avenue and Spur's

predecessors had started to level ground for more feedlot area. In 1960, Spur purchased the property in question and began a rebuilding and expansion program extending both to the north and south of the original facilities. By 1962, Spur's expansion program was completed and had expanded from approximately 35 acres to 114 acres. See Exhibit A above.

Accompanied by an extensive advertising campaign, homes were first offered by Del Webb in January 1960 and the first unit to be completed was south of Grand Avenue and approximately 2 1/2 miles north of Spur. By 2 May 1960, there were 450 to 500 houses completed or under construction. At this time, Del Webb did not consider odors from the Spur feed pens a problem and Del Webb continued to develop in a southerly direction, until sales resistance became so great that the parcels were difficult if not impossible to sell. Thomas E. Breen, Vice President and General Manager of the housing division of Del Webb, testified at deposition as follows:

Q Did you ever have any discussions with Tony Cole at or about the time the sales office was opened south of Peoria concerning the problem in sales as the development came closer towards the feed lots?

A Not at the time that that facility was opened. That was subsequent to that.

Q All right, what is it that you recall about conversations with Cole on that subject?

A Well, when the feed lot problem became a bigger problem, which, really, to the best of my recollection, commenced to become a serious problem in 1963, and there was some

talk about not developing that area because of sales resistance, and to my recollection we shifted-we had planned at that time to the eastern portion of the property, and it was a consideration.

Q Was any specific suggestion made by Mr. Cole as to the line of demarcation that should be drawn or anything of that type exactly where the development should cease?

A I don't recall anything specific as far as the definite line would be, other than, you know, that it would be advisable to stay out of the southwestern portion there because of sales resistance.

Q And to the best of your recollection, this was in about 1963?

A That would be my recollection, yes.

Q As you recall it, what was the reason that the suggestion was not adopted to stop developing towards the southwest of the development?

A Well, as far as I know, that decision was made subsequent to that time.

Q Right. But I mean at that time?

A Well, at that time what I am really referring to is more of a long-range planning than immediate planning, and I think it was the case of just trying to figure out how far you could go with it before you really ran into a lot of sales



resistance and found a necessity to shift the direction.

Q So that plan was to go as far as you could until the resistance got to the point where you couldn't go any further?

A I would say that is reasonable, yes.

By December 1967, Del Webb's property had extended south to Olive Avenue and Spur was within 500 feet of Olive Avenue to the north. See Exhibit B above. Del Webb filed its original complaint alleging that in excess of 1,300 lots in the southwest portion were unfit for development for sale as residential lots because of the operation of the Spur feedlot.

Del Webb's suit complained that the Spur feeding operation was a public nuisance because of the flies and the odor which were drifting or being blown by the prevailing south to north wind over the southern portion of Sun City. At the time of the suit, Spur was feeding between 20,000 and 30,000 head of cattle, and the facts amply support the finding of the trial court that the feed pens had become a nuisance to the people who resided in the southern part of Del Webb's development. The testimony indicated that cattle in a commercial feedlot will produce 35 to 40 pounds of wet manure per day, per head, or over a million pounds of wet manure per day for 30,000 head of cattle, and that despite the admittedly good feedlot management and good housekeeping practices by Spur, the resulting odor and flies produced an annoying if not unhealthy situation as far as the senior citizens of southern Sun City were concerned. There is no doubt that some of the citizens of Sun City were unable to enjoy the outdoor living which Del Webb had advertised and that Del Webb was faced with sales resistance from prospective purchasers as well as strong

and persistent complaints from the people who had purchased homes in that area.

Trial was commenced before the court with an advisory jury. The advisory jury was later discharged and the trial was continued before the court alone. Findings of fact and conclusions of law were requested and given. The case was vigorously contested, including special actions in this court on some of the matters. In one of the special actions before this court, Spur agreed to, and did, shut down its operation without prejudice to a determination of the matter on appeal. On appeal the many questions raised were extensively briefed.

It is noted, however, that neither the citizens of Sun City nor Youngtown are represented in this lawsuit and the suit is solely between Del E. Webb Development Company and Spur Industries, Inc.

#### *MAY SPUR BE ENJOINED?*

The difference between a private nuisance and a public nuisance is generally one of degree. A private nuisance is one affecting a single individual or a definite small number of persons in the enjoyment of private rights not common to the public, while a public nuisance is one affecting the rights enjoyed by citizens as a part of the public. To constitute a public nuisance, the nuisance must affect a considerable number of people or an entire community or neighborhood. *City of Phoenix v. Johnson*, 51 Ariz. 115, 75 P.2d 30 (1938).

Where the injury is slight, the remedy for minor inconveniences lies in an action for damages rather than in one for an injunction. *Kubby v. Hammond*, 68 Ariz. 17, 198 P.2d 134 (1948). Moreover, some courts have held, in the 'balancing of conveniences' cases, that damages may be the sole remedy. See *Boomer v. Atlantic Cement Co.*, 26 N.Y.2d 219, 309 N.Y.S.2d 312, 257 N.E.2d 870, 40 A.L.R.3d 590 (1970), and annotation comments, 40 A.L.R.3d 601.

Thus, it would appear from the admittedly incomplete record as developed in the trial court, that, at most, residents of Youngtown would be entitled to damages rather than injunctive relief.

We have no difficulty, however, in agreeing with the conclusion of the trial court that Spur's operation was an enjoicable public nuisance as far as the people in the southern portion of Del Webb's Sun City were concerned.

s 36-601, subsec. A reads as follows:

s 36-601. Public nuisances dangerous to public health

A. The following conditions are specifically declared public nuisances dangerous to the public health:

Any condition or place in populous areas which constitutes a breeding place for flies, rodents, mosquitoes and other insects which are capable of carrying and transmitting disease-causing organisms to any person or persons.

By this statute, before an otherwise lawful (and necessary) business may be declared a public nuisance, there must be a 'populous' area in which people are injured:

\*\*\* (I)t hardly admits a doubt that, in determining the question as to whether a lawful occupation is so conducted as to constitute a nuisance as a matter of fact, the locality and surroundings are of the first importance. (citations omitted) A business which is not per

se a public nuisance may become such by being carried on at a place where the health, comfort, or convenience of a populous neighborhood is affected. \* \* \* What might amount to a serious nuisance in one locality by reason of the density of the population, or character of the neighborhood affected, may in another place and under different surroundings be deemed proper and unobjectionable. \* \* \*.

*MacDonald v. Perry*, 32 Ariz. 39, 49-50, 255 P. 494, 497 (1927).

It is clear that as to the citizens of Sun City, the operation of Spur's feedlot was both a public and a private nuisance. They could have successfully maintained an action to abate the nuisance. Del Webb, having shown a special injury in the loss of sales, had a standing to bring suit to enjoin the nuisance. *Engle v. Clark*, 53 Ariz. 472, 90 P.2d 994 (1939); *City of Phoenix v. Johnson*, supra. The judgment of the trial court permanently enjoining the operation of the feedlot is affirmed.

#### *MUST DEL WEBB INDEMNIFY SPUR?*

A suit to enjoin a nuisance sounds in equity and the courts have long recognized a special responsibility to the public when acting as a court of equity:

s 104. Where public interest is involved.

Courts of equity may, and frequently do, go much further both to give and withhold relief in furtherance of the public interest than they are accustomed to go when only private interests

are involved. Accordingly, the granting or withholding of relief may properly be dependent upon considerations of public interest.  
\* \* \*

27 Am.Jur.2d, Equity, page 626.

In addition to protecting the public interest, however, courts of equity are concerned with protecting the operator of a lawfully, albeit noxious, business from the result of a knowing and willful encroachment by others near his business.

In the so-called 'coming to the nuisance' cases, the courts have held that the residential landowner may not have relief if he knowingly came into a neighborhood reserved for industrial or agricultural endeavors and has been damaged thereby:

Plaintiffs chose to live in an area uncontrolled by zoning laws or restrictive covenants and remote from urban development. In such an area plaintiffs cannot complain that legitimate agricultural pursuits are being carried on in the vicinity, nor can plaintiffs, having chosen to build in an agricultural area, complain that the agricultural pursuits carried on in the area depreciate the value of their homes. The area being Primarily agricultural, and opinion reflecting the value of such property must take this factor into account. The standards affecting the value of residence property in an urban setting, subject to zoning controls and controlled planning techniques, cannot be the standards by which agricultural properties are judged.

People employed in a city who build their homes in suburban areas of the county beyond the limits of a city and zoning regulations do so for a reason. Some do so to avoid the high taxation rate imposed by cities, or to avoid special assessments for street, sewer and water projects. They usually build on improved or hard surface highways, which have been built either at state or county expense and thereby avoid special assessments for these improvements. It may be that they desire to get away from the congestion of traffic, smoke, noise, foul air and the many other annoyances of city life. But with all these advantages in going beyond the area which is zoned and restricted to protect them in their homes, they must be prepared to take the disadvantages.

*Dill v. Excel Packing Company*, 183 Kan. 513, 525, 526, 331 P.2d 539, 548, 549 (1958). See also *East St. Johns Shingle Co. v. City of Portland*, 195 Or. 505, 246 P.2d 554, 560-562 (1952).

And:

\*\*\* a party cannot justly call upon the law to make that place suitable for his residence which was not so when he selected it. \*\*\*.

*Gilbert v. Showerman*, 23 Mich. 448, 455, 2 Brown 158 (1871).

Were Webb the only party injured, we would feel justified in holding that the doctrine of 'coming to the nuisance' would have been a bar to the relief asked by Webb, and, on the other hand, had Spur located the feedlot near the outskirts of a city and had the city grown toward the

feedlot, Spur would have to suffer the cost of abating the nuisance as to those people locating within the growth pattern of the expanding city:

The case affords, perhaps, an example where a business established at a place remote from population is gradually surrounded and becomes part of a populous center, so that a business which formerly was not an interference with the rights of others has become so by the encroachment of the population \* \* \*.

*City of Ft. Smith v. Western Hide & Fur Co.*, 153 Ark. 99, 103, 239 S.W. 724, 726 (1922).

We agree, however, with the Massachusetts court that:

The law of nuisance affords no rigid rule to be applied in all instances. It is elastic. It undertakes to require only that which is fair and reasonable under all the circumstances. In a commonwealth like this, which depends for its material prosperity so largely on the continued growth and enlargement of manufacturing of diverse varieties, 'extreme rights' cannot be enforced. \* \* \*.

*Stevens v. Rockport Granite Co.*, 216 Mass. 486, 488, 104 N.E. 371, 373 (1914).

There was no indication in the instant case at the time Spur and its predecessors located in western Maricopa County that a new city would spring up, full-blown, alongside the feeding operation and that the developer of that city would ask the court to order Spur to move because of the new city. Spur is required to move not because of any wrongdoing on the part of Spur, but because of a proper

and legitimate regard of the courts for the rights and interests of the public.

Del Webb, on the other hand, is entitled to the relief prayed for (a permanent injunction), not because Webb is blameless, but because of the damage to the people who have been encouraged to purchase homes in Sun City. It does not equitable or legally follow, however, that Webb, being entitled to the injunction, is then free of any liability to Spur if Webb has in fact been the cause of the damage Spur has sustained. It does not seem harsh to require a developer, who has taken advantage of the lesser land values in a rural area as well as the availability of large tracts of land on which to build and develop a new town or city in the area, to indemnify those who are forced to leave as a result.

Having brought people to the nuisance to the foreseeable detriment of Spur, Webb must indemnify Spur for a reasonable amount of the cost of moving or shutting down. It should be noted that this relief to Spur is limited to a case wherein a developer has, with foreseeability, brought into a previously agricultural or industrial area the population which makes necessary the granting of an injunction against a lawful business and for which the business has no adequate relief.

It is therefore the decision of this court that the matter be remanded to the trial court for a hearing upon the damages sustained by the defendant Spur as a reasonable and direct result of the granting of the permanent injunction. Since the result of the appeal may appear novel and both sides have obtained a measure of relief, it is ordered that each side will bear its own costs.

Affirmed in part, reversed in part, and remanded for further proceedings consistent with this opinion.



## Problems

1. Why might the *Prah* court have found no nuisance in the *Boomer* case? Make the argument.
2. Does the court invoke a property rule or liability rule in *Boomer*?
  - (a) What additional or different facts could you add to that case that might help you argue that the court should have used the other rule? Explain.
  - (b) What additional or different facts would lead you to conclude the court should have used Rule 4 (as in *Spur*)? Explain.

## Answers

1. Why might the *Prah* court have found no nuisance in the *Boomer* case? Make the argument.

Only a substantial and unreasonable interference with the plaintiff's use of his or her property will constitute a nuisance. The *Prah* court held the Restatement's reasonable use doctrine should be applied in nuisance cases. That doctrine requires the court to balance the utility of the defendant's conduct against the harm to the plaintiff. In *Boomer*, the lower court determined that the value of the cement plant far exceeded the costs to the plaintiffs. Thus, under the reasonable use doctrine, there is (arguably) no nuisance.

2. Does the court invoke a property rule or liability rule in *Boomer*?

Liability rule. The Court awards permanent damages, meaning damages that will compensate for all the harms complained of now and in the future without further liability, allowing the plant to continue in operation.

- (a) What additional or different facts could you add to that case that might help you argue that the court should have used the other rule? Explain.

There are a number of possible answers here. Two main *kinds* of examples would be: (1) those in which we're certain who can most cheaply avoid the costs (and so don't worry that a transaction between the parties will be necessary after the litigation) or (2) those in which we, for some reason, aren't worried that transactions will be expensive (and so if we award the wrong party with the entitlement, we're pretty sure the parties will be able to bargain around it, a la Coase).

An example of (1): There exists a scrubber that would clean the plant's emissions sufficiently to avoid almost all of the harm to the plaintiffs. And the cost of the scrubber is obviously less than the value of the harm to the plaintiffs. There's no uncertainty or guesswork for the court. In this case, we'd just give an injunction to the plaintiffs (property rule protection of plaintiffs). Defendant plant would then install the scrubber.

An example of (2): Perhaps instead of a bunch of neighbors, we have only one neighbor that is harmed, and it's a business. Though that business still might strategically attempt to hold out for a lot of cash, there is less danger of irrational hold-outs than there is with 300 residents. In this case, we're more confident a transaction between the parties will fix any error we make in the initial entitlement. (To be clear, I mean that if, for example, we say it's a nuisance and that plaintiff wins but in fact the use is more valuable to defendant than the injuries are costly to the plaintiffs, the parties will be able to work out a deal afterwards that will allow defendant to continue.)

(b) What additional or different facts would lead you to conclude the court should have used Rule 4 (as in *Spur*)? Explain.

One possibility is that the neighbors could be posited to have moved in after the cement company had begun operations. This would be a "coming to the nuisance" case like *Spur*. Coming to the nuisance is usually a *defense* to nuisance, meaning that it will give the court a reason to decide there

wasn't a nuisance at all. It didn't do that in *Spur* because of the many people who now lived around the cattle operations. It had become obvious that this land was more valuable as residential area than cattle farming land. You could make up these same facts here.

Another possibility, suggested by the Calabresi article, is that the costs to the plaintiffs of the pollution are extremely difficult to value. Suppose the pollution is some kind of annoying dust, and there is a great diversity of uses in a neighboring residential/office/strip mall area. It will be costly to determine the amount of damages for each of these differently situated users. It may be cheap, though, to figure out how much the plant would be injured if it were shut down (or forced to install pollution control equipment). And so, on economic efficiency grounds, we might force the factory to shut down (or install the equipment) but only if the neighbors collectively paid the (easily calculated) cost. This would be a more realistic possibility if we further posited some sort of homeowner association or private governance mechanism that could eliminate holdouts among the neighbors.

## 2. Acquisition by Possession

### 2.1 Possession Generally

#### 2.1.1. Wild Animals

##### **Pierson v. Post, 3 Cai. R. 175 (NY 1805)**

###### Argument of Counsel

Mr. Sanford, for the now plaintiff. It is firmly settled that animals, *feroe naturae*, belong not to anyone. If, then, Post had not acquired any property in the fox, when it was killed by Pierson, he had no right in it which could be the subject of injury. As, however, a property may be gained in such an animal, it will be necessary to advert to the facts set forth, to see whether they are such as could give a legal interest in the creature, that was the cause of the suit below. Finding, hunting, and pursuit, are all that the plaint enumerates. To create a title to an animal *feroe naturae*, occupancy is indispensable. It is the only mode recognized by our system. 2 Black. Com. 403. The reason of the thing shows it to be so. For whatever is not appropriated by positive institutions, can be exclusively possessed by natural law alone. Occupancy is the sole method this code acknowledges. Authorities are not wanting to this effect. Just. lib. 2, tit. 1, sec. 12. “*Feroe igitur bestioe, simul atque ab aliquo captio fuerint jure gentium statim illius esse incipiunt.*” There must be a taking; and even that is not in all cases sufficient, for in the same section he observes, “*Quicquid autem eorum ceperis, eo usque tuum esse intelligitur, donec tua custodia coercetur; cum vero tuam evaserit custodiam, et in libertatem naturalem sese receperit, tuam esse desinit, et rursus occupantis fit.*” It is added also that this natural liberty may be regained even if in sight of the pursuer, “*ita sit, ut difficilis sit ejus persecutio.*” In section 13, it is laid down, that even wounding will not give a right of property in an animal that is unreclaimed. For, notwithstanding the wound, “*multa*

accidere soleant ut eam non capias,” and “non aliter tuam esse quam si eam ceperis.” Fleta (b. 3, p. 175) and Bracton (b. 2, ch. 1, p. 86) are in unison with the Roman law-giver. It is manifest, then, from the record, that there was no title in Post, and the action, therefore, not maintainable.

Mr. Colden, contra. I admit, with Fleta, that pursuit alone does not give a right of property in animals *feroe naturae*, and I admit also that occupancy is to give a title to them. But, then, what kind of occupancy? And here I shall contend it is not such as is derived from manucaption alone. In Puffendorf’s *Law of Nature and of Nations* (b. 4, ch. 4, sec. 5, n. 6, by Barbeyrac), notice is taken of this principle of taking possession. It is there combatted, nay, disproved; and in b. 4, ch. 6, sec. 2, n. 2. *Ibid.* sec. 7, n. 2, demonstrated that manucaption is only one of many means to declare the intention of exclusively appropriating that which was before in a state of nature. Any continued act which does this, is equivalent to occupancy. Pursuit, therefore, by a person who starts a wild animal, gives an exclusive right whilst it is followed. It is all the possession the nature of the subject admits; it declares the intention of acquiring dominion, and is as much to be respected as manucaption itself. The contrary idea, requiring actual taking, proceeds, as Mr. Barbeyrac observes, in Puffendorf (b. 4, ch. 6, sec. 10), on a “false notion of possession.”

Mr. Sanford, in reply. The only authority relied on is that of an annotator. On the question now before the court, we have taken our principles from the civil code, and nothing has been urged to impeach those quoted from the authors referred to.

TOMPKINS, J. delivered the opinion of the court.

This cause comes before us on a return to a *certiorari* directed to one of the justices of Queens county.

The question submitted by the counsel in this cause for our determination is, whether Lodowick Post, by the pursuit

with his hounds in the manner alleged in his declaration, acquired such a right to, or property in, the fox, as will sustain an action against Pierson for killing and taking him away?

The cause was argued with much ability by the counsel on both sides, and presents for our decision a novel and nice question. It is admitted that a fox is an animal *ferae naturae*, and that property in such animals is acquired by occupancy only. These admissions narrow the discussion to the simple question of what acts amount to occupancy, applied to acquiring right to wild animals?

If we have recourse to the ancient writers upon general principles of law, the judgment below is obviously erroneous. Justinian's Institutes, lib. 2. tit. 1. s. 13. and Fleta, lib. 3. c. 2. p. 175. adopt the principle, that pursuit alone vests no property or right in the huntsman; and that even pursuit, accompanied with wounding, is equally ineffectual for that purpose, unless the animal be actually taken. The same principle is recognised by Bracton, lib. 2. c. 1. p. 8.

Puffendorf, lib. 4. c. 6. s. 2. and 10, defines occupancy of beasts *ferae naturae*, to be the actual corporal possession of them, and Bynkershoek is cited as coinciding in this definition. It is indeed with hesitation that Puffendorf affirms that a wild beast mortally wounded, or greatly maimed, cannot be fairly intercepted by another, whilst the pursuit of the person inflicting the wound continues. The foregoing authorities are decisive to show that mere pursuit gave Post no legal right to the fox, but that he became the property of Pierson, who intercepted and killed him.

It therefore only remains to inquire whether there are any contrary principles, or authorities, to be found in other books, which ought to induce a different decision. Most of the cases which have occurred in England, relating to property in wild animals, have either been discussed and

decided upon the principles of their positive statute regulations, or have arisen between the huntsman and the owner of the land upon which beasts *ferae naturae* have been apprehended; the former claiming them by title of occupancy, and the latter *ratione soli*. Little satisfactory aid can, therefore, be derived from the English reporters.

Barbeyrac, in his notes on Puffendorf, does not accede to the definition of occupancy by the latter, but, on the contrary, affirms, that actual bodily seizure is not, in all cases, necessary to constitute possession of wild animals. He does not, however, describe the acts which, according to his ideas, will amount to an appropriation of such animals to private use, so as to exclude the claims of all other persons, by title of occupancy, to the same animals; and he is far from averring that pursuit alone is sufficient for that purpose. To a certain extent, and as far as Barbeyrac appears to me to go, his objections to Puffendorf's definition of occupancy are reasonable and correct. That is to say, that actual bodily seizure is not indispensable to acquire right to, or possession of, wild beasts; but that, on the contrary, the mortal wounding of such beasts, by one not abandoning his pursuit, may, with the utmost propriety, be deemed possession of him; since, thereby, the pursuer manifests an unequivocal intention of appropriating the animal to his individual use, has deprived him of his natural liberty, and brought him within his certain control. So also, encompassing and securing such animals with nets and toils, or otherwise intercepting them in such a manner as to deprive them of their natural liberty, and render escape impossible, may justly be deemed to give possession of them to those persons who, by their industry and labour, have used such means of apprehending them. Barbeyrac seems to have adopted, and had in view in his notes, the more accurate opinion of Grotius, with respect to occupancy. That celebrated author, lib. 2. c. 8. s. 3. p. 309. speaking of occupancy, proceeds thus: "Requiritur

autem corporalis quaedam possessio ad dominium adipiscendum; atque ideo, vulnerasse non sufficit.” But in the following section he explains and qualifies this definition of occupancy: “Sed possessio illa potest non solis manibus, sed instrumentis, ut decipulis, retibus, laqueis dum duo adsint: primum ut ipsa instrumenta sint in nostra potestate, deinde ut fera, ita inclusa sit, ut exire inde nequeat.” This qualification embraces the full extent of Barbeyrac’s objection to Puffendorf’s definition, and allows as great a latitude to acquiring property by occupancy, as can reasonably be inferred from the words or ideas expressed by Barbeyrac in his notes. The case now under consideration is one of mere pursuit, and presents no circumstances or acts which can bring it within the definition of occupancy by Puffendorf, or Grotius, or the ideas of Barbeyrac upon that subject.

The case cited from 11 Mod. 74–130. I think clearly distinguishable from the present; inasmuch as there the action was for maliciously hindering and disturbing the plaintiff in the exercise and enjoyment of a private franchise; and in the report of the same case, 3 Salk. 9. Holt, Ch. J. states, that the ducks were in the plaintiff’s decoy pond, and so in his possession, from which it is obvious the court laid much stress in their opinion upon the plaintiff’s possession of the ducks, *ratione soli*.

We are the more readily inclined to confine possession or occupancy of beasts *ferae naturae*, within the limits prescribed by the learned authors above cited, for the sake of certainty, and preserving peace and order in society. If the first seeing, starting, or pursuing such animals, without having so wounded, circumvented or ensnared them, so as to deprive them of their natural liberty, and subject them to the control of their pursuer, should afford the basis of actions against others for intercepting and killing them, it would prove a fertile source of quarrels and litigation.



However uncourteous or unkind the conduct of Pierson towards Post, in this instance, may have been, yet his act was productive of no injury or damage for which a legal remedy can be applied. We are of opinion the judgment below was erroneous, and ought to be reversed.

LIVINGSTON, J.

My opinion differs from that of the court. Of six exceptions, taken to the proceedings below, all are abandoned except the third, which reduces the controversy to a single question.

Whether a person who, with his own hounds, starts and hunts a fox on waste and uninhabited ground, and is on the point of seizing his prey, acquires such an interest in the animal, as to have a right of action against another, who in view of the huntsman and his dogs in full pursuit, and with knowledge of the chase, shall kill and carry him away?

This is a knotty point, and should have been submitted to the arbitration of sportsmen, without poring over Justinian, Fleta, Bracton, Puffendorf, Locke, Barbeyrac, or Blackstone, all of whom have been cited; they would have had no difficulty in coming to a prompt and correct conclusion. In a court thus constituted, the skin and carcass of poor reynard would have been properly disposed of, and a precedent set, interfering with no usage or custom which the experience of ages has sanctioned, and which must be so well known to every votary of Diana. But the parties have referred the question to our judgment, and we must dispose of it as well as we can, from the partial lights we possess, leaving to a higher tribunal, the correction of any mistake which we may be so unfortunate as to make. By the pleadings it is admitted that a fox is a "wild and noxious beast." Both parties have regarded him, as the law of nations does a pirate, "hostem humani generis," and although "de mortuis nil nisi bonum," be a maxim of our profession, the memory of the deceased has not been

spared. His depredations on farmers and on barn yards, have not been forgotten; and to put him to death wherever found, is allowed to be meritorious, and of public benefit. Hence it follows, that our decision should have in view the greatest possible encouragement to the destruction of an animal, so cunning and ruthless in his career. But who would keep a pack of hounds; or what gentleman, at the sound of the horn, and at peep of day, would mount his steed, and for hours together, “sub jove frigido,” or a vertical sun, pursue the windings of this wily quadruped, if, just as night came on, and his stratagems and strength were nearly exhausted, a saucy intruder, who had not shared in the honours or labours of the chase, were permitted to come in at the death, and bear away in triumph the object of pursuit? Whatever Justinian may have thought of the matter, it must be recollected that his code was compiled many hundred years ago, and it would be very hard indeed, at the distance of so many centuries, not to have a right to establish a rule for ourselves. In his day, we read of no order of men who made it a business, in the language of the declaration in this cause, “with hounds and dogs to find, start, pursue, hunt, and chase,” these animals, and that, too, without any other motive than the preservation of Roman poultry; if this diversion had been then in fashion, the lawyers who composed his institutes, would have taken care not to pass it by, without suitable encouragement. If any thing, therefore, in the digests or pandects shall appear to militate against the defendant in error, who, on this occasion, was the foxhunter, we have only to say *tempora mutantur*; and if men themselves change with the times, why should not laws also undergo an alteration?

It may be expected, however, by the learned counsel, that more particular notice be taken of their authorities. I have examined them all, and feel great difficulty in determining, whether to acquire dominion over a thing, before in common, it be sufficient that we barely see it, or know

where it is, or wish for it, or make a declaration of our will respecting it; or whether, in the case of wild beasts, setting a trap, or lying in wait, or starting, or pursuing, be enough; or if an actual wounding, or killing, or bodily tact and occupation be necessary. Writers on general law, who have favoured us with their speculations on these points, differ on them all; but, great as is the diversity of sentiment among them, some conclusion must be adopted on the question immediately before us. After mature deliberation, I embrace that of Barbeyrac, as the most rational, and least liable to objection. If at liberty, we might imitate the courtesy of a certain emperor, who, to avoid giving offence to the advocates of any of these different doctrines, adopted a middle course, and by ingenious distinctions, rendered it difficult to say (as often happens after a fierce and angry contest) to whom the palm of victory belonged. He ordained, that if a beast be followed with large dogs and hounds, he shall belong to the hunter, not to the chance occupant; and in like manner, if he be killed or wounded with a lance or sword; but if chased with beagles only, then he passed to the captor, not to the first pursuer. If slain with a dart, a sling, or a bow, he fell to the hunter, if still in chase, and not to him who might afterwards find and seize him.

Now, as we are without any municipal regulations of our own, and the pursuit here, for aught that appears on the case, being with dogs and hounds of imperial stature, we are at liberty to adopt one of the provisions just cited, which comports also with the learned conclusion of Barbeyrac, that property in animals *ferae naturae* may be acquired without bodily touch or manucaption, provided the pursuer be within reach, or have a reasonable prospect (which certainly existed here) of taking, what he has thus discovered an intention of converting to his own use.

When we reflect also that the interest of our husbandmen, the most useful of men in any community, will be advanced

by the destruction of a beast so pernicious and incorrigible, we cannot greatly err, in saying, that a pursuit like the present, through waste and unoccupied lands, and which must inevitably and speedily have terminated in corporal possession, or bodily seisin, confers such a right to the object of it, as to make any one a wrongdoer, who shall interfere and shoulder the spoil. The justice's judgment ought, therefore, in my opinion, to be affirmed.

**Ghen v. Rich, 8 F. 159 (D. Mass. 1881)**

H. M. Knowlton, for libellant.

H. P. Harriman, for respondent.

NELSON, D. J.

This is a libel to recover the value of a fin-back whale. The libellant lives in Provincetown and the respondent in Wellfleet. The facts, as they appeared at the hearing, are as follows:

In the early spring months the easterly part of Massachusetts bay is frequented by the species of whale known as the fin-back whale. Fishermen from Provincetown pursue them in open boats from the shore, and shoot them with bomb-lances fired from guns made expressly for the purpose. When killed they sink at once to the bottom, but in the course of from one to three days they rise and float on the surface. Some of them are picked up by vessels and towed into Provincetown. Some float ashore at high water and are left stranded on the beach as the tide recedes. Others float out to sea and are never recovered. The person who happens to find them on the beach usually sends word to Provincetown, and the owner comes

to the spot and removes the blubber. The finder usually receives a small salvage for his services. Try-works are established in Provincetown for trying out the oil. The business is of considerable extent, but, since it requires skill and experience, as well as some outlay of capital, and is attended with great exposure and hardship, few persons engage in it. The average yield of oil is about 20 barrels to a whale. It swims with great swiftness, and for that reason cannot be taken by the harpoon and line. Each boat's crew engaged in the business has its peculiar mark or device on its lances, and in this way it is known by whom a whale is killed.

The usage on Cape Cod, for many years, has been that the person who kills a whale in the manner and under the circumstances described, owns it, and this right has never been disputed until this case. The libellant has been engaged in this business for ten years past. On the morning of April 9, 1880, in Massachusetts bay, near the end of Cape Cod, he shot and instantly killed with a bomb-lance the whale in question. It sunk immediately, and on the morning of the 12th was found stranded on the beach in Brewster, within the ebb and flow of the tide, by one Ellis, 17 Miles from the spot where it was killed. Instead of sending word to Provincetown, as is customary, Ellis advertised the whale for sale at auction, and sold it to the respondent, who shipped off the blubber and tried out the oil. The

libellant heard of the finding of the whale on the morning of the 15th, and immediately sent one of his boat's crew to the place and claimed it. Neither the respondent nor Ellis knew the whale had been killed by the libellant, but they knew or might have known, if they had wished, that it had been shot and killed with a bomb-lance, by some person engaged in this species of business.

The libellant claims title to the whale under this usage. The respondent insists that this usage is invalid. It was decided by Judge Sprague, in *Taber v. Jenny*, 1 Sprague, 315, that when a whale has been killed, and is anchored and left with marks of appropriation, it is the property of the captors; and if it is afterwards found, still anchored, by another ship, there is no usage or principle of law by which the property of the original captors is diverted, even though the whale may have dragged from its anchorage. The learned judge says:

When the whale had been killed and taken possession of by the boat of the Hillman, (the first taker,) it became the property of the owners of that ship, and all was done which was the practicable in order to secure it. They left it anchored, with unequivocal marks of appropriation.

In *Bartlett v. Budd*, 1 Low. 223, the facts were these: The first officer of the libellant's ship killed a whale in the Okhotsk sea, anchored it, attached a waif to the body, and then left it and went ashore at some distance for the night. The next morning the boats of the respondent's ship found the whale adrift, the anchor not holding, the cable coiled round the body, and no waif or irons attached to it. Judge

Lowell held that, as the libellants had killed and taken actual possession of the whale, the ownership vested in them. In his opinion the learned judge says:

A whale, being *ferae naturae*, does not become property until a firm possession has been established by the taker. But when such possession has become firm and complete, the right of property is clear, and has all the characteristics of property.

He doubted whether a usage set up but not proved by the respondents, that a whale found adrift in the ocean is the property of the finder, unless the first taker should appear and claim it before it is cut in, would be valid, and remarked that “there would be great difficulty in upholding a custom that should take the property of A. and give it to B., under so very short and uncertain a substitute for the statute of limitations, and one so open to fraud and deceit.” Both the cases cited were decided without reference to usage, upon the ground that the property had been acquired by the first taker by actual possession and appropriation.

In *Swift v. Gifford*, 1 Low, 110, Judge Lowell decided that a custom among whalers in the Arctic seas, that the iron holds the whale was reasonable and valid. In that case a boat’s crew from the respondent’s ship pursued and struck a whale in the Arctic ocean, and the harpoon and the line attached to it remained in the whale, but did not remain fast to the boat. A boat’s crew from the libellant’s ship continued the pursuit and captured the whale, and the master of the respondent’s ship claimed it on the spot. It was held by the learned judge that the whale belonged to the respondents. It was said by Judge Sprague, in *Bourne v. Ashley*, an unprinted case referred to by Judge Lowell in *Swift v. Gifford*, that the usage for the first iron, whether

attached to the boat or not, to hold the whale was fully established; and he added that, although local usages of a particular port ought not to be allowed to set aside the general maritime law, this objection did not apply to a custom which embraced an entire business, and had been concurred in for a long time by every one engaged in the trade.

In *Swift v. Gifford*, Judge Lowell also said:

The rule of law invoked in this case is one of very limited application. The whale fishery is the only branch of industry of any importance in which it is likely to be much used, and if a usage is found to prevail generally in that business, it will not be open to the objection that it is likely to disturb the general understanding of mankind by the interposition of an arbitrary exception.

I see no reason why the usage proved in this case is not as reasonable as that sustained in the cases cited. Its application must necessarily be extremely limited, and can affect but a few persons. It has been recognized and acquiesced in for many years. It requires in the first taker the only act of appropriation that is possible in the nature of the case. Unless it is sustained, this branch of industry must necessarily cease, for no person would engage in it if the fruits of his labor could be appropriated by any chance finder. It gives reasonable salvage for securing or reporting the property. That the rule works well in practice is shown by the extent of the industry which has grown up under it, and the general acquiescence of a whole community interested to dispute it. It is by means clear that without regard to usage the common law would not reach the same result. That seems to be the effect of the decisions in *Taber v. Jenny* and *Bartlett v. Budd*. If the fisherman does all that is



possible to do to make the animal his own, that would seem to be sufficient. Such a rule might well be applied in the interest of trade, there being no usage or custom to the contrary. Holmes, Com. Law, 217. But be that as it may, I hold the usage to be valid, and that the property in the whale was in the libellant.

The rule of damages is the market value of the oil obtained from the whale, less the cost of trying it out and preparing it for the market, with interest on the amount so ascertained from the date of conversion. As the question is new and important, and the suit is contested on both sides, more for the purpose of having it settled than for the amount involved, I shall give no costs.

Decree for libellant for \$71.05, without costs.

**From Herman Melville, *Moby Dick***

CHAPTER 89

*Fast-Fish and Loose-Fish*

The allusion to the waifs and waif-poles in the last chapter but one, necessitates some account of the laws and regulations of the whale fishery, of which the waif may be deemed the grand symbol and badge.

It frequently happens that when several ships are cruising in company, a whale may be struck by one vessel, then escape, and be finally killed and captured by another vessel; and herein are indirectly comprised many minor contingencies, all partaking of this one grand feature. For example,—after a weary and perilous chase and capture of a whale, the body may get loose from the ship by reason of a violent storm; and drifting far away to leeward, be retaken by a second whaler, who, in a calm, snugly tows it alongside, without risk of life or line. Thus the most vexatious and violent disputes would often arise between the fishermen, were there not some written or unwritten, universal, undisputed law applicable to all cases.

Perhaps the only formal whaling code authorized by legislative enactment, was that of Holland. It was decreed by the States-General in A.D. 1695. But though no other nation has ever had any written whaling law, yet the American fishermen have been their own legislators and lawyers in this matter. They have provided a system which for terse comprehensiveness surpasses Justinian's Pandects and the By-laws of the Chinese Society for the Suppression of Meddling with other People's Business. Yes; these laws might be engraven on a Queen Anne's farthing, or the barb of a harpoon, and worn round the neck, so small are they.

I. A Fast-Fish belongs to the party fast to it.

II. A Loose-Fish is fair game for anybody who can soonest catch it.

But what plays the mischief with this masterly code is the admirable brevity of it, which necessitates a vast volume of commentaries to expound it.

First: What is a Fast-Fish? Alive or dead a fish is technically fast, when it is connected with an occupied ship or boat, by any medium at all controllable by the occupant or occupants,—a mast, an oar, a nine-inch cable, a telegraph wire, or a strand of cobweb, it is all the same. Likewise a fish is technically fast when it bears a waif, or any other recognized symbol of possession; so long as the party wailing it plainly evince their ability at any time to take it alongside, as well as their intention so to do.

These are scientific commentaries; but the commentaries of the whalers themselves sometimes consist in hard words and harder knocks—the Coke-upon-Littleton of the fist. True, among the more upright and honorable whalers allowances are always made for peculiar cases, where it would be an outrageous moral injustice for one party to claim possession of a whale previously chased or killed by another party. But others are by no means so scrupulous.

Some fifty years ago there was a curious case of whale-trover litigated in England, wherein the plaintiffs set forth that after a hard chase of a whale in the Northern seas; and when indeed they (the plaintiffs) had succeeded in harpooning the fish; they were at

last, through peril of their lives, obliged to forsake not only their lines, but their boat itself. Ultimately the defendants (the crew of another ship) came up with the whale, struck, killed, seized, and finally appropriated it before the very eyes of the plaintiffs. And when those defendants were remonstrated with, their captain snapped his fingers in the plaintiffs' teeth, and assured them that by way of doxology to the deed he had done, he would now retain their line, harpoons, and boat, which had remained attached to the whale at the time of the seizure. Wherefore the plaintiffs now sued for the recovery of the value of their whale, line, harpoons, and boat.

Mr. Erskine was counsel for the defendants; Lord Ellenborough was the judge. In the course of the defence, the witty Erskine went on to illustrate his position, by alluding to a recent crim. con. case, wherein a gentleman, after in vain trying to bridle his wife's viciousness, had at last abandoned her upon the seas of life; but in the course of years, repenting of that step, he instituted an action to recover possession of her. Erskine was on the other side; and he then supported it by saying, that though the gentleman had originally harpooned the lady, and had once had her fast, and only by reason of the great stress of her plunging viciousness, had at last abandoned her; yet abandon her he did, so that she became a loose-fish; and therefore when a subsequent gentleman re-harpooned her, the lady then became that subsequent gentleman's property, along with whatever harpoon might have been found sticking in her.

Now in the present case Erskine contended that the examples of the whale and the lady were reciprocally illustrative of each other.

These pleadings, and the counter pleadings, being duly heard, the very learned Judge in set terms decided, to wit,— That as for the boat, he awarded it to the plaintiffs, because they had merely abandoned it to save their lives; but that with regard to the controverted whale, harpoons, and line, they belonged to the defendants; the whale, because it was a Loose-Fish at the time of the final capture; and the harpoons and line because when the fish made off with them, it (the fish) acquired a property in those

articles; and hence anybody who afterwards took the fish had a right to them. Now the defendants afterwards took the fish; ergo, the aforesaid articles were theirs.

A common man looking at this decision of the very learned Judge, might possibly object to it. But ploughed up to the primary rock of the matter, the two great principles laid down in the twin whaling laws previously quoted, and applied and elucidated by Lord Ellenborough in the above cited case; these two laws touching Fast-Fish and Loose-Fish, I say, will on reflection, be found the fundamentals of all human jurisprudence; For notwithstanding its complicated tracery of sculpture, the Temple of the Law, like the Temple of the Philistines, has but two props to stand on.

Is it not a saying in every one's mouth, Possession is half of the law: that is, regardless of how the thing came into possession? But often possession is the whole of the law. What are the sinews and souls of Russian serfs and Republican slaves but Fast-Fish, whereof possession is the whole of the law? What to the rapacious landlord is the widow's last mite but a Fast-Fish? What is yonder undetected villain's marble mansion with a doorplate for a waif; what is that but a Fast-Fish? What is the ruinous discount which Mordecai, the broker, gets from the poor Woebegone, the bankrupt, on a loan to keep Woebegone's family from starvation; what is that ruinous discount but a Fast-Fish? What is the Archbishop of Savesoul's income of 100,000 pounds seized from the scant bread and cheese of hundreds of thousands of broken-backed laborers (all sure of heaven without any of Savesoul's help) what is that globular 100,000 but a Fast-Fish. What are the Duke of Dunder's hereditary towns and hamlets but Fast-Fish? What to that redoubted harpooneer, John Bull, is poor Ireland, but a Fast-Fish? What to that apostolic lancer, Brother Jonathan, is Texas but a Fast-Fish? And concerning all these, is not Possession the whole of the law?

But if the doctrine of Fast-Fish be pretty generally applicable, the kindred doctrine of Loose-Fish is still more widely so. That is internationally and universally applicable.

What was America in 1492 but a Loose-Fish, in which Columbus struck the Spanish standard by way of wailing it for his royal master and mistress? What was Poland to the Czar? What Greece to the Turk? What India to England? What at last will Mexico be to the United States? All Loose-Fish.

What are the Rights of Man and the Liberties of the World but Loose-Fish? What all men's minds and opinions but Loose-Fish? What is the principle of religious belief in them but a Loose-Fish? What to the ostentatious smuggling verbalists are the thoughts of thinkers but Loose-Fish? What is the great globe itself but a Loose-Fish? And what are you, reader, but a Loose-Fish and a Fast-Fish, too?

### **2.1.2. Theory**

**From John Locke, *The Second Treatise of Civil Government* (1690)**

#### **CHAP. V.**

##### **Of Property.**

Sec. 25. Whether we consider natural reason, which tells us, that men, being once born, have a right to their preservation, and consequently to meat and drink, and such other things as nature affords for their subsistence: or revelation, which gives us an account of those grants God made of the world to Adam, and to Noah, and his sons, it is very clear, that God, as king David says, Psal. cxv. 16. has given the earth to the children of men; given it to mankind in common. But this being supposed, it seems to some a very great difficulty, how any one should ever come to have a property in any thing: I will not content myself to answer, that if it be difficult to make out property, upon a supposition that God gave the world to Adam, and his posterity in common, it is impossible that any man, but one universal monarch, should have any property upon a supposition, that God gave the world to Adam, and his heirs in succession, exclusive of all the rest of his posterity. But I shall endeavour to shew, how men might come to have a property in several parts of that which God gave to

mankind in common, and that without any express compact of all the commoners.

Sec. 26. God, who hath given the world to men in common, hath also given them reason to make use of it to the best advantage of life, and convenience. The earth, and all that is therein, is given to men for the support and comfort of their being. And tho' all the fruits it naturally produces, and beasts it feeds, belong to mankind in common, as they are produced by the spontaneous hand of nature; and no body has originally a private dominion, exclusive of the rest of mankind, in any of them, as they are thus in their natural state: yet being given for the use of men, there must of necessity be a means to appropriate them some way or other, before they can be of any use, or at all beneficial to any particular man. The fruit, or venison, which nourishes the wild Indian, who knows no enclosure, and is still a tenant in common, must be his, and so his, i.e. a part of him, that another can no longer have any right to it, before it can do him any good for the support of his life.

Sec. 27. Though the earth, and all inferior creatures, be common to all men, yet every man has a property in his own person: this no body has any right to but himself. The labour of his body, and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state nature hath placed it in, it hath by this labour something annexed to it, that excludes the common right of other men: for this labour being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good, left in common for others.

Sec. 28. He that is nourished by the acorns he picked up under an oak, or the apples he gathered from the trees in the wood, has certainly appropriated them to himself. No body can deny but the nourishment is his. I ask then, when did they begin to be his? when he digested? or when he eat? or when he boiled? or when he brought them home? or when he picked them up? and it is plain, if

the first gathering made them not his, nothing else could. That labour put a distinction between them and common: that added something to them more than nature, the common mother of all, had done; and so they became his private right. And will any one say, he had no right to those acorns or apples, he thus appropriated, because he had not the consent of all mankind to make them his? Was it a robbery thus to assume to himself what belonged to all in common? If such a consent as that was necessary, man had starved, notwithstanding the plenty God had given him. We see in commons, which remain so by compact, that it is the taking any part of what is common, and removing it out of the state nature leaves it in, which begins the property; without which the common is of no use. And the taking of this or that part, does not depend on the express consent of all the commoners. Thus the grass my horse has bit; the turfs my servant has cut; and the ore I have digged in any place, where I have a right to them in common with others, become my property, without the assignation or consent of any body. The labour that was mine, removing them out of that common state they were in, hath fixed my property in them.

Sec. 29. By making an explicit consent of every commoner, necessary to any one's appropriating to himself any part of what is given in common, children or servants could not cut the meat, which their father or master had provided for them in common, without assigning to every one his peculiar part. Though the water running in the fountain be every one's, yet who can doubt, but that in the pitcher is his only who drew it out? His labour hath taken it out of the hands of nature, where it was common, and belonged equally to all her children, and hath thereby appropriated it to himself.

Sec. 30. Thus this law of reason makes the deer that Indian's who hath killed it; it is allowed to be his goods, who hath bestowed his labour upon it, though before it was the common right of every one. And amongst those who are counted the civilized part of mankind, who have made and multiplied positive laws to determine property, this original law of nature, for the beginning of property,

in what was before common, still takes place; and by virtue thereof, what fish any one catches in the ocean, that great and still remaining common of mankind; or what ambergrise any one takes up here, is by the labour that removes it out of that common state nature left it in, made his property, who takes that pains about it. And even amongst us, the hare that any one is hunting, is thought his who pursues her during the chase: for being a beast that is still looked upon as common, and no man's private possession; whoever has employed so much labour about any of that kind, as to find and pursue her, has thereby removed her from the state of nature, wherein she was common, and hath begun a property.

Sec. 31. It will perhaps be objected to this, that if gathering the acorns, or other fruits of the earth, &c. makes a right to them, then any one may ingross as much as he will. To which I answer, Not so. The same law of nature, that does by this means give us property, does also bound that property too. God has given us all things richly, 1 Tim. vi. 12. is the voice of reason confirmed by inspiration. But how far has he given it us? To enjoy. As much as any one can make use of to any advantage of life before it spoils, so much he may by his Labour fix a property in: whatever is beyond this, is more than his share, and belongs to others. Nothing was made by God for man to spoil or destroy. And thus, considering the plenty of natural provisions there was a long time in the world, and the few spenders; and to how small a part of that provision the industry of one man could extend itself, and ingross it to the prejudice of others; especially keeping within the bounds, set by reason, of what might serve for his use; there could be then little room for quarrels or contentions about property so established.

Sec. 32. But the chief matter of property being now not the fruits of the earth, and the beasts that subsist on it, but the earth itself; as that which takes in and carries with it all the rest; I think it is plain, that property in that too is acquired as the former. As much land as a man tills, plants, improves, cultivates, and can use the product of, so much is his property. He by his labour does, as it were, inclose it from the common. Nor will it invalidate his right, to say every body else has an equal title to it; and therefore he cannot appropriate, he



cannot inclose, without the consent of all his fellow-commoners, all mankind. God, when he gave the world in common to all mankind, commanded man also to labour, and the penury of his condition required it of him. God and his reason commanded him to subdue the earth, i.e. improve it for the benefit of life, and therein lay out something upon it that was his own, his labour. He that in obedience to this command of God, subdued, tilled and sowed any part of it, thereby annexed to it something that was his property, which another had no title to, nor could without injury take from him.

Sec. 33. Nor was this appropriation of any parcel of land, by improving it, any prejudice to any other man, since there was still enough, and as good left; and more than the yet unprovided could use. So that, in effect, there was never the less left for others because of his enclosure for himself: for he that leaves as much as another can make use of, does as good as take nothing at all. No body could think himself injured by the drinking of another man, though he took a good draught, who had a whole river of the same water left him to quench his thirst: and the case of land and water, where there is enough of both, is perfectly the same.

Sec. 34. God gave the world to men in common; but since he gave it them for their benefit, and the greatest conveniencies of life they were capable to draw from it, it cannot be supposed he meant it should always remain common and uncultivated. He gave it to the use of the industrious and rational, (and labour was to be his title to it;) not to the fancy or covetousness of the quarrelsome and contentious. He that had as good left for his improvement, as was already taken up, needed not complain, ought not to meddle with what was already improved by another's labour: if he did, it is plain he desired the benefit of another's pains, which he had no right to, and not the ground which God had given him in common with others to labour on, and whereof there was as good left, as that already possessed, and more than he knew what to do with, or his industry could reach to.

From Jeremy Bentham, *Principles of the Civil Code*

**Part 1: Objects of the Civil Law.**

**Chapter 8: Of Property.**

That we may more completely estimate the advantage of the law, let us endeavour to form a clear idea of property. We shall see that there is no natural property—that property is entirely the creature of law.

Property is only a foundation of expectation—the expectation of deriving certain advantages from the thing said to be possessed, in consequence of the relations in which one already stands to it.

There is no form, or colour, or visible trace, by which it is possible to express the relation which constitutes property. It belongs not to physics, but to metaphysics: it is altogether a creature of the mind.

To have the object in one's hand—to keep it, to manufacture it, to sell it, to change its nature, to employ it—all these physical circumstances do not give the idea of property. A piece of cloth which is actually in the Indies may belong to me, whilst the dress which I have on may not be mine. The food which is incorporated with my own substance may belong to another, to whom I must account for its use.

The idea of property consists in an established expectation—in the persuasion of power to derive certain advantages from the object, according to the nature of the case.

But this expectation, this persuasion, can only be the work of the law. I can reckon upon the enjoyment of that which I regard as my own, only according to the promise of the law, which guarantees it to me. It is the law alone which allows me to forget my natural weakness: it is from the law alone that I can enclose a field and give myself to its cultivation, in the distant hope of the harvest.

But it may be said, What has served as a base to the law for the commencement of the operation, when it adopted the objects which it promised to protect under the name of property? In the primitive state, had not men a natural expectation of enjoying

certain things—an expectation derived from sources anterior to the law?

Yes: they have had from the beginning, there have always been circumstances in which a man could secure by his own means the enjoyment of certain things- but the catalogue of these cases is very limited. The savage, who has hidden his prey, may hope to keep it for himself so long as his cave is not discovered; so long as he is awake to defend it; whilst he is stronger than his rivals: but this is all. How miserable and precarious is this method of possession!— Suppose, then, the slightest agreement among these savages reciprocally to respect each other's booty: this is the introduction, of a principle, to which you can only give the name of law. A feeble and momentary expectation only results from time to time, from purely physical circumstances; a strong and permanent expectation results from law alone: that which was only a thread in a state of nature, becomes a cable, so to speak, in a state of society.

Property and law are born and must die together. Before the laws, there was no property: take away the laws, all property ceases. With respect to property, security consists in no shock or derangement being given to the expectation which has been founded on the laws, of enjoying a certain portion of good. The legislator owes the greatest respect to these expectations to which he has given birth: when he does not interfere with them, he does all that is essential to the happiness of society; when he injures them, he always produces a proportionate sum of evil.

### **Chapter 9: Answer to an Objection.**

But perhaps the laws relating to property may be good for those who possess it, but oppressive to those who have none;—the poor are perchance more miserable than they would be without them.

The laws, in creating property, have created wealth; but with respect to poverty, it is not the work of the laws—it is the primitive condition of the human race. The man who lives only from day to day, is precisely the man in a state of nature. The savage, the poor in society, I acknowledge, obtain nothing but by painful labour; but in a state of nature, what could he obtain but at the price of his

toil? Has not hunting its fatigues, fishing its dangers, war its uncertainties? And if man appear to love this adventurous life—if he have an instinct greedy of these kinds of perils—if the savage rejoice in the delights of an idleness so dearly purchased—ought it to be concluded that he is more happy than our day labourers? No: the labour of these is more uniform, but the reward is more certain; the lot of the woman is more gentle, infancy and old age have more resources; the species multiplies in a proportion a thousand times greater, and this alone would suffice to show on which side is the superiority of happiness. Hence the laws, in creating property, have been benefactors to those who remain in their original poverty. They participate more or less in the pleasures, advantages, and resources of civilized society: their industry and labour place them among the candidates for fortune: they enjoy the pleasures of acquisition: hope mingles with their labours. The security which the law gives them, is this of little importance? Those who look from above at the inferior ranks, see all objects less than they really are; but at the base of the pyramid, it is the summit which disappears in its turn. So far from making these comparisons, they dream not of them; they are not tormented with impossibilities: so, that all things considered, the protection of the laws contributes as much to the happiness of the cottage, as to the security of the palace. It is surprising that so judicious a writer as Beccaria should have inserted, in a work dictated by the soundest philosophy, a doubt subversive of the social order. *The right of property*, says he, *is a terrible right, and may not perhaps be necessary*. Upon this right, tyrannical and sanguinary laws have been founded. It has been most frightfully abused; but the right itself presents only ideas of pleasure, of abundance, and of security. It is this right which has overcome the natural aversion, to labour which has bestowed on man the empire of the earth—which has led nations to give up their wandering habits—which has created a love of country and of posterity. To enjoy quickly—to enjoy without punishment,—this is the universal desire of man; this is the desire which is terrible, since it arms all those who possess nothing, against those who possess any thing. But the law, which restrains this desire, is the most splendid triumph of humanity over itself.

## Chapter 10: Analysis of the Evils Resulting from Attacks upon Property.

We have already seen, that subsistence depends upon the laws, which secure to the labourers the products of their labour; but it would be proper more exactly to analyze the evils which result from violations of property. They may be reduced to four heads:—

1. *Evil of Non-possession.*—If the acquisition of a portion of riches be a good, the non-possession of it must be an evil; though a negative evil, and nothing more. Hence, although men in the condition of primitive poverty may not have felt the special privation of wealth, which was unknown to them, it is clear that they at least had not all the happiness which results from it, and of which we are in the enjoyment.

The loss of a portion of good, should it even remain always unknown, would yet be a loss. If by calumny you prevent my friend from conferring a benefit upon me which I did not expect, do you not do me an injury? In what consists this injury? In the negative evil which results to me, of not possessing what I otherwise should have possessed but for your calumny.

2. *Pain of Loss.*—Every thing which I actually possess, or which I ought to possess, I consider in my imagination as about to belong to me for ever: I make it the foundation of my expectation—of the expectation of those who depend upon me, and the support of my plan of life. Each part of my property may possess, in my estimation, besides its intrinsic value, a value in affection—as the inheritance of my ancestors, the reward of my labours, or the future benefit of my heirs. Every thing may recall to me that portion of myself which I have spent there—my cares, my industry, my economy—which put aside present pleasures, in order to extend them over the future; so that our property may become, as it were, part of ourselves, and cannot be taken from us without wounding us to the quick.

3. *Fear of Loss.*—To regret for what is lost, uneasiness respecting what is possessed joins itself, and even for what it is possible to acquire; for most of the objects which are necessary for subsistence

and abundance, being perishable matters, future acquisitions form a necessary supplement to present possessions.

When insecurity reaches a certain point, the fear of loss hinders the enjoyment of what is possessed. The care of preserving condemns us to a thousand sad and painful precautions, always liable to fail. Treasures fly away, or are buried: enjoyment becomes sombre, stealthy, and solitary: it fears, by the exhibition of itself, to direct cupidity to its prey.

4. *Destruction of Industry*.—If I despair of enjoying the fruits of my labour, I shall only think of living from day to day: I shall not undertake labours which will only benefit my enemies. But besides this, in order to the existence of labour, the will alone is not sufficient: instruments are wanting: whilst these are being provided, subsistence is necessary. A single loss may render me unable to act, without depriving me of the disposition to labour—without having paralyzed my will. Hence the three first of these evils affect the passive faculties of the individual, whilst the fourth extends to his active faculties, and strikes them with numbness.

It is perceived in this analysis, that the two first of these evils do not extend beyond the individual injured; but the two latter expand themselves, and occupy an indefinite space in society. An attack made upon the property of one individual spreads alarm among the other proprietors: this feeling is communicated from one to another, and the contagion may at last spread over the whole body of the state.

For the development of industry, the union of *power* and *will* is required. Will depends upon encouragement—power upon means.—These means are called, in the language of political economy, productive capital.—With regard to a single individual, his capital may be destroyed, without his industrious disposition being destroyed, or even weakened. With regard to a nation, the destruction of its productive capital is impossible: but long before this fatal term arrives, the mischief would have reached the will; and the spirit of industry would fall under a terrible marasmus, in the midst of the natural resources presented by a rich and fertile

soil. The will, however, is excited by so many stimulants, that it resists a multitude of discouragements and losses: a passing calamity, how great soever it may be, does not destroy the spirit of industry. This has been seen springing up again after destructive wars, which have impoverished nations, like a robust oak, which in a few years repairs the injuries, inflicted by the tempest, and covers itself with new branches. Nothing less is requisite for freezing up industry, than the operation of a permanent domestic cause, such as a tyrannical government, a bad legislation, an intolerant religion which repels men from each other, or a minute superstition which terrifies them.

The first act of violence will produce a certain degree of apprehension—there are already some timid minds discouraged: a second outrage, quickly succeeding, will spread a more considerable alarm. The most prudent will begin to contract their enterprises, and by degrees to abandon an uncertain career. In proportion as these attacks are repeated, and the system of oppression assumes an habitual character, the dispersion augments: those who have fled are not replaced; those who remain fall into a state of languor. It is thus that, after a time, the field of industry being beaten down by storms, becomes at last a desert.

Asia Minor, Greece, Egypt, the coasts of Africa, so rich in agriculture, commerce, and population, whilst the Roman Empire flourished—what have they become under the absurd despotism of the Turk? The palaces are changed into cabins, and the cities into small towns: this government, hateful to all persons of reflection, has never understood that a state can never become rich but by an inviolable respect for property. It has possessed only two secrets for governing—to drain and to brutify its subjects. Hence the finest countries in the world, wasted, barren, or almost abandoned, can scarcely be recognised in the hands of their barbarous conquerors. For these evils need not be attributed to remote causes: civil wars, invasions, the scourges of nature—these might have dissipated the wealth, put the arts to flight, and swallowed up the cities; but the ports which have been filled up, would have been reopened, the communications re-established, the manufactures

revived, the towns rebuilt, and all these ravages repaired in time, if the men had continued to be men. But they are not so, in these unhappy countries: despair, the slow but fatal effect of long-continued insecurity, has destroyed all the active powers of their souls.

If we trace the history of this contagion, we shall see that its first attacks fall upon the richest part of society. Wealth was the first object of depredation. Superfluity vanished by little and little: absolute necessity must still be provided for, notwithstanding obstacles—man must live; but when he limits his efforts to mere existence, the state languishes, and the torch of industry furnishes but a few dying sparks. Besides, abundance is never so distinct from subsistence, that the one can be injured without a dangerous attack upon the other: whilst some lose only what is superfluous, others lose what is necessary. From the infinitely complicated system of economical relations, the wealth of one part of the citizens is uniformly the source from which a more numerous party derives its subsistence.

But another, and more smiling picture, may be traced, and not less instructive, of the progress of security, and prosperity, its inseparable companion. North America presents the most striking contrast of these two states: savage nature is there placed by the side of civilization. The interior of this immense region presents only a frightful solitude: impenetrable forests or barren tracts, standing waters, noxious exhalations, venomous reptiles,—such is the land left to itself. The barbarous hordes who traverse these deserts, without fixed habitation, always occupied in the pursuit of their prey, and always filled with implacable rivalry, only meet to attack and to destroy each other; so that the wild beasts are not so dangerous to man, as man himself. But upon the borders of these solitudes, what a different prospect presents itself! One could almost believe that one saw, at one view, the two empires of good and evil. The forests have given place to cultivated fields; the morass is dried up; the land has become solid—is covered with meadows, pastures, domestic animals, smiling and healthy habitations; cities have risen upon regular plans; wide roads are



traced between them: every thing shows that men are seeking the means of drawing near to one another; they no longer dread, or seek to murder each other. The seaports are filled with vessels receiving all the productions of the earth, and serving to exchange its riches. A countless multitude, living in peace and abundance upon the fruits of their labours, has succeeded to the nations of hunters who were always struggling between war and famine. What has produced these wonders? what has renovated the surface of the earth? what has given to man this dominion over embellished, fruitful, and perfectionated nature? The benevolent genius is *Security*. It is security which has wrought out this great metamorphosis. How rapid have been its operations! It is scarcely two centuries since William Penn reached these savage wilds with a colony of true conquerors; for they were men of peace, who sullied not their establishment by force, and who made themselves respected only by acts of benevolence and justice.

**Carol M. Rose, *Possession as the Origin of Property*, 52 U. Chi. L. Rev. 73 (1985)**

How do things come to be owned? This is a fundamental puzzle for anyone who thinks about property. One buys things from other owners, to be sure, but how did the other owners get those things? Any chain of ownership or title must have a first link. Someone had to do something to anchor that link. The law tells us what steps we must follow to obtain ownership of things, but we need a theory that tells us why these steps should do the job.

John Locke's view, once described as "the standard bourgeois theory," is probably the one most familiar to American students. Locke argued that an original owner is one who mixes his or her labor with a thing and, by commingling that labor with the thing, establishes ownership of it. This labor theory is appealing because it appears to rest on "desert," but it has some problems. First, without a prior theory of ownership, it is not self-evident that one

owns even the labor that is mixed with something else.<sup>1</sup> Second, even if one does own the labor that one performs, the labor theory provides no guidance in determining the scope of the right that one establishes by mixing one's labor with something else. Robert Nozick illustrates this problem with a clever hypothetical. Suppose I pour a can of tomato juice into the ocean: do I now own the seas?<sup>2</sup>

A number of thinkers more or less contemporary to Locke proposed another theory of the basis of ownership. According to this theory, the original owner got title through the consent of the rest of humanity (who were, taken together, the first recipients from God, the genuine original owner). Locke himself identified the problems with this theory; they involve what modern law-and-economics writers would call "administrative costs." How does everyone get together to consent to the division of things among individuals?

The common law has a third approach, which shares some characteristics with the labor and consent theories but is distinct enough to warrant a different label. For the common law, *possession* or "occupancy" is the origin of property. This notion runs through a number of fascinating old cases with which teachers of property law love to challenge their students. Such inquiries into the

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<sup>1</sup> Locke's assertion that one owns one's labor is quite cryptic and appears to rest on the equally cryptic assertion that one owns one's body and thus the products of the body's exertions. See J. LOCKE, *supra* note 2, s 27, at 329, s 28, at 330. Richard Epstein argues that for Locke, the reason one owns one's body is that one occupies or possesses it; thus, this labor theory of property rests on a right established by first possession. See Epstein, *Possession as the Root of Title*, 13 GA. L. REV. 1221, 1227-28 (1979). But Locke himself did not argue that ownership of the body and its labors rests on possession. Indeed, the view that one owns one's body would be equally compatible with the theory that ownership of one's body or labor rests on the consent of mankind. Locke himself did reject the idea that property was based on the express consent of humanity. See J. LOCKE, *supra* note 2, s 25, at 327, s 29, at 331. For a discussion of the consent theory, see *infra* notes 6-7 and accompanying text.

<sup>2</sup> ROBERT NOZICK, *ANARCHY, STATE AND UTOPIA* 175 (1974). The example rests on the argument that Locke's labor theory of property means that one acquires property by mixing what one owns (one's labor) with what one does not own. Nozick substitutes the can of tomato juice for one's labor.

acquisition of title to wild animals and abandoned treasure may seem purely academic; how often, after all, do we expect to get into disputes about the ownership of wild pigs or long-buried pieces of eight? These cases are not entirely silly, though. People still do find treasure-laden vessels, and statesmen do have to consider whether someone's acts might support a claim to own the moon, for example, or the mineral nodes at the bottom of the sea. Moreover, analogies to the capture of wild animals show up time and again when courts have to deal on a nonstatutory basis with some "fugitive" resource that is being reduced to property for the first time, such as oil, gas, groundwater, or space on the spectrum of radio frequencies.

With these more serious claims in mind, then, I turn to the maxim of the common law: first possession is the root of title. Merely to state the proposition is to raise two critical questions: what counts as possession, and why is it the basis for a claim to title? In exploring the quaint old cases' answers to these questions, we hit on some fundamental views about the nature and purposes of a property regime.

Consider *Pierson v. Post*, a classic wild-animal case from the early nineteenth century. Post was hunting a fox one day on an abandoned beach and almost had the beast in his gunsight when an interloper appeared, killed the fox, and ran off with the carcass. The indignant Post sued the interloper for the value of the fox on the theory that his pursuit of the fox had established his property right to it.

The court disagreed. It cited a long list of learned authorities to the effect that "occupancy" or "possession" went to the one who killed the animal, or who at least wounded it mortally or caught it in a net. These acts brought the animal within the "certain control" that gives rise to possession and hence a claim to ownership.

Possession thus means a clear act, whereby all the world understands that the pursuer has "an unequivocal intention of appropriating the animal to his individual use." A clear rule of this sort should be applied, said the court, because it prevents

confusion and quarreling among hunters (and coincidentally makes the judges' task easier when hunters do get into quarrels).

The dissenting judge commented that the best way to handle this matter would be to leave it to a panel of sportsmen, who presumably would have ruled against the interloper. In any event, he noted that the majority's rule would discourage the useful activity of fox hunting: who would bother to go to all the trouble of keeping dogs and chasing foxes if the reward were up for grabs to any "saucy intruder"? If we really want to see that foxes don't overrun the countryside, we will allocate a property right—and thus the ultimate reward—to the hunter at an earlier moment, so that he will undertake the useful investment in keeping hounds and the useful labor in flushing the fox.

The problem with assigning "possession" prior to the kill is, of course, that we need a principle to tell us when to assign it. Shall we assign it when the hunt begins? When the hunter assembles his dogs for the hunt? When the hunter buys his dogs?

*Pierson* thus presents two great principles, seemingly at odds, for defining possession: (1) notice to the world through a clear act, and (2) reward to useful labor. The latter principle, of course, suggests a labor theory of property. The owner gets the prize when he "mixes in his labor" by hunting. On the other hand, the former principle suggests at least a weak form of the consent theory: the community requires clear acts so that it has the opportunity to dispute claims, but may be thought to acquiesce in individual ownership where the claim is clear and no objection is made.

On closer examination, however, the two positions do not seem so far apart. In *Pierson*, each side acknowledged the importance of the other's principle. Although the majority decided in favor of a clear rule, it tacitly conceded the value of rewarding useful labor. Its rule for possession would in fact reward the original hunter most of the time, unless we suppose that the woods are thick with "saucy intruders." On the other side, the dissenting judge also wanted some definiteness in the rule of possession. He was simply insisting that the acts that sufficed to give notice should be prescribed by

the relevant community, namely hunters or “sportsmen.” Perhaps, then, there is some way to reconcile the clear-act and reward-to-labor principles.

The clear-act principle suggests that the common law defines acts of possession as some kind of *statement*. As Blackstone said, the acts must be a *declaration* of one’s intent to appropriate.

[Rose canvasses a few areas involving possession of land and argues they involve a search for effective communication of one’s claim.] . . . .

Possession as the basis of property ownership, then, seems to amount to something like yelling loudly enough to all who may be interested. The first to say, “This is mine,” in a way that the public understands, gets the prize, and the law will help him keep it against someone else who says, “No, it is *mine*.” But if the original communicator dallies too long and allows the public to believe the interloper, he will find that the interloper has stepped into his shoes and has become the owner.

Similar ideas of the importance of communication, or as it is more commonly called, “notice,” are implicit in our recording statutes and in a variety of other devices that force a property claimant to make a public record of her claims on pain of losing them altogether. Indeed, notice plays a part in the most mundane property-like claims to things that the law does not even recognize as capable of being reduced to ownership. “Would you please save my place?” one says to one’s neighbor in the movie line, in order to ensure that others in line know that one is coming back and not relinquishing one’s claim. In my home town of Chicago, one may choose to shovel the snow from a parking place on the street, but in order to establish a claim to it one must put a chair or some other object in the cleared space. The useful act of shoveling snow does not speak as unambiguously as the presence of an object that blocks entry.

Why, then, is it so important that property owners make and keep their communications clear? Economists have an answer: clear titles facilitate trade and minimize resource-wasting conflict. If I am

careless about who comes on to a corner of my property, I invite others to make mistakes and to waste their labor on improvements to what I have allowed them to think is theirs. I thus invite a free-for-all over my ambiguously held claims, and I encourage contention, insecurity, and litigation—all of which waste everyone’s time and energy and may result in overuse or underuse of resources. But if I keep my property claims clear, others will know that they should deal with me directly if they want to use my property. We can bargain rather than fight; through trade, all items will come to rest in the hands of those who value them most. If property lines are clear, then, anyone who can make better use of my property than I can will buy or rent it from me and turn the property to his better use. In short, we will all be richer when property claims are unequivocal, because that unequivocal status enables property to be traded and used at its highest value.

Thus, it turns out that the common law of first possession, in rewarding the one who communicates a claim, *does* reward useful labor; the useful labor is the very act of speaking clearly and distinctly about one’s claims to property. Naturally, this must be in a language that is understood, and the acts of “possession” that communicate a claim will vary according to the audience. Thus, returning to *Pierson v. Post*, the dissenting judge may well have thought that fox hunters were the only relevant audience for a claim to the fox; they are the only ones who have regular contact with the subject matter. By the same token, the mid-nineteenth-century California courts gave much deference to the mining-camp customs in adjudicating various Gold Rush claims; the Forty-Niners themselves, as those most closely involved with the subject, could best communicate and interpret the signs of

property claims and would be particularly well served by a stable system of symbols that would enable them to avoid disputes.<sup>3</sup>

The point, then, is that “acts of possession” are, in the now fashionable term, a “text,” and that the common law rewards the author of that text. But, as students of hermeneutics know, the clearest text may have ambiguous subtexts. In connection with the text of first possession, there are several subtexts that are especially worthy of note. One is the implication that the text will be “read” by the relevant audience at the appropriate time. It is not always easy to establish a symbolic structure in which the text of first possession can be “published” at such a time as to be useful to anyone. Once again, *Pierson v. Post* illustrates the problem that occurs when a clear sign (killing the fox) comes only relatively late in the game, after the relevant parties may have already expended overlapping efforts and embroiled themselves in a dispute. Very similar problems occurred in the whaling industry in the nineteenth century: the courts expended a considerable amount of mental energy in finding signs of “possession” that were comprehensible to whalers from their own customs and that at the same time came early enough in the chase to allow the parties to avoid wasted efforts and the ensuing mutual recriminations.

Some objects of property claims do seem inherently incapable of clear demarcation-ideas, for example. In order to establish ownership of such disembodied items we find it necessary to translate the property claims into sets of secondary symbols that our culture understands. In patent and copyright law, for example, one establishes an entitlement to the expression of an idea by translating it into a written document and going through a

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<sup>3</sup> See McCurdy, Stephen J. Field and Public Land Law Development in California, 1850-1866: A Case Study of Judicial Resource Allocation in Nineteenth-Century America, 10 LAW & SOC'Y REV. 235, 239-41 (1976). McCurdy also notes, however, that there were implicit conflicts between first arrivals and latecomers to the mining areas and that the courts had to devise rules for deciding cases where one or the other group attempted to change mining-district rules to its own advantage. *Id.* at 242-46; cf. Umbeck, A Theory of Contract Choice and the California Gold Rush, 20 J.L. & ECON. 421, 422-28 (1977) (economic analysis of the types of claim agreements made by miners).

registration process-though the unending litigation over ownership of these expressions, and over which expressions can even be subject to patent or copyright, might lead us to conclude that these particular secondary symbolic systems do not always yield widely understood “markings.”<sup>4</sup> We also make up secondary symbols for physical objects that would seem to be much easier to mark out than ideas; even property claims in land, that most tangible of things, are now at their most authoritative in the form of written records.

It is expensive to establish and maintain these elaborate structures of secondary symbols, as indeed it may be expensive to establish a structure of primary symbols of possession. The economists have once again performed a useful service in pointing out that there are costs entailed in establishing *any* property system. These costs might prevent the development of any system at all for some objects, where our need for secure investment and trade is not as great as the cost of creating the necessary symbols of possession.

There is a second and perhaps even more important subtext to the “text” of first possession: the tacit supposition that there is such a thing as a “clear act,” unequivocally proclaiming to the universe one’s appropriation-that there are in fact unequivocal acts of possession, which any relevant audience will naturally and easily interpret as property claims. Literary theorists have recently written

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<sup>4</sup> For an extreme example of the failure of the copyright system to give clear notice of ownership of songs, see *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946), in which the court, in an opinion by Judge Frank, held that the author of “The Lord Is My Shepherd” was entitled to a trial on the merits of whether Cole Porter’s “Begin the Beguine” infringed his copyright! Cf. *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3d Cir. 1983), cert. dismissed, 104 S. Ct. 690 (1984) (computer operating system software may be copyrighted). In the case of computer software, it has been suggested that the invention might better have been handled as a patent, except that the lead time for patents is so long that it would make the “property” right useless in such a rapidly changing field-hence the choice of the more rapid copyright system. See Sanger, *The Gavel Comes Down on Computer Copycats*, N.Y. Times, Oct. 23, 1983, s 3, at 8, col. 1. The Apple Computer analysis further suggests that secondary systems for establishing rights in “uncatchable” property may not be immune from the disputes and overlapping use that often accompany unclear property claims. See *supra* note 39 and accompanying text.



a great deal about the relativity of texts. They have written too much for us to accept uncritically the idea that a “text” about property has a natural meaning independent of some audience constituting an “interpretive community” or independent of a range of other “texts” and cultural artifacts that together form a symbolic system in which a given text must be read. It is not enough, then, for the property claimant to say simply, “It’s mine” through some act or gesture; in order for the “statement” to have any force, some relevant world must understand the claim it makes and take that claim seriously.

Thus, in defining the acts of possession that make up a claim to property, the law not only rewards the author of the “text”; it also puts an imprimatur on a particular symbolic system and on the audience that uses this system. Audiences that do not understand or accept the symbols are out of luck. For *Pierson’s* dissenting judge, who would have made the definition of first possession depend on a decision of hunters, the rule of first possession would have put the force of law behind the mores of a particular subgroup. The majority’s “clear act” rule undoubtedly referred to a wider audience and a more widely shared set of symbols. But even under the majority’s rule, the definition of first possession depended on a particular audience and its chosen symbolic context; some audiences win, others lose.

[Rose discusses the case of *Johnson v. M’Intosh*, which we will cover later in the course.]

But perhaps the deepest aspect of the common law text of possession lies in the attitude that this text strikes with respect to the relationship between human beings and nature. At least some Indians professed bewilderment at the concept of owning the land. Indeed they prided themselves on not marking the land but rather on moving lightly through it, living with the land and with its creatures as members of the same family rather than as strangers who visited only to conquer the objects of nature. The doctrine of first possession, quite to the contrary, reflects the attitude that human beings are outsiders to nature. It gives the earth and its

creatures over to those who mark them so clearly as to transform them, so that no one else will mistake them for unsubdued nature.

We may admire nature and enjoy wildness, but those sentiments find little resonance in the doctrine of first possession. Its texts are those of cultivation, manufacture, and development. We cannot have our fish both loose and fast, as Melville might have said,<sup>5</sup> and the common law of first possession makes a choice. The common law gives preference to those who convince the world that they have caught the fish and hold it fast. This may be a reward to useful labor, but it is more precisely the articulation of a specific vocabulary within a structure of symbols approved and understood by a commercial people. It is this commonly understood and shared set of symbols that gives significance and form to what might seem the quintessentially individualistic act: the claim that one has, by “possession,” separated for oneself property from the great commons of unowned things.

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<sup>5</sup> HERMAN MELVILLE, *MOBY DICK* ch. 89 (“Fast-Fish and Loose-Fish”) (1st ed. London 1851). This chapter describes some litigation over ownership of a whale that had been harpooned but got away, harpoon and all, only to be harpooned and taken by a second crew. The legal question involved the point at which the whale stopped being a “loose-fish” and became a “fast-fish”—that is, the point at which the whale became someone’s property. Melville goes on to describe a number of items (including serfs and mortgages) as “fast-fish” and a number of other items (America at Columbus’ arrival, ideas, the rights of man) as “loose-fish.”

### 2.1.3. Sunken Ships, Baseballs, and Artifacts

#### **Eads v. Brazelton, 22 Ark. 499 (1861)**

Appeal from Mississippi Circuit Court in Chancery. Hon. George W. Beazley, Circuit Judge.

Fowler & Stillwell, for the appellant.

Watkins & Gallagher, for appellee.

FAIRCHILD, J.

When things that become property from being appropriated are the property of nobody, are in a state of negative community, the first finder may reduce them to possession, which is a good claim, and under the name of title by occupancy is regarded as the foundation of all property. 2 *Blk's Com.* 3, 258; 1 *Bouv. Am. L.* 194, No. 491; *Pothier Droit De Propriete*, Nos. 20, 21; *La. Civil Code*, Art's 3375, 3376.

Hence, wild animals, that are not property in their natural condition, may be captured, will belong to the first taker by occupancy, and will so belong while in the keeping of the taker, or person claiming under him, or while in domestication. 2 *Kent.* 348; *Coop. Just. Lib. II*, Tit. I. sec. 12; 1 *Bouv. Am. L.* 194, No. 492; *La. Civil Code*, Art. 3379.

So, the finder of things that have never been appropriated, or that have been abandoned by a former occupant, may take them into his possession as his own property; and the finder of anything casually lost is its rightful occupant against all but the real owner.

... .

From what is before us it may be taken as shown in the case that, in November, 1827, the boat named sank in the Mississippi river, within the limits of Mississippi county; that, of her cargo, shot and bundles of bar lead of an unascertained quantity, and lead in pigs to about the number of three thousand, remained in the river, wholly

abandoned by the owners; that Brazelton, having information of the place where the boat sank, proceeded, in December, 1854, to ascertain its exact locality in the bed of the river, with the view of raising the sunken lead; that, in January, 1855, he arrived at the vicinity of the wreck, with his diving boat, to carry out his intention, and fastened a buoy to a weight that rested upon the wreck, with the expectation of putting his boat over it the next day, but that he was detained by other business, and by the difficulties and dangers of the work in the existing state of water, with boats like his, and by the necessity for making repairs upon his boat, and apparatus for raising the cargo, till the defendants, upon the 28th of September, 1855, caused one of their boats to stop at the shore near the wreck, to search for and find it, to place their boat over it, and to commence raising the lead.

The quantity of lead raised by the defendants was stated in their answer, and applying the price thereto, as shown by the evidence, its value was found to be four thousand, five hundred and seven dollars and ninety-six cents, for which sum the court below gave a decree, perpetuated the preliminary injunction which was granted at the beginning of the suit, and which arrested the defendants in their labor upon the lead.

After the injunction had been served, and the defendants, in obedience there-to, had withdrawn their boat from the wreck, and while the plaintiff in his turn, was engaged in bringing up the lead left by the defendants, they brought their boat back near to the plaintiff's boat and anchored, thereby obstructing his operations, for which two of the defendants that were within the jurisdiction of the court, were brought before it for contempt in disobeying the injunction, and were fined one thousand dollars, which was, by order of the court, paid to the plaintiff for his damages from the obstruction.

...

When Brazelton found the wreck he traced lines to it from different points on the Arkansas side of the river, so that their intersection would show the situation of the wreck, and the lines were indicated by marks upon the trees. It was upon the return of Brazelton from St. Louis with his bell boat that a float or buoy was placed by Brazelton over the wreck, and this was done with the intention of signifying the place to which the diving boat was to be dropped the next morning. It was not to be expected that such objects would remain permanent fixtures, as the wreck was in the main channel of the river, and it is evident that Brazelton considered them as guides to the situation of the wreck, as the marked trees were, as he stated to Seth Daniel, in the presence of Reese Bowen, that it would make no difference if they should be washed away, as he could find the wreck from the ranges of his lines. Brazelton does not pretend to have put his boat over the wreck, or to have had any claim to the wreck but by occupancy, which depended upon his finding it, upon his providing means for easy approaches to it by landmarks, and floats upon water, and upon his being in the neighborhood of the wreck from January to the last of September, without any other appropriation of the wreck, but with a continual assertion of his claim, and with the intention of making it good by future action. This, doubtless, he would have done in the winter of 1855, had not the sinking of the steamboat Eliza afforded the opportunity of other work to which he confined himself till June. Then he would have applied himself to the America, but the periodical rise of the river at that season prevented him from so doing, and when he was nearly ready, with his boat and machinery in order for effective labor, with favorable water for work, safe from rafts and flat and coal boats, the Submarine, No. 4, belonging to the defendants, passed him on the 28th of September, and within two days was placed over the wreck, and thenceforward the defendants were its occupants in fact, and claimed to be so by right.

... .

Neither the sinking of the *America* nor its locality seems to have been so obscurely remembered as the bill supposes. Captain Eads, one of the defendants, told the witness, Cunningham in 1843, according to his recollection that the *America* was under the tow head often mentioned in the case, which the witness afterwards was satisfied to have been the fact, from his acquaintance with the wreck after the tow head and island were washed away, and the wreck was left in the main river. Cunningham, in 1853, sounded for the wreck, and found it as he believed. Captain Swan, who was upon the *America* when she sunk, and who had been familiar with the river at the place of the sinking from that time, in 1827, till 1854, and who communicated to Brazelton his information of the situation of the wreck, deposed that the bank has in all the time mentioned changed but very little, though the bars have been continually changing, and that from marks upon the bank he knew where the *America* was, and after the island which had covered the wreck about twenty years, was washed away, he is of the impression that, from the break of water where he supposed the *America* to be, he could upon a clear bright day have pointed out the situation of the wreck. From the description of the place given by Captain Swan to Brazelton, he was able to find the wreck, as he afterwards told Swan that his supposition that the break in the water was caused by the wreck, had been verified. And Captain Swan further said that the pilots of the present time were as well advised, as a matter of news, of the loss of the *America* in the vicinity where the wreck lay, as the pilots were when she sunk.

[Several others testified that they too were able to locate the wreck based solely on information other than Brazelton's marks.]

From these facts, and from everything in the case, we think there could have been but little difficulty in finding the

wreck after the island that had so long concealed it, was washed away, and the labor or good fortune of Brazelton in ascertaining its locality affords no reason for assigning it to him as his property, aside from the legal consequences of its possession, even if courts had the power of such assignment, which we disclaim, and which we do not understand Brazelton to claim but by implication.

With reference to the tree marks of Brazelton it may be said that there is no satisfactory evidence that they were used on the part of the defendants in finding the wreck.

... .

Notwithstanding the point made by the defendant, that Brazelton had no right to the lead which the law would protect, it being the property of the original owners of the cargo, there is no room for doubt that the lead was abandoned by its owners; and even without the positive testimony of an owner of the boat and cargo in affirmation of the fact, the law would so imply from the term of the loss, and from the fact of its having been covered by an island formed upon it, which sustained trees grown to the height of thirty or forty feet. All reasonable hope of acquiring the property must have been given up from the nature of the case; and the evidence shows that during the two years that intervened between the sinking of the boat and its being covered by the tow head and island, no effort was made or design entertained to save the part of the cargo that was abandoned when the high water interrupted the labor of saving it, that was prosecuted for two weeks after the loss of the boat, save that an excluded deposition mentions that one hundred and sixteen pigs of lead were afterwards got out by residents of the neighborhood. Having saved the specie that was on board belonging to the United States, the furs and one-half of the six hundred pigs of lead, and a part of the shot, with which articles the boat was laden, and the boilers and machinery of the boat, the owners of the America seem to have contented themselves

therewith; and to have wholly abandoned the remaining shot and lead.

Unlike *The Barefoot*, 1 Eng. Law & Eq. Rep. 664, which was the loss of lead and iron in smacks, in which Dr. Lushington held, that the property was left but not abandoned, because the place of the property was well known, and because the property was unmovable until recovered by human skill, this case, from the length of time that had passed, from the shifting nature of the bars and channel of the river in Plumb Point bend, as well as from the testimony of Captain Swan and Sellers, of William H. Johnson, and of Mr. Ruble, an owner of the boat, shows not only that the lead in the wreck was left, but that it was abandoned. But whether the property when saved would have been the property of Brazelton, or of an occupant, or of the owner, would not give right to the defendants to resist the suit of Brazelton: for if he were a finder of the wreck, as such he would be entitled to the property as owner, or to its possession as salvor; and would be protected from the interference of the defendants or other persons. And for this reason decisions in admiralty upon the conflicting claims of salvors to the possession of deserted property are authorities to be considered in the settlement of the pending controversy.

Property is said to be abandoned when it is thrown away, or its possession is voluntarily forsaken by the owner, in which case it will become the property of the first occupant; or when it is involuntarily lost or left without the hope and expectation of again acquiring it, and then it becomes the property of the finder, subject to the superior claim of the owner; except that in salvage cases, by the admiralty law, the finder may hold possession until he is paid his compensation, or till the property is submitted to legal jurisdiction for the ascertainment of the compensation. 2 *Blk. Com.* 9; 1 *Bouv. Am. L.* 195, No. 494; *Coop. Just. Lib.* 11, Tit. I. S. 46; *Abbott on Shipping* 555, Am.



note; *Woolrych on Waters* 15; *Rowe v. Berg*, 1 Mass. 373; *Lewis v. The Elizabeth & Jane*, Ware's Rep. 43; *The Bee*, *Id.* 344, 345; *The St. Petre*, Bee's adm. 82; *The Mary*, 2 Whea. 126 and note (A.); *Steamboat J. P. Leathers and cargo*, Newb. A. D. 325; *Marvin on Wreck and Salvage*, s. 124, 125.

Some authorities refer to things found at sea as belonging to the finder, in distinction from wreck, that is, goods lost at sea and floated to land, or in general terms excluding the sense of derelict as used in maritime cases, or as distinguished from custom and statutory law, and in extreme cases property wholly derelict and abandoned has been held to belong to the finder against the former owner. *Woolrych on Waters* 14; *Constable's Case*, 5 Coke 108, b; *Marvin on Wreck and Salvage*, sec. 131, note; 1 *Bouv. Am. L.* 196, No. 496; *Wyman v. Hurlburt*, 12 Ohio 87.

The occupation or possession of property lost, abandoned or without an owner, must depend upon an actual taking of the property and with the intent to reduce it to possession. The intent may not be that this possession shall be absolute or perpetual appropriation of the property to the use of the finder, it may be subject to the claim of the real owner, the possession may be taken for his exclusive good, or it may be taken as a means of subsistence or accumulation, according to the course of business of the parties to this suit. But in this case title by occupancy must rest upon intentional actual possession of the thing occupied.

Such is the meaning of the commentaries, from which are the following extracts:

The acquisition of things tangible by occupancy must be made *corpore et animo*, that is, by an outward act signifying an intention to possess. The necessity of an outward act to commence holding a thing in dominion is founded on the principle

that a will or intention can not have legal effect without an outward act declaring that intention; and on the other hand, no man can be said to have the dominion over a thing which he has no intention of possessing as his. Therefore a man can not deprive others of their right to take possession of vacant property by merely considering it as his, without actually appropriating it to himself; and if he possesses it without any will of appropriating it to himself, as in the case of an idiot, it can not be considered as having ceased to be *res nullius*. The outward act or possession need not, however, be manual; for any species of possession, or as the ancients expressed it, *custodia*, is in general a sufficient appropriation.

1 *Bouv. Am. L.* No. 495. Possession in the civil law

implies three things; a just cause of possessing as master, the intention to possess in this quality, and detention \* \* \* without the intention there is no possession \* \* \* \*. Without the detention the intention is useless, and does not make the possession.

1 *Domat's Civil Law*, by Cushing 859, No. 2, 161.

The possession of the things which we acquire by their falling into our hands, such as that which we find \* \* \* \* is acquired by the bare fact of our laying our hands upon them”

*Id.* No. 2,162. “Found-means, not merely discovered, but taken up.” *Notes to Coop. Just.* 458. “Treasures naturally

belong to the finder; that is to him who moves them from the place where they are, and secures them." *Id* 461.

The law is happily stated in the code of Louisiana thus: "To be able to acquire possession of a property, two distinct things are requisite: 1. The intention of possessing as owner; 2. The corporeal possession of the thing." *La. Civil Code*, Art. 3399.

Pothier, with his characteristic accuracy and perspicuity, has fully stated the law upon this subject, and the rule as stated by him is to this effect; that to acquire possession of a thing there must be a desire to possess it, joined to a prehension of the thing. See in full Nos. 39 to 42 & No. 55 of his *Traite De La. Possession*, and Nos. 63 & 64 of his *Traite Du Droit De Propriete; Marvin on Wreck & Salvage* s. 127.

Such are the doctrines of the Louisiana code, of the commentators upon the Common, Roman, French and Admiralty law, and applying them to the facts of this case, we hold that Brazelton never attained to the possession of the wreck of the *America*, that he therefore had no title to it by occupancy, had no right upon which judicial protection could operate, none which the court below should have recognized. He had considered the wreck as his as its finder, but had not actually appropriated it to himself; his intention to possess was useless without detention of the property; he had not found the lead in the required sense of discovering it, and taking it up; he was not a finder, in that he had not moved the wrecked property, or secured it; he had the intention of possessing it as owner, but did not acquire its corporeal possession; to his desire to possess there was not joined a prehension of the thing.

Brazelton's act of possession need not have been manual, he was not obliged to take the wreck or the lead between his hands, he might take such possession of them as their nature and situation permitted; but that his circumstances

should give a legal character to his acts, making that to be possession which the law declares not to be possession, assume more than a court can sanction. Marking trees that extended across the wreck, affixing temporary buoys to it were not acts of possession; they only indicated Brazelton's desire or intention to appropriate the property. Placing his boat over the wreck, with the means to raise its valuables, and with persistent efforts directed to raising the lead, would have been keeping the only effectual guard over it, would have been the only warning that intruders, that is, other longing occupants would be obliged to regard, would have been such acts of possession as the law would notice and protect. If Brazelton in the winter of 1855, deferred raising the lead to wreck the steamboat *Eliza*, he was free to do so, but must abide the legal consequences of his choice. If afterwards he could not work in the main channel of the river, owing to high water, strong wind, or to damaged boats and rigging, his ill fortune could not bend the law to his circumstances, nor could he with right warn off the defendants from the occupancy of the *America*, when they were as willing and more able than himself to raise the lead in her hold.

The following adjudged cases may have a bearing upon this case, and illustrate the general principles of the last cited authorities:

In *Pierson v. Post*, 3 Caines Rep., the plaintiff was pursuing a fox and had not got it within his control; and the defendant was held not to be liable for killing it. The plaintiff had established no claim by occupancy. His intention against the fox was unmistakable, but his act of possession was incomplete.

Marking a bee-tree was a more emphatic claim against the bees than Brazelton's marks were upon the wreck, but was not sufficient to vest a right in the finder. *Gillet v. Mason*, 7 Jhs. 17.

And when one had found bees and had got leave of the owner of the tree in which they were to cut it, and take the bees, he acquired no property in the bees, he had not taken possession of them. *Ferguson v. Miller*, 1 Cow. 244.

It is not trespass to take wild bees or honey. *Wallace v. Mease*, 3 Binn. 553.

A deer had been wounded and followed with dogs for six miles, and the pursuit was given over for the night by the plaintiff, though his dogs continued the chase; the defendant and the plaintiff seized the deer together, but, because this did not show an occupancy of the deer by the plaintiff, he could not recover the skin and venison of the defendant, who killed the deer. *Buster v. Newkirk*, 20 Jhs. 75.

The next authority is from an accomplished admiralty judge, several of whose decisions are cited in this opinion:

The title which is acquired to property by finding, is a species of occupation; and it is laid down as a rule of law, by the civilians, that the mere discovery and sight of the thing, is not sufficient to vest in the finder a right of property in the thing found. Pothier, *Traite de la Propriete* No. 63. This title is acquired by possession, and this must be an actual possession. He cannot take and keep possession by an act of the will, *oculis et affectu*, as he may when property is transferred by consent and the possession given by a symbolical delivery. To consummate his title there must be a corporeal prehension of the thing.

*The Amethyst*, Davies Rep. 23.

From the foregoing quotation may be seen the inapplicability of the citation from *Parson's Merc. Laws*, in

the argument for Brazelton, as it relates to the delivery of bulky articles, the right of which is passed by sale.

The reference to the next case, except the extract from the opinion of the chancellor, is taken from the printed brief furnished for the defendant.

The case of *Deklyn v. Davis* is like the present case. About the year 1781, the British frigate "The Hussar" sank in the East river in sixty or seventy feet of water.

The bill averred that she "was abandoned and derelict," and that "with much labor and expense" the complainants, in the summer of 1823, had discovered the "precise situation of the ship-had fastened chains around her, which they secured to floating timbers, and raised her about ten feet from her bed, and perfectly occupied the vessel, and continued their occupancy, by which she became their property. That at the approach of winter they desisted from their labors, by reason of the weather, designing to resume the work in the following season. That the occupancy of the complainants continued until the defendants, with knowledge of complainant's rights, on the twenty-second of March, with vessel, etc., moored and anchored over and around the sunken ship. "An injunction was granted, restraining the defendants "from the further interruption of the complainants" and also enjoining them "forthwith to remove the sloops."

"The defendants set up that the property was not abandoned or derelict when complainants took possession in 1823; that defendants, at great cost, had made preparation to raise the vessel; that they had ascertained the precise situation and position of said frigate, took possession thereof, and to occupy the same, made their marks and ranges on the adjoining shore so as to identify the spot and enable them to commence their operations thereupon at the opening of the following season." That the complainants, "in the absence of the defendants and

their men, fraudulently and forcibly took possession of the frigate;” and afterwards Davis, in the absence of Deklyn and his men, took possession of the frigate by anchoring sloops over her and surrounding her with machinery. “The right claimed by each of the contending parties is the right of occupancy. Both parties have prepared means and have taken measures to raise the sunken frigate; neither party has yet effected that object; and such being the state of the facts, the court says: *Neither party has yet obtained an actual or exclusive possession of the derelict subject.* \* \* \* The complainants allege in their bill that their acts of occupancy have obtained for them a title; and the defendants, by their answer, insist that their acts preparatory to an actual possession, have been such as to give them a prior and superior right.”

But if the acts of the complainant Deklyn did not constitute any “actual or exclusive occupancy,” and if the acts of the defendant Davis were merely ” preparatory to an actual possession,’ much less did the acts of Brazelton constitute such occupancy. *Hopkins*, Ch. Rep. 135.

The next two cases referred to, and from one of which a lengthy extract is given, were decided by Judge Betts of New York, a very high authority in the matters treated upon: “\* \* \* but it is in consonance with the established principles of maritime law to hold those beginning a salvage service, and who are in the successful prosecution of it entitled to be regarded as the meritorious salvors of whatever is preserved, and entitled to the sole possession of the property.” *The Brig John Gilpin*, Olcott’s Rep. Adm. 86.

An impression seems to have obtained, that one who finds derelict property under water or afloat, acquires a right to it by discovery, which can be maintained by a kind of continued claim, without keeping it in possession or applying constant

exertions for its preservation and rescue. There is no foundation for such notion. The right of a salvor results from the fact that he has held in actual possession, or has kept near what was lost or abandoned by the owner, or placed in a dangerous exposure to destruction, with the means at command to preserve and save it, and that he is actually employing those means to that end.

The finder thus becomes the legal possessor, and acquires a privilege against the property for his salvage services which takes precedence of all other title.

*Lewis v. The Elizabeth & Jane*, Ware, 41; *The Bee*, Ware, 332; *The St. Peter*, Bee, 82.

\* \* \* The fact that property is found at sea or on the coast in peril, without the presence of anyone to protect it, gives the finder a right to take it in his possession; and the law connects with such right the obligation to use the means he has at control, and with all reasonable promptitude, to save it for the owner. He can therefore be no otherwise clothed with the character of salvor than whilst he is in the occupancy of the property, and employing the necessary means for saving it.

Notorious possession, with the avowal of the object of such possession, are cardinal requisites to the creation or maintenance of the privileges of a salvor; where they do not exist, any



other person may take the property with all the advantages of the first finder.

*The Schooner John Wurtz*, Olcott Rep. Adm. 469-471. *Marvin on Wreck and Salvage*, s. 128.

No reasoning, no comment can make more imperative the action of this court than it is made by the foregoing cases and authorities, taken in connection with the facts of the case, or with the allegations of the bill alone.

The decree of the circuit court of Mississippi county sitting in chancery is reversed . . . .

**Popov v. Hayashi, No. 400545, 2002 WL 31833731 (Cal. Superior, Dec. 18, 2002)**

MCCARTHY, J.

#### FACTS

In 1927, Babe Ruth hit sixty home runs. That record stood for thirty four years until Roger Maris broke it in 1961 with sixty one home runs. Mark McGwire hit seventy in 1998. On October 7, 2001, at PacBell Park in San Francisco, Barry Bonds hit number seventy three. That accomplishment set a record which, in all probability, will remain unbroken for years into the future.

The event was widely anticipated and received a great deal of attention.

The ball that found itself at the receiving end of Mr. Bond's bat garnered some of that attention. Baseball fans in general, and especially people at the game, understood the importance of the ball. It was worth a great deal of money<sup>1</sup>

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<sup>1</sup> It has been suggested that the ball might sell for something in excess of \$1,000,000

and whoever caught it would bask, for a brief period of time, in the reflected fame of Mr. Bonds.

With that in mind, many people who attended the game came prepared for the possibility that a record setting ball would be hit in their direction. Among this group were plaintiff Alex Popov and defendant Patrick Hayashi. They were unacquainted at the time. Both men brought baseball gloves, which they anticipated using if the ball came within their reach.

They, along with a number of others, positioned themselves in the arcade section of the ballpark. This is a standing room only area located near right field. It is in this general area that Barry Bonds hits the greatest number of home runs.<sup>2</sup> The area was crowded with people on October 7, 2001 and access was restricted to those who held tickets for that section.

Barry Bonds came to bat in the first inning. With nobody on base and a full count, Bonds swung at a slow knuckleball. He connected. The ball sailed over the right-field fence and into the arcade.

Josh Keppel, a cameraman who was positioned in the arcade, captured the event on videotape. Keppel filmed much of what occurred from the time Bonds hit the ball until the commotion in the arcade had subsided. He was standing very near the spot where the ball landed and he recorded a significant amount of information critical to the disposition of this case.

In addition to the Keppel tape, seventeen percipient witnesses testified as to what they saw after the ball came into the stands. The testimony of these witnesses varied on many important points. Some of the witnesses had a good

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<sup>2</sup> The Giants' website contains a page which shows where each of Bonds' home runs landed in 2001. This page was introduced into evidence and is part of the record. It shows that most of the balls are clustered in the arcade area.

vantage point and some did not. Some appeared disinterested in the outcome of the litigation and others had a clear bias. Some remembered the events well and others did not. Some were encumbered by prior inconsistent statements which diminished their credibility.

The factual findings in this case are the result of an analysis of the testimony of all the witnesses as well as a detailed review of the Keppel tape. Those findings are as follows:

When the seventy-third home run ball went into the arcade, it landed in the upper portion of the webbing of a softball glove worn by Alex Popov. While the glove stopped the trajectory of the ball, it is not at all clear that the ball was secure. Popov had to reach for the ball and in doing so, may have lost his balance.

Even as the ball was going into his glove, a crowd of people began to engulf Mr. Popov.<sup>3</sup> He was tackled and thrown to the ground while still in the process of attempting to complete the catch. Some people intentionally descended on him for the purpose of taking the ball away, while others were involuntarily forced to the ground by the momentum of the crowd.

Eventually, Mr. Popov was buried face down on the ground under several layers of people. At one point he had trouble breathing. Mr. Popov was grabbed, hit and kicked. People reached underneath him in the area of his glove. Neither the tape nor the testimony is sufficient to establish

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<sup>3</sup> Ted Kobayashi, a defense expert, testified that there was insufficient reaction time for the crowd to descend on Mr. Popov. This opinion is completely unconvincing. It is premised on the assumption that people did not begin to react until the ball hit Mr. Popov's glove. A number of witnesses testified that they began reacting while the ball was in the air. People rushed to the area where they thought the ball would land. If people were unable to anticipate where a ball will land while it is still in the air, no outfielder would ever catch a ball unless it was hit directly to him or her. Moreover, the tape itself shows people descending on Mr. Popov even as he was attempting to catch the ball.

which individual members of the crowd were responsible for the assaults on Mr. Popov.

The videotape clearly establishes that this was an out of control mob, engaged in violent, illegal behavior. Although some witnesses testified in a manner inconsistent with this finding, their testimony is specifically rejected as being false on a material point.<sup>4</sup>

Mr. Popov intended at all times to establish and maintain possession of the ball. At some point the ball left his glove and ended up on the ground. It is impossible to establish the exact point in time that this occurred or what caused it to occur.

Mr. Hayashi was standing near Mr. Popov when the ball came into the stands. He, like Mr. Popov, was involuntarily forced to the ground. He committed no wrongful act.<sup>5</sup> While on the ground he saw the loose ball. He picked it up, rose to his feet and put it in his pocket.

Although the crowd was still on top of Mr. Popov, security guards had begun the process of physically pulling people off. Some people resisted those efforts. One person argued with an official and another had to be pulled off by his hair.

Mr. Hayashi kept the ball hidden. He asked Mr. Keppel to point the camera at him. At first, Mr. Keppel did not comply and Mr. Hayashi continued to hide the ball. Finally after someone else in the crowd asked Mr. Keppel to point the camera at Mr. Hayashi, Mr. Keppel complied. It was only at that point that Mr. Hayashi held the ball in the air

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<sup>4</sup> Because the probability of truth does not favor the testimony of any of these witnesses in other particulars, their entire testimony is rejected. BAJI 2.22 This finding does not apply to Mr. Hayashi.

<sup>5</sup> Plaintiff argues that the Keppel tape shows Mr. Hayashi biting the leg of Brian Shepard. The tape does not support such a conclusion. The testimony which suggests that a bite occurred is equally unconvincing. In addition, there is insufficient evidence that Mr. Hayashi assaulted or attempted to take the ball away from Mr. Popov.

for others to see. Someone made a motion for the ball and Mr. Hayashi put it back in his glove. It is clear that Mr. Hayashi was concerned that someone would take the ball away from him and that he was unwilling to show it until he was on videotape. Although he testified to the contrary, that portion of his testimony is unconvincing.

Mr. Popov eventually got up from the ground. He made several statements while he was on the ground and shortly after he got up which are consistent with his claim that he had achieved some level of control over the ball and that he intended to keep it. Those statements can be heard on the audio portion of the tape. When he saw that Mr. Hayashi had the ball he expressed relief and grabbed for it. Mr. Hayashi pulled the ball away.<sup>6</sup> Security guards then took Mr. Hayashi to a secure area of the stadium.<sup>7</sup>

It is important to point out what the evidence did not and could not show. Neither the camera nor the percipient witnesses were able to establish whether Mr. Popov retained control of the ball as he descended into the crowd. Mr. Popov's testimony on this question is inconsistent on several important points, ambiguous on others and, on the whole, unconvincing. We do not know when or how Mr. Popov lost the ball.

Perhaps the most critical factual finding of all is one that cannot be made. We will never know if Mr. Popov would have been able to retain control of the ball had the crowd

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<sup>6</sup> Defense counsel has attempted to characterize this encounter as one in which Mr. Popov congratulates Mr. Hayashi for getting the ball and offers him a high five. This is an argument that only a true advocate could embrace.

<sup>7</sup> Testimony was also received about events which occurred after baseball officials escorted Mr. Hayashi to a secure area. This evidence was admitted to allow counsel to explore the possibility that Major League Baseball retained constructive possession of the ball after it landed in the stands and later gifted it to Mr. Hayashi. Defense counsel has properly abandoned this theory. There is no evidence to support it.

not interfered with his efforts to do so. Resolution of that question is the work of a psychic, not a judge

#### LEGAL ANALYSIS

Plaintiff has pled causes of actions for conversion, trespass to chattel, injunctive relief and constructive trust.

Conversion is the wrongful exercise of dominion over the personal property of another.<sup>8</sup> There must be actual interference with the plaintiff's dominion.<sup>9</sup> Wrongful withholding of property can constitute actual interference even where the defendant lawfully acquired the property. If a person entitled to possession of personal property demands its return, the unjustified refusal to give the property back is conversion.<sup>10</sup>

The act constituting conversion must be intentionally done. There is no requirement, however, that the defendant know that the property belongs to another or that the defendant intends to dispossess the true owner of its use and enjoyment. Wrongful purpose is not a component of conversion<sup>11</sup>

The injured party may elect to seek either specific recovery of the property or monetary damages.<sup>12</sup>

Trespass to chattel, in contrast, exists where personal property has been damaged or where the defendant has interfered with the plaintiff's use of the property. Actual

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<sup>8</sup> See generally, Witkin, *Summary of California Law*, Ninth Edition, section 610. See also, *Fresno Air Service v. Wood* (1965) 232 Cal.App.2d 801, 806, 43 Cal.Rptr. 276.

<sup>9</sup> *Jordan v. Talbot* (1961) 55 Cal.2d 597, 610, 12 Cal.Rptr. 488, 361 P.2d 20.

<sup>10</sup> *Edwards v. Jenkins* (1932)214 Cal. 713, 720, 7 P.2d 702, Witkin, supra, at section 622.

<sup>11</sup> *Henderson v. Security National Bank* (1977) 72 Cal.App.3d 764, 771, 140 Cal.Rptr. 388; Witkin, supra at section 624.

<sup>12</sup> Witkin, supra, at section 611.

dispossession is not an element of the tort of trespass to chattel.<sup>13</sup>

In the case at bar, Mr. Popov is not claiming that Mr. Hayashi damaged the ball or that he interfered with Mr. Popov's use and enjoyment of the ball. He claims instead that Mr. Hayashi intentionally took it from him and refused to give it back. There is no trespass to chattel. If there was a wrong at all, it is conversion.

Conversion does not exist, however, unless the baseball rightfully belongs to Mr. Popov. One who has neither title nor possession, nor any right to possession, cannot sue for conversion.<sup>14</sup> The deciding question in this case then, is whether Mr. Popov achieved possession or the right to possession as he attempted to catch and hold on to the ball.

The parties have agreed to a starting point for the legal analysis. Prior to the time the ball was hit, it was possessed and owned by Major League Baseball. At the time it was hit it became intentionally abandoned property.<sup>15</sup> The first person who came in possession of the ball became its new owner.<sup>16</sup>

The parties fundamentally disagree about the definition of possession. In order to assist the court in resolving this disagreement, four distinguished law professors

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<sup>13</sup> *Zaslow v. Kroenert* (1946) 29 Cal.2d 541, 551, 176 P.2d 1.

<sup>14</sup> *Metropolitan Life Insurance Company v. San Francisco Bank* (1943) 58 Cal.App.2d 528, 534, 136 P.2d 853; Witkin, *supra*, at section 617.

<sup>15</sup> See generally, *Fugitive Baseballs and Abandoned Property: Who Owns the Home Run Ball?*, *Cardozo Law Review*, May 2002, Paul Finkelman, (Chapman Distinguished Professor of Law).

<sup>16</sup> See generally, *Past and Future: The Temporal Dimension in the Law of Property*, (1986) 64:667; Washington U.L. Quarterly, Professor Richard A. Epstein (James Parker Hall Professor of Law, University of Chicago); *Irwin v. Phillips* (1855) 5 Cal. 140; *Potter v. Knowles* (1855) 5 Cal. 87.

participated in a forum to discuss the legal definition of possession.<sup>17</sup> The professors also disagreed.

The disagreement is understandable. Although the term possession appears repeatedly throughout the law, its definition varies depending on the context in which it is used.<sup>18</sup> Various courts have condemned the term as vague and meaningless.<sup>19</sup>

This level of criticism is probably unwarranted.

While there is a degree of ambiguity built into the term possession, that ambiguity exists for a purpose. Courts are often called upon to resolve conflicting claims of possession in the context of commercial disputes. A stable economic environment requires rules of conduct which are understandable and consistent with the fundamental customs and practices of the industry they regulate. Without that, rules will be difficult to enforce and economic instability will result. Because each industry has different customs and practices, a single definition of possession cannot be applied to different industries without creating havoc.

This does not mean that there are no central principles governing the law of possession. It is possible to identify

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<sup>17</sup> They are Professor Brian E. Gray, University of California, Hastings College of the Law; Professor Roger Bernhardt, Golden Gate University School of Law; Professor Paul Finkelman, The Chapman Distinguished Professor of Law, The University of Tulsa School of Law; and Professor Jan Stiglitz, California Western School of Law.

The discussion was held during an official session of the court convened at The University of California, Hastings College of the Law. The session was attended by a number of students and professors including one first year property law class which used this case as vehicle to understand the law of possession.

<sup>18</sup> Brown, *The Law on Personal Property* (Callaghan and Company, 3rd Edition, 1975) section 2.6, page 19.

<sup>19</sup> *Kramer v. United States*, 408 F.2d 837, 840 (C.A.8th.1969); *State v. Strutt* (1967) 4 Conn.Cir.Ct. 501, 236 A.2d 357, 359.



certain fundamental concepts that are common to every definition of possession.

Professor Roger Bernhardt<sup>20</sup> has recognized that “[p]ossession requires both physical control over the item and an intent to control it or exclude others from it. But these generalizations function more as guidelines than as direct determinants of possession issues. Possession is a blurred question of law and fact.”<sup>21</sup>

Professor Brown argues that “[t]he orthodox view of possession regards it as a union of the two elements of the physical relation of the possessor to the thing, and of intent. This physical relation is the actual power over the thing in question, the ability to hold and make use of it. But a mere physical relation of the possessor to the thing in question is not enough. There must also be manifested an intent to control it.”<sup>22</sup>

The task of this court is to use these principles as a starting point to craft a definition of possession that applies to the unique circumstances of this case.

We start with the observation that possession is a process which culminates in an event. The event is the moment in time that possession is achieved. The process includes the acts and thoughts of the would be possessor which lead up to the moment of possession.

The focus of the analysis in this case is not on the thoughts or intent of the actor. Mr. Popov has clearly evidenced an intent to possess the baseball and has communicated that

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<sup>20</sup> Professor Bernhardt is the author of the textbook *Property, Cases and Statutes*, published by the West Group as well as the co-author of *Real Property in a Nutshell* with Professor Ann M. Burkhart.

<sup>21</sup> *Real Property in a Nutshell*, Roger Bernhardt and Ann M. Burkhart, chapter one, page 3

<sup>22</sup> Brown, *The Law on Personal Property* (Callaghan and Company, 3rd Edition, 1975) section 2.6, page 21.

intent to the world.<sup>23</sup> The question is whether he did enough to reduce the reduce the ball to his exclusive dominion and control. Were his acts sufficient to create a legally cognizable interest in the ball?

Mr. Hayashi argues that possession does not occur until the fan has complete control of the ball. Professor Brian Gray, suggests the following definition ” A person who catches a baseball that enters the stands is its owner. A ball is caught if the person has achieved complete control of the ball at the point in time that the momentum of the ball and the momentum of the fan while attempting to catch the ball ceases. A baseball, which is dislodged by incidental contact with an inanimate object or another person, before momentum has ceased, is not possessed. Incidental contact with another person is contact that is not intended by the other person. The first person to pick up a loose ball and secure it becomes its possessor.”<sup>24</sup>

Mr. Popov argues that this definition requires that a person seeking to establish possession must show unequivocal dominion and control, a standard rejected by several leading cases.<sup>25</sup> Instead, he offers the perspectives of Professor Bernhardt and Professor Paul Finkelman<sup>26</sup> who suggest that possession occurs when an individual intends to take control of a ball and manifests that intent by stopping the forward momentum of the ball whether or not complete control is achieved.

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<sup>23</sup> Literally.

<sup>24</sup> This definition is hereinafter referred to as Gray’s Rule.

<sup>25</sup> *Pierson v. Post*, 3 Caines R. (N.Y.1805); *Young v. Hitchens*, 6 Q.B. 606 (1844); *State v. Shaw*, (1902) 67 Ohio St. 157, 65 N.E. 875.

<sup>26</sup> Professor Finkelman is the author of the definitive law review article on the central issue in this case, *Fugitive Baseballs and Abandoned Property: Who Owns the Home Run Ball?*, *Cardozo Law Review*, May 2002, Paul Finkelman, (Chapman Distinguished Professor of Law).

Professors Finkelman and Bernhardt have correctly pointed out that some cases recognize possession even before absolute dominion and control is achieved. Those cases require the actor to be actively and ably engaged in efforts to establish complete control.<sup>27</sup> Moreover, such efforts must be significant and they must be reasonably calculated to result in unequivocal dominion and control at some point in the near future.<sup>28</sup>

This rule is applied in cases involving the hunting or fishing of wild animals<sup>29</sup> or the salvage of sunken vessels.<sup>30</sup> The hunting and fishing cases recognize that a mortally wounded animal may run for a distance before falling. The hunter acquires possession upon the act of wounding the animal not the eventual capture. Similarly, whalers acquire possession by landing a harpoon, not by subduing the animal.<sup>31</sup>

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<sup>27</sup> The degree of control necessary to establish possession varies from circumstance to circumstance. “The law ... *does not always* require that one who discovers lost or abandoned property must actually have it in hand before he is vested with a legally protected interest. The law protects not only the title acquired by one who finds lost or abandoned property but also the right of the person who discovers such property, and is actively and ably engaged in reducing it to possession, to complete this process without interference from another. The courts have recognized that in order to acquire a legally cognizable interest in lost or abandoned property a finder need not always have manual possession of the thing. Rather, a finder may be protected by taking such constructive possession of the property *as its nature and situation permit*.” *Treasure Salvors Inc. v. The Unidentified Wrecked and Abandoned Sailing Vessel* (1981) 640 F.2d 560, 571 (emphasis added).

<sup>28</sup> *Brady v. S.S. African Queen*, 179 F.Supp. 321 (E.D.Va., 1960); *Eads v. Brazelton*, (1861) 22 Ark. 499; *Treasure Salvors Inc., id.* at 571.

<sup>29</sup> *Liesner v. Wanie* (1914) 156 Wis. 16, 145 N.W. 374; *Ghen v. Rich*, 8 F. 159 (D.Mass.1881); *Pierson v. Post*, 3 Caines R. (N.Y.1805); *Young v. Hitchens*, 6 Q.B. 606 (1844); *State v. Shaw* (1902) 67 Ohio St. 157, 65 N.E. 875. See also Herbert Hovenkamp and Sheldon Kurtz, *The Law of Property* (5th ed. West Group 2001) at page 2.

<sup>30</sup> *Indian River Recovery Company v. The China*, 645 F.Supp. 141, 144 (D.Del.1986); *Treasure Salvors Inc. v. The Unidentified Wrecked and Abandoned Sailing Vessel*, (1981)640 F.2d 560; *Richard v. Pringle*, 293 F.Supp. 981 (S.D.N.Y.1968).

<sup>31</sup> *Swift v. Gifford*, 23 F. Cas. 558 (D.Mass.1872)

In the salvage cases, an individual may take possession of a wreck by exerting as much control “as its nature and situation permit”.<sup>32</sup> Inadequate efforts, however, will not support a claim of possession. Thus, a “sailor cannot assert a claim merely by boarding a vessel and publishing a notice, unless such acts are coupled with a then present intention of conducting salvage operations, and he immediately thereafter proceeds with activity in the form of constructive steps to aid the distressed party.”<sup>33</sup>

These rules are contextual in nature. They are crafted in response to the unique nature of the conduct they seek to regulate. Moreover, they are influenced by the custom and practice of each industry. The reason that absolute dominion and control is not required to establish possession in the cases cited by Mr. Popov is that such a rule would be unworkable and unreasonable. The “nature and situation” of the property at issue does not immediately lend itself to unequivocal dominion and control. It is impossible to wrap one’s arms around a whale, a fleeing fox or a sunken ship.

The opposite is true of a baseball hit into the stands of a stadium. Not only is it physically possible for a person to acquire unequivocal dominion and control of an abandoned baseball, but fans generally expect a claimant to have accomplished as much. The custom and practice of the stands creates a reasonable expectation that a person will achieve full control of a ball before claiming possession. There is no reason for the legal rule to be inconsistent with that expectation. Therefore Gray’s Rule is adopted as the definition of possession in this case.

The central tenant of Gray’s Rule is that the actor must retain control of the ball after incidental contact with

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<sup>32</sup> See note 27.

<sup>33</sup> *Brady v. S.S. African Queen*, 179 F.Supp. 321, 324 (E.D.Va., 1960)

people and things. Mr. Popov has not established by a preponderance of the evidence that he would have retained control of the ball after all momentum ceased and after any incidental contact with people or objects. Consequently, he did not achieve full possession.

That finding, however, does not resolve the case. The reason we do not know whether Mr. Popov would have retained control of the ball is not because of incidental contact. It is because he was attacked. His efforts to establish possession were interrupted by the collective assault of a band of wrongdoers.<sup>34</sup>

A decision which ignored that fact would endorse the actions of the crowd by not repudiating them. Judicial rulings, particularly in cases that receive media attention, affect the way people conduct themselves. This case demands vindication of an important principle. We are a nation governed by law, not by brute force.<sup>35</sup>

As a matter of fundamental fairness, Mr. Popov should have had the opportunity to try to complete his catch unimpeded by unlawful activity. To hold otherwise would be to allow the result in this case to be dictated by violence. That will not happen.

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<sup>34</sup> Professor Gray has suggested that the way to deal with this problem is to demand that Mr. Popov sue the people who assaulted him. This suggestion is unworkable for a number of reasons. First, it was an attack by a large group of people. It is impossible to separate out the people who were acting unlawfully from the people who were involuntarily pulled into the mix. Second, in order to prove damages related to the loss of the ball, Mr. Popov would have to prove that but for the actions of the crowd he would have achieved possession of the ball. As noted earlier, this is impossible.

<sup>35</sup> There are a number of ways courts can enforce the rule of law. Major League Baseball, as well as each individual team has a duty to provide security against foreseeable violence in the stands. The failure to provide that security, or worse, the tacit acceptance of some level of violence, will inevitable lead to lawsuits against the teams and the parent organization.

For these reasons, the analysis cannot stop with the valid observation that Mr. Popov has not proved full possession.<sup>36</sup>

The legal question presented at this point is whether an action for conversion can proceed where the plaintiff has failed to establish possession or title. It can. An action for conversion may be brought where the plaintiff has title, possession or the *right to possession*.<sup>37</sup>

Here Mr. Popov seeks, in effect, a declaratory judgment that he has either possession or the right to possession. In addition he seeks the remedies of injunctive relief and a constructive trust. These are all actions in equity. A court sitting in equity has the authority to fashion rules and remedies designed to achieve fundamental fairness.

Consistent with this principle, the court adopts the following rule. Where an actor undertakes significant but incomplete steps to achieve possession of a piece of abandoned personal property and the effort is interrupted by the unlawful acts of others, the actor has a legally cognizable pre-possessionary interest in the property. That pre-possessionary interest constitutes a qualified right to possession which can support a cause of action for conversion.

Possession can be likened to a journey down a path. Mr. Popov began his journey unimpeded. He was fast approaching a fork in the road. A turn in one direction would lead to possession of the ball he would complete the catch. A turn in the other direction would result in a failure to achieve possession he would drop the ball. Our problem is that before Mr. Popov got to the point where the road

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<sup>36</sup> The court is indebted to Professor Jan Stiglitz of California Western School of Law for his valuable insights and suggestions on this issue.

<sup>37</sup> See note 14.

forked, he was set upon by a gang of bandits, who dislodged the ball from his grasp.

Recognition of a legally protected pre-possessory interest, vests Mr. Popov with a qualified right to possession and enables him to advance a legitimate claim to the baseball based on a conversion theory. Moreover it addresses the harm done by the unlawful actions of the crowd.

It does not, however, address the interests of Mr. Hayashi. The court is required to balance the interests of all parties.

Mr. Hayashi was not a wrongdoer. He was a victim of the same bandits that attacked Mr. Popov. The difference is that he was able to extract himself from their assault and move to the side of the road. It was there that he discovered the loose ball. When he picked up and put it in his pocket he attained unequivocal dominion and control.

If Mr. Popov had achieved complete possession before Mr. Hayashi got the ball, those actions would not have divested Mr. Popov of any rights, nor would they have created any rights to which Mr. Hayashi could lay claim. Mr. Popov, however, was able to establish only a qualified pre-possessory interest in the ball. That interest does not establish a full right to possession that is protected from a subsequent legitimate claim.

On the other hand, while Mr. Hayashi appears on the surface to have done everything necessary to claim full possession of the ball, the ball itself is encumbered by the qualified pre-possessory interest of Mr. Popov. At the time Mr. Hayashi came into possession of the ball, it had, in effect, a cloud on its title.

An award of the ball to Mr. Popov would be unfair to Mr. Hayashi. It would be premised on the assumption that Mr. Popov would have caught the ball. That assumption is not supported by the facts. An award of the ball to Mr. Hayashi would unfairly penalize Mr. Popov. It would be based on

the assumption that Mr. Popov would have dropped the ball. That conclusion is also unsupported by the facts.

Both men have a superior claim to the ball as against all the world. Each man has a claim of equal dignity as to the other. We are, therefore, left with something of a dilemma.

Thankfully, there is a middle ground.

The concept of equitable division was fully explored in a law review article authored by Professor R.H. Helmholz in the December 1983 edition of the *Fordham Law Review*.<sup>38</sup> Professor Helmholz addressed the problems associated with rules governing finders of lost and mislaid property. For a variety of reasons not directly relevant to the issues raised in this case, Helmholz suggested employing the equitable remedy of division to resolve competing claims between finders of lost or mislaid property and the owners of land on which the property was found.

There is no reason, however, that the same remedy cannot be applied in a case such as this, where issues of property, tort and equity intersect.

The concept of equitable division has its roots in ancient Roman law.<sup>39</sup> As Helmholz points out, it is useful in that it “provides an equitable way to resolve competing claims which are equally strong.” Moreover, “[i]t comports with what one instinctively feels to be fair”.<sup>40</sup>

Although there is no California case directly on point, *Arnold v. Producers Fruit Company* (1900) 128 Cal. 637, 61 P. 283 provides some insight. There, a number of different prune growers contracted with Producer’s Fruit Company

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<sup>38</sup> *Equitable Division and the Law of Finders*, (1983) *Fordham Law Review*, Professor R.H. Helmholz, University of Chicago School of Law. This article built on a student comment published in 1939. *Lost, Mislaid and Abandoned Property* (1939) 8 *Fordham Law Review* 222.

<sup>39</sup> Helmholz at fn. 14.

<sup>40</sup> *Id.* at 315.



to dry and market their product. Producers did a bad job. They mixed fruit from many different growers together in a single bin and much of the fruit rotted because it was improperly treated.

When one of the plaintiffs offered proof that the fruit in general was rotten, Producers objected on the theory that the plaintiff could not prove that the prunes he contributed to the mix were the same prunes that rotted. The court concluded that it did not matter. After the mixing was done, each grower had an undivided interest in the whole, in proportion to the amount of fruit each had originally contributed.

The principle at work here is that where more than one party has a valid claim to a single piece of property, the court will recognize an undivided interest in the property in proportion to the strength of the claim.

Application of the principle of equitable division is illustrated in the case of *Keron v. Cashman* (1896) 33 A. 1055. In that case, five boys were walking home along a railroad track in the city of Elizabeth New Jersey. The youngest of the boys came upon an old sock that was tied shut and contained something heavy. He picked it up and swung it. The oldest boy took it away from him and beat the others with it. The sock passes from boy to boy. Each controlled it for a short time. At some point in the course of play, the sock broke open and out spilled \$775 as well as some rags, cloths and ribbons.

The court noted that possession requires both physical control and the intent to reduce the property to one's possession. Control and intent must be concurrent. None of the boys intended to take possession until it became apparent that the sock contained money. Each boy had physical control of the sock at some point before that discovery was made.

Because none could present a superior claim of concurrent control and intent, the court held that each boy was entitled to an equal share of the money. Their legal claims to the property were of equal quality, therefore their entitlement to the property was also equal.

Here, the issue is not intent, or concurrence. Both men intended to possess the ball at the time they were in physical contact with it. The issue, instead, is the legal quality of the claim. With respect to that, neither can present a superior argument as against the other.

Mr. Hayashi's claim is compromised by Mr. Popov's prepossessory interest. Mr. Popov cannot demonstrate full control. Albeit for different reasons, they stand before the court in exactly the same legal position as did the five boys. Their legal claims are of equal quality and they are equally entitled to the ball.

The court therefore declares that both plaintiff and defendant have an equal and undivided interest in the ball. Plaintiff's cause of action for conversion is sustained only as to his equal and undivided interest. In order to effectuate this ruling, the ball must be sold and the proceeds divided equally between the parties.

The parties are ordered to meet and confer forthwith before Judge Richard Kramer to come to an agreement as to how to implement this decision. If no decision is made by December 30, 2002, the parties are directed to appear before this court on that date at 9:00 am.

The court retains jurisdiction to issue orders consistent with this decision. The ball is to remain in the custody of the court until further order.

### **A Dissection of the Popov Case**

As I've said in class on a number of occasions, we're doing several things in this course with the material we cover. First, we're trying

to understand in each case what the court has done. They're writing to explain why they've decided as they have. Our job is to understand the language in which they're writing and to "decode" the cases. Knowing the court's reasons will allow us to use the case to make arguments in a future case.

Second, we're gradually becoming familiar with a number of concepts that are used repeatedly in many substantive areas of the law. Knowing these concepts (most of which we're pulling out and describing as Big Ideas) will help us read the language of cases and to use and to criticize cases.

Third, we're assembling a sketch of several areas of the law that are commonly lumped together and called "property law." The goal here is to know enough about these areas so that if confronted in practice with a real case, we'd have an appreciation for the doctrine as a whole and therefore some immediate understanding when we started to dig into the cases in our jurisdiction covering the specific issue of interest. So far, we've covered Finders vs. Landowners, Trespass to Land, Nuisance, and a bit of the doctrine of acquisition by first possession.

Pursuant to our first goal – simply to understand what the courts have done in a case – here's my outline of the decision in *Popov*. I give the first few words of the sentence where the new heading would begin, so scan through the case as you follow along.

The first, roughly, three pages summarize the *Facts*.

"Plaintiff has pled causes of ..." This paragraph lists the claims. Here's what the fight is about.

"Conversion is the ..." up through fn. 13: The court defines two of the claims, stating more particularly what must be shown in order to prove them.

"In the case at bar,": A *HERE* section. The application of the law to the facts disposes of one claim right away.

“Conversion does not exist...” Further definition of conversion, setting up another legal question, so that we can get to another *HERE* section, applying this law to the facts.

“The parties have agreed...” Role of and definition of possession. (Having identified the body of law applicable to resolve the fight, the court must canvas that body of law and extract – and reconcile – the rules we’ll apply to the facts here.) The court gradually refines the question to one of what physical act is required to achieve legal possession.

“Mr. Hayashi argues ...” Two competing rules are introduced to define possession. We’re still reconciling the body of law that that we will apply to our facts.

“These rules are contextual in nature...” up to “Therefore Gray’s Rule is adopted ...” Argument for the adoption of a particular rule for possession. [it’s possible to achieve full control, fans expect that’s the rule (Rose)] Now we have law to apply.

“The central tenant sic of Gray’s Rule ...” *HERE* – but there’s a problem. The law we synthesized when applied to these facts reveals a problem – a result we don’t want.

“A decision which ignored that fact...” Policy that needs to be furthered.

“The legal question presented...” Justification of court’s **POWER** to do something different in this case than has been done before [note, this is different than a logical or policy-based justification]

“Consistent with this principle...” Synthesis [The court takes the rule it has adopted for

possession of baseballs generally and modifies it for cases of interruption by unlawful act]

“Possession can be likened to a journey...”  
HERE [The court applies its new rule to this case.]

“An award of the ball to Mr. Popov would be unfair...” Problem – unmodified application of the rule adopted would be unfair to Hayashi.

“Thankfully, there is a middle ground...”  
Body of law potentially applicable to this problem.

“Here, the issue is not intent...” He’s making it too easy for me... but anyway:  
HERE.

In condensed form, we have:

Facts Fight identification Review of law applicable to fight  
HERE (one claim goes away, another is unclear) Review of  
law applicable to further elaborated understanding of fight  
(possession)

Survey two possible resolutions of uncertainty in law  
(specific def’n of possession in this case) Argue for the  
adoption of one of these rules

HERE But, application reveals policy problem Justification of  
court’s power to modify law and address policy Synthesis of  
new rule HERE But, application reveals fairness problem  
Review of law applicable to this problem HERE

Note that this is a conceptual outline of what’s going on in the case, meant to help us better understand how legal arguments are constructed. Seeing enough cases and thinking about how they’re put together will help us talk the same language as courts and

lawyers do. That will help us write our own arguments and more quickly read and extract information from the writings of others.

My substantive notes on Popov, if I were making an outline, might be something more like: Popov (Cal. Super. Ct. 2002) - Bonds homerun ball case. Popov "catches," but Hayashi winds up with it, after "illegal" violence to Popov but not perpetrated by Hayashi. Conversion - so issue is whether Popov possessed. Intent+phys poss. Physical possession unclear. Ct. considers Finkelman's rule (stopping momentum) and Gray's (complete control after stop, incidental contact dislodging vitiates possession), decides on Gray's. But Popov deprived of chance to possess because of illegal contact - so "qualified right to possession," right to try to achieve possession unimpeded. But unfair to Hayashi - so split.

It would probably be a bit shorter than that when all was said and done. But others will want a much longer description of the facts and law in the case than appears in my capsule here. What kind of notes you want depends on how much and what kind of description you need to enable you to *use* Popov to make an argument in another case.

**Charrier v. Bell, 496 So. 2d 601 (La. App. 1 Cir. 1986)**

J. Arthur Smith, III, Baton Rouge, for plaintiff-appellant.

Donald Juneau, Arlinda Locklear, Richard Dauphinais, Native American Rights Fund, Washington, D.C., for Tunica-Biloxi Tribe.

Fred G. Benton, Jr., Baton Rouge, for defendants-appellees.

Before EDWARDS, WATKINS and PONDER<sup>1</sup>, JJ.

PONDER, Judge, retired.

Plaintiff appealed the trial court's judgment denying both his claim as owner of Indian artifacts and his request for compensation for his excavation work in uncovering those artifacts under the theory of unjust enrichment. We affirm.

Plaintiff is a former Corrections Officer at the Louisiana State Penitentiary in Angola, Louisiana, who describes himself as an "amateur archeologist". After researching colonial maps, records and texts, he concluded that Trudeau Plantation,<sup>2</sup> near Angola, was the possible site of an ancient village of the Tunica Indians. He alleges that in 1967 he obtained the permission of Mr. Frank Hoshman, Sr., who he believed was the owner of Trudeau Plantation, to survey the property with a metal detector for possible burial locations. After locating and excavating approximately 30 to 40 burial plots, lying in a circular pattern, plaintiff notified Mr. Hoshman that he had located the Tunica village. Although the evidence is contradictory, plaintiff contends that it was at that time that Mr. Hoshman

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<sup>1</sup> Judge, Elven E. Ponder, retired, has been assigned temporarily to this court by the Supreme Court of Louisiana to fill the vacancy created by the election of Justice Luther F. Cole to the Supreme Court.

<sup>2</sup> Trudeau Plantation consists of approximately 150 acres located on a bluff in the southeast quadrant of the meeting of the Mississippi River and Tunica Bayou. Angola is on the other side of the bayou.

first advised that he was the caretaker, not the owner, of the property.

Plaintiff continued to excavate the area for the next three years until he had located and excavated approximately 150 burial sites, containing beads, European ceramics, stoneware, glass bottles; iron kettles, vessels and skillets; knives, muskets, gunflints, balls and shots; crucifixes, rings and bracelets; and native pottery. The excavated artifacts are estimated to weigh two to two and one-half tons.

In search of a buyer for the collection, plaintiff talked to Dr. Robert S. Neitzel of Louisiana State University, who, in turn, informed Dr. Jeffrey D. Brain of Harvard University. Dr. Brain, who was involved in a survey of archeology along the lower Mississippi River, viewed the artifacts and began discussions of their sale to the Peabody Museum of Harvard University. The discussions resulted in the lease of the artifacts to the Museum, where they were inventoried, catalogued and displayed.

Plaintiff initially informed Dr. Neitzel and Dr. Brain that he had found the artifacts in a cave in Mississippi, so as to conceal their source; later he did disclose the actual site of the find to Dr. Brain, who had expressed his concern over the title of the artifacts. Dr. Brain then obtained permission from the landowners to do further site testing and confirmed that it was the true source of the artifacts.

Confronted with the inability to sell the collection because he could not prove ownership, plaintiff filed suit against the six nonresident landowners of Trudeau Plantation, requesting declaratory relief confirming that he was the owner of the artifacts. Alternatively, plaintiff requested that he be awarded compensation under the theory of unjust enrichment for his time and expenses.

The State of Louisiana intervened in the proceeding on numerous grounds, including its duty to protect its citizens in the absence of the lawful heirs of the artifacts. In 1978,



the State purchased Trudeau Plantation and the artifacts from the six landowners and agreed to defend, indemnify and hold the prior owners harmless from any and all actions.<sup>3</sup>

In 1981 the Tunica and Biloxi Indians were recognized as an American Indian Tribe by the Bureau of Indian Affairs of the Department of the Interior. The Tunica-Biloxi Indians of Louisiana, Inc. intervened in the instant suit seeking title to the artifacts and the site of the burial ground. At the same time, the tribe removed the action to federal district court, where they also filed a parallel action seeking title to the artifacts. The federal district court, on September 8, 1982, remanded the matter to state court and stayed the parallel action. *Charrier v. Bell*, 547 F.Supp. 580 (M.D.La.1982). The Tunicas then withdrew, without prejudice, their claim to the property where the artifacts were located and the State subordinated its claim of title or trust status over the artifacts in favor of the Tunicas.

The trial judge held that the Tunica-Biloxi Tribe is the lawful owner of the artifacts, finding that plaintiff was not entitled to the artifacts under La.C.C. art. 3423 as it read prior to amendment by Act No. 187 of 1982, which required discovery “by chance”. The judge also found that plaintiff had no claim to the artifacts on the basis of abandonment under La.C.C. art. 3421, as it read prior to the amendment by Act No. 187 of 1982, because the legal concept of abandonment does not extend to burial goods.

The trial court also denied relief under the theory of unjust enrichment, finding that any impoverishment claimed by plaintiff was a result of his attempts “for his own gain” and that his presence and actions on the property of a third

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<sup>3</sup> Plaintiff filed a motion for litigious redemption which was granted by the trial court, but rejected by this court. The matter was remanded for trial. *Charrier v. Bell*, 380 So.2d 155 (La.App. 1st Cir.1979).

party placed him in a “precarious position, if not in legal bad faith.”

The issues before this court are the adequacy of proof that the Tunica-Biloxi Indians are descendants of the inhabitants of Trudeau, the ownership of the artifacts, and the applicability of the theory of unjust enrichment.

Plaintiff first argues that the evidence that the members of the Tunica-Biloxi Indians of Louisiana, Inc., are legal descendants of the inhabitants of Trudeau Plantation was insufficient to entitle them to the artifacts. He asserts that federal recognition of the tribe “merely proves that the Tribe is the best representative of the Tunica Indians for purposes of receiving federal benefits,” and points to evidence of intermixing by the Tunica tribe with other tribes.

The fact that members of other tribes are intermixed with the Tunicas does not negate or diminish the Tunicas’ relationship to the historical tribe. Despite the fact that the Tunicas have not produced a perfect “chain of title” back to those buried at Trudeau Plantation, the tribe is an accumulation of the descendants of former Tunica Indians and has adequately satisfied the proof of descent. This is evident from the “Final Determination for Federal Acknowledgment of the Tunica-Biloxi Indian Tribe of Louisiana”, Fed. Reg. Vol. 46, No. 143, p. 38411 (July 27, 1981), which specifically found that the “contemporary Tunica-Biloxi Indian Tribe is the successor of the historical Tunica, Ofa and Avoyel tribes, and part of the Biloxi tribe”. The evidence supports the finding that at least some portion of the Tunica tribe resided at Trudeau Plantation from 1731-1764. No contrary evidence, other than that suggesting intermixing, was presented at the trial of this case. Plaintiff’s argument is without merit.

Plaintiff next argues that the Indians abandoned the artifacts when they moved from Trudeau Plantation, and

the artifacts became *res nullius* until found and reduced to possession by plaintiff who then became the owner.

Plaintiff contends that he has obtained ownership of the property through occupancy, which is a “mode of acquiring property by which a thing which belongs to nobody, becomes the property of the person who took possession of it, with the intention of acquiring a right of ownership upon it.” La.C.C. art. 3412, prior to amendment by Act No. 187 of 1982.<sup>4</sup>

One of the five methods of acquiring property by occupancy is “By finding (that is, by discovering precious stones on the sea shore, or things abandoned, or a treasure.)” La.C.C. art. 3414, prior to amendment by Act No. 187 of 1982. Plaintiff contends that the artifacts were abandoned by the Tunicas and that by finding them he became the owner.

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<sup>4</sup> La.C.C. art. 3412, 3414 and 3421 cited herein were repealed by Acts 1982, No. 187, § 1, effective January 1, 1984. The provisions replacing those articles reproduce their substance. Although the language has changed, they do not change the law. See specifically La.C.C. art. 3412 and 3418, as adopted by Acts 1982, No. 187, § 1 and the comments. The articles previously read as follow:

La.C.C. art. 3412

Occupancy is a mode of acquiring property by which a thing which belongs to nobody, becomes the property of the person who took possession of it, with the intention of acquiring a right of ownership upon it.

La.C.C. art. 3414

There are five ways of acquiring property by occupancy, to wit: By hunting. By fowling. By fishing. By finding (that is, by discovering precious stones on the sea shore, or things abandoned, or a treasure.)

La.C.C. 3421.

He who finds a thing which is abandoned; that is, which its owner has let [left] with the intention not to keep it any longer, becomes master of it in the same manner as if it had never belonged to any body.

Both sides presented extensive expert testimony on the history of the Tunica Indians, the French, English and Spanish occupation of the surrounding territory and the presence or absence of duress causing the Tunicas to abandon the Trudeau site.

However, the fact that the descendants or fellow tribesmen of the deceased Tunica Indians resolved, for some customary, religious or spiritual belief, to bury certain items along with the bodies of the deceased, does not result in a conclusion that the goods were abandoned. While the relinquishment of immediate possession may have been proved, an objective viewing of the circumstances and intent of the relinquishment does not result in a finding of abandonment. Objects may be buried with a decedent for any number of reasons. The relinquishment of possession normally serves some spiritual, moral, or religious purpose of the descendant/owner, but is not intended as a means of relinquishing ownership to a stranger. Plaintiff's argument carried to its logical conclusion would render a grave subject to despoliation either immediately after interment or definitely after removal of the descendants of the deceased from the neighborhood of the cemetery.

Although plaintiff has referred to the artifacts as *res nullius*, under French law, the source of Louisiana's occupancy law, that term refers specifically to such things as wild game and fish, which are originally without an owner. The term *res derelictae* refers to "things voluntarily abandoned by their owner with the intention to have them go to the first person taking possession." P. Esmein, *Aubry & Rau Droit Civil Francais*, Vol. II, § 168, p. 46 (7th Ed.1966). Some examples of *res derelictae* given by Aubry and Rau include things left on public ways, in the cities or to be removed by garbage collectors.

The artifacts fall into the category of *res derelictae*, if subject to abandonment. The intent to abandon *res derelictae* must include the intent to let the first person who comes along

acquire them. Obviously, such is not the case with burial goods.

French sources have generally held that human remains and burial goods located in cemeteries or burial grounds are not “treasure” under article 716 of the French Civil Code and thereby not subject to occupancy upon discovery. *Blancherot v. Couilby*, Bordeaux, 6 Aug. 1806, 38 Dalloz Jurisprudence G ene rale, § 186 n. (1), p. 230 (1857). The reasoning has been that any contrary decision would lead to and promote commercial speculation and despoilment of burial grounds. The French commentator Demolombe noted the special treatment that should be given to burial goods, stating that such objects “have not been placed underground with the same intention which informs the deposit of what is called treasure, which in the latter case is, for a temporary period.... Rather, they are an emplacement for a perpetual residence therein....” 13 C. Demolombe, *Cours de Code Napoleon* § 37, pp. 45-46 (2c ed. 1862).

The same reasoning that the French have used to treat burial goods applies in determining if such items can be abandoned. The intent in interring objects with the deceased is that they will remain there perpetually, and not that they are available for someone to recover and possess as owner.

For these reasons, we do not uphold the transfer of ownership to some unrelated third party who uncovers burial goods. The trial court concluded that La.C.C. art. 3421, as it read prior to passage of Act No. 187 of 1982, was not intended to require that objects buried with the dead were abandoned or that objects could be acquired by obtaining possession over the objections of the descendants. We agree with this conclusion.

The cases cited by plaintiff are distinguishable.

In *Touro Synagogue v. Goodwill Industries of New Orleans Area, Inc.*, 233 La. 26, 96 So.2d 29 (1957), the court found that a

cemetery had been abandoned for burial purposes and the owner had the right to sell the property; however, the court conditioned the sale on the disinterment and reinterment (in another cemetery) of the remains of the deceased.

In *Ternant v. Boudreau*, 6 Rob. 488 (1844), jewelry interred with the decedent was stolen and recovered. The plaintiff claimed the ownership of all such goods on the basis that he purchased the decedent's succession from defendant who was the heir. The court found that the plaintiff was the lawful owner of the jewelry since there had been a valid sale from the descendant. The sale evidenced an express intent by the descendant not to retain ownership of the burial goods.

The court in *McEnery v. Pargoud*, 10 La. Ann. 497 (1855) found that the temporary use of land as a cemetery, from 1794 to 1800, did not exclude it from commerce. There was no mention of the abandonment of the remains of the dead or the burial goods and there is no inconsistency in that decision and the opinion stated herein.

*Humphreys v. Bennett Oil Corporation*, 195 La. 531, 197 So. 222 (1940) merely acknowledges that descendants have a cause of action against a person who disturbs a cemetery.

Plaintiff strongly argues that a finding that Indians did not abandon the artifacts will necessarily require the federal court to conclude that the Tunicas did not abandon the real property at Trudeau Plantation and could work havoc with the stability of Louisiana land titles. However, the question of the abandonment of the real property was excluded from the case. This opinion should not be interpreted as making any expression thereon.

Plaintiff next argues that he is entitled to recover a sum of money to compensate his services and expenses on the basis of an *actio de in rem verso*.

The five criteria of such a claim *de in rem verso* are:

1. there must be an enrichment,
2. there must be an impoverishment,
3. there must be a connection between the enrichment and resulting impoverishment,
4. there must be an absence of justification or cause for the enrichment and impoverishment, and
5. there must be no other remedy at law available to plaintiff.

*Creely v. Leisure Living, Inc.*, 437 So.2d 816 (La.1983);  
*Edmonston v. A-Second Mortgage Company of Slidell Inc.*, 289 So.2d 116 (La.1974).

We first question whether there has been an enrichment. While the nonresident landowners were “enriched” by the sale of the property to the state, the ultimate owners of the artifacts presented substantial evidence that the excavation caused substantial upset over the ruin of “ancestral burial grounds,” rather than any enrichment.

Even if the Indians have been enriched, plaintiff has failed to prove that he has sustained the type impoverishment for which *de in rem verso*, may be used. His alleged loss resulted from the hours he spent excavating the artifacts, the greater portion of which activity was done at a time when plaintiff knew he was on property without the consent of the landowner. While contradictory testimony was presented regarding whether plaintiff initially had permission to go on the property, and whether that permission was adequate, by his own admission, plaintiff was informed by Hoshman that he did not own the property before the cessation of the excavating. Plaintiff's knowledge is further evidenced by his attempts to keep the location of his work secret; he did not identify Trudeau Plantation as the location of the find for almost five years after his discovery and he failed to seek out the landowners of the property until it was required for sale negotiations, although he removed two

and one half tons of artifacts from their property. Plaintiff further acknowledges that he knew that the Tunica Indians might object to his excavations.

The *actio de in rem verso*, explained by the Louisiana Supreme Court in *Minyard v. Curtis Products, Inc.*, 251 La. 624, 205 So.2d 422 (1967) and derived from the similar French action, is influenced greatly by French Civil Code articles from which our own are copied. *Minyard*, 205 So.2d 432. The impoverishment element in French law is met only when the factual circumstances show that it was not a result of the plaintiff's own fault or negligence or was not undertaken at his own risk. Comment, *Actio De In Rem Verso in Louisiana; Minyard v. Curtis Products, Inc.*, 43 Tul.L.Rev. 263, 286 (1969); *Brignac v. Boisdore*, 288 So.2d 31, 35 n. 2 (La.1973). Obviously the intent is to avoid awarding one who has helped another through his own negligence or fault or through action taken at his own risk. Plaintiff was acting possibly out of his own negligence, but more probably knowingly and at his own risk. Under these circumstances, plaintiff has not proven the type of impoverishment necessary for a claim of unjust enrichment.

Additionally, plaintiff has failed to show that any enrichment was unjustified, entitling him to an action to recover from the enriched party. An enrichment will be unjustified "only if no legal justification for it exists by reason of a contract or provision of law intended to permit the enrichment or the impoverishment or to bar attack upon the enrichment." Justice A. Tate, *The Louisiana Action for Unjustified Enrichment*, 50 Tul.L.Rev. 883, 904 (1976). Any enrichment received by the Tribe was justified. *Humphreys v. Bennett Oil Corp.*, 195 La. 531, 197 So. 222 (1940); *Choppin v. LaBranche*, 48 La. Ann. 1217, 20 So. 681 (1896). In *Humphreys*, the court recognized a right of action to recover damages for mental anguish and pain and suffering for desecration of a cemetery, while *Choppin* allowed injunctive



relief against a tomb owner threatening to remove remains of the dead. Thus, descendants have a right to enjoin the disinterment of their deceased relatives, as well as to receive damages for the desecration involved. Such a right would be subverted if descendants were obliged to reimburse for the expenses of the excavation. See *V & S Planting Company v. Red River Waterway Commission*, 472 So.2d 331 (La.App. 3rd Cir. 1985), *writ denied*, 475 So.2d 1106 (1985); *G. Woodward Jackson Co., Inc. v. Crispens*, 414 So.2d 855 (La.App. 4th Cir. 1982). There is a legal justification for any enrichment received by the Tribe and plaintiff is not entitled to invoke the equitable theory.

For these reasons the judgment of the trial court is affirmed at appellant's costs.

AFFIRMED.

#### **2.1.4. Problems**

##### Problems

1. What legal conclusion must be reached before we decide, as in *Popov*, that the first possessor of an object is its legal owner?
2. Explain why in *Charrier* it is difficult to decide whether the buried artifacts had been abandoned.
3. Suppose you are the judge in *Eads* but that you will order the same remedy as in *Popov*. Give your argument for doing so. That is, give a very brief discussion of the rule of law applicable to the dispute and a "HERE" section, applying that law to the facts in *Eads* and reaching the conclusion the court reached in *Popov*.

##### Answers

1. What legal conclusion must be reached before we decide, as in *Popov*, that the first possessor of an object is its legal owner?

The court must first conclude that the object is "up for grabs," for example by having been abandoned.

2. Explain why in *Charrier* it is difficult to decide whether the buried artifacts had been abandoned.

The difficulty concerns whether the original owners of the artifacts, those who buried them, intended to abandon the artifacts. An intent to abandon might be defined as an intent never to recover objects left behind. If this is what we mean by intent, then the original owners abandoned the artifacts. On the other hand, the *Charrier* court defined an intent to abandon as an intent that an object left behind will be taken and owned by others. Under this definition, the original owners almost certainly did not intend to abandon the artifacts.

3. Suppose you are the judge in *Eads* but that you will order the same remedy as in *Popov*. Give your argument for doing so. That is, give a very brief discussion of the rule of law applicable to the dispute and a “HERE” section, applying that law to the facts in *Eads* and reaching the conclusion the court reached in *Popov*.

This case concerns two salvage operations that each claim exclusive rights to an abandoned, sunken ship. Usually the court would identify one or the other as having obtained first possession, and thus ownership, of the abandoned property. However, where it would be inequitable to award the property entirely to one party, the court should, proceeding in equity, recognize the equal strength of the parties’ claims by awarding equal rights in the disputed property.

B’s claim stems from the incomplete acts he took toward possession. Possession is defined, generally, as the intent to appropriate an object as one’s own combined with an adequate physical manifestation of that intent. What sort of physical act is required depends on the circumstances, and in particular what acts will unambiguously alert others of the possessor’s claim. In this context, clear marking, such as placing a salvage boat over the wreck would be enough.

Here, however, B placed buoys and marked trees on the shore. The buoys broke free and the markings were inadequate clearly to identify the wreck as the salvage operation of B. B did not do enough to obtain possession. However, the physical act of possession is a process, not an instantaneous occurrence, and B took substantial steps toward possession. He located and marked, after much research and toil, the location of a wreck that had, despite its valuable cargo, not been salvaged after nearly three decades at the bottom of the Mississippi River.

Though he did not immediately begin salvage operations, this case would not have arisen but for a prudent delay caused by season rises in water levels. If the law required salvage in unsafe conditions in order to guarantee the fruits of the labor and toil of discovery, loss of life and damage to property might result. We believe that B did enough to earn the right to obtain possession - an interest that would protect his ability to salvage without requiring him to engage in hasty and perilous recovery operations.

On the other hand, E did nothing wrong. The facts demonstrate he found the wreck without making use of any of B's markings. E put his boat over the wreck and did everything the law requires to obtain title through possession.

Their claims being of equal quality and weight, E and B should be awarded equal interests in the salvage.

## **2.2 Common Pool Resources**

### **2.2.1. The Problem and Theory**

#### **McConico v. Singleton, 2 Mill Const. 244, 9 S.C.L. 244 (1818)**

This was an action of trespass, *quare clausum fregit*, and to support it the plaintiff proved, that he had warned and ordered the defendant not to hunt on his lands, and that the defendant had, notwithstanding, rode over, and hunted deer on his unenclosed and unimproved lands. The verdict

of the jury was, that each party should pay their own costs; and the plaintiff now moves for a new trial on the grounds:

1st. Because the riding over the unenclosed and unimproved lands is in law a trespass, for which an action will lie, when it is contrary to the express orders of the owner.

2d. Because the verdict is in itself a nullity.

JOHNSON, J. delivered the opinion of the court.

Until the bringing of this action, the right to hunt on unenclosed and uncultivated lands has never been disputed, and it is well known that it has been universally exercised from the first settlement of the country up to the present time; and the time has been, when, in all probability, obedient as our ancestors were to the laws of the country, a civil war would have been the consequence of an attempt, even by the legislature, to enforce a restraint on this privilege. It was the source from whence a great portion of them derived their food and raiment, and was, to the devoted huntsman, (disreputable as the life now is,) a source of considerable profit. The forest was regarded as a common, in which they entered at pleasure, and exercised the privilege; and it will not be denied that animals, *ferae naturae*, are common property, and belong to the first taker. If, therefore, usage can make law, none was ever better established. This usage is also clearly recognized as a right by the several acts of the legislature on the subject; particularly the act of 1769, (Pub. Laws, 276,) which restrains the right to hunt within seven miles of the residence of the hunter. Now if the right to hunt beyond that, did not before exist, this act was nugatory; and it, cannot be believed that it was only intended to apply to such as owned a tract of land, the diameter of which would be fourteen miles. It appears to me also, that there is no rule of the English common law, at variance with this principle; but, it is said, that every entry on the lands of

another is a trespass, and the least injury, as treading down grass, and the like, will support it. (1 Esp. Dig. Tit. Trespass, 221.) But there must be some actual injury to support the action. Now it will not be pretended that riding over the soil is an injury; and the forest being the common, in which the cattle of all are used to range at large, the grass, if perchance there be any, may also be regarded as common property; and surely no action will lie against a commoner for barely riding over the common. The right to hunt on unenclosed lands, I think, therefore, clearly established; but if it were doubtful, I should be strongly inclined to support it. Large standing armies are, perhaps, wisely considered as dangerous to our free institutions; the militia, therefore, necessarily constitutes our greatest security against aggression; our forest is the great field in which, in the pursuit of game, they learn the dexterous use and consequent certainty of firearms, the great and decided advantages of which have been seen and felt on too many occasions to be forgotten, or to require a recurrence to.

Having come to the conclusion, that it is the right of the inhabitants to hunt on unenclosed lands, I need not attempt to prove that the dissent or disapprobation of the owner cannot deprive him of it; for I am sure it never yet entered the mind of any man, that a right which the law gives, can be defeated at the mere will and caprice of an individual.

...

GRIMKE, COLCOCK, CHEVES, and NOTT, Js. concurred. GANTT, J. dissented.

**Garrett Hardin, *The Tragedy of the Commons*, 162 Science 1243 (1968) (excerpt)**

The tragedy of the commons develops in this way. Picture a pasture open to all. It is to be expected that each herdsman will try to keep as many cattle as possible on the commons. Such an arrangement may work reasonably satisfactorily for centuries

because tribal wars, poaching, and disease keep the numbers of both man and beast well below the carrying capacity of the land. Finally, however, comes the day of reckoning, that is, the day when the long-desired goal of social stability becomes a reality. At this point, the inherent logic of the commons remorselessly generates tragedy.

As a rational being, each herdsman seeks to maximize his gain. Explicitly or implicitly, more or less consciously, he asks, “What is the utility to *me* of adding one more animal to my herd?” This utility has one negative and one positive component.

1. The positive component is a function of the increment of one animal. Since the herdsman receives all the proceeds from the sale of the additional animal, the positive utility is nearly +1.
2. The negative component is a function of the additional overgrazing created by one more animal. Since, however, the effects of overgrazing are shared by all the herdsmen, the negative utility for any particular decision-making herdsman is only a fraction of -1.

Adding together the component partial utilities, the rational herdsman concludes that the only sensible course for him to pursue is to add another animal to his herd. And another; and another.... But this is the conclusion reached by each and every rational herdsman sharing a commons. Therein is the tragedy. Each man is locked into a system that compels him to increase his herd without limit—in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons. Freedom in a commons brings ruin to all.

... .

The National Parks present another instance of the working out of the tragedy of the commons. At present, they are open to all, without limit. The parks themselves are limited in extent—there is only one Yosemite Valley—whereas population seems to grow

without limit. The values that visitors seek the parks are steadily eroded. Plainly, we must soon cease to treat the parks as commons or they will be of no value anyone.

What shall we do? We have several options. We might sell them off as private property. We might keep them as public property, but allocate the right enter them. The allocation might be on the basis of wealth, by the use of an auction system. It might be on the basis of merit, as defined by some agreed-upon standards. It might be by lottery. Or it might be on a first-come, first-served basis, administered to long queues. These, I think, are all the reasonable possibilities. They are all objectionable. But we must choose—or acquiesce in the destruction of the commons that we call our National Parks.

### **2.2.2. Applications**

#### **Young v. Ethyl Corp., 521 F.2d 771 (8th Cir. 1975)**

Robert J. Moffatt, Shreveport, La., for appellant.

Robert J. Malinak, Houston, Tex., for appellees.

Before HEANEY and WEBSTER, Circuit Judges, and NANGLE, District Judge.<sup>1</sup>

HEANY, Circuit Judge.

In this diversity action, plaintiff-appellant Young seeks an injunction and damages or an accounting for the defendants' actions in forcibly removing valuable minerals from beneath his land by means of injection and production wells on surrounding property. The District Court dismissed his complaint after a trial on the merits. *Young v. Ethyl Corp.*, 382 F.Supp. 769 (W.D.Ark.1974).

The defendants hold mineral leases on approximately 16,000 acres of land overlying the "Smackover Limestone Formation" in Columbia County, Arkansas. Their salt-water recycling operation brings salt water brine from a

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<sup>1</sup> JOHN F. NANGLE, District Judge, Eastern District of Missouri, sitting by designation

depth of 8,000 feet to the surface by means of production wells. Valuable bromine is extracted from the brine, and the debrominated water is then injected back into the ground through injection wells in a process which forces the subterranean brine toward the production wells.

Young's land, consisting of approximately 180 acres, is surrounded by land controlled by the defendants. The defendants attempted to acquire a salt water lease from Young, but were rebuffed because Young believed the terms to be onerous. Defendants' production well number 23 is located immediately to the north and west of Young's land, and their production wells numbers 18 and 18A are adjacent to the north and east of his land. Their injection well number 13 is located adjacent to and south of Young's land. The District Court found that

It is established, and undisputed, that the injection of debrominated waters from the defendants' plant through well numbered 13, under high pressure, displaces the brine waters in the formation underlying the plaintiff's lands, forcing it to move toward, and eventually produce through wells numbered 18 and 23. The salt water, by means of this artificially induced movement beneath the lands of Mr. Young, is carried to the processing plant \* \* \*.

Id. at 772.

The District Court ruled that the action was governed by Arkansas law, and this ruling is not contested on appeal. In dismissing the action, the court declared that the decision of the Arkansas Supreme Court in *Budd v. Ethyl Corp.*,



251 Ark. 639, 474 S.W.2d 411 (1971),<sup>2</sup> provided a “clear, concise and unambiguous determination of the law” to be applied. *Young v. Ethyl Corp.*, supra, 382 F.Supp. at 774. Relying on that decision as controlling, the District Court held that the common law rule of “capture,” as interpreted by the Arkansas Supreme Court, precluded relief.

We cannot agree that the Arkansas Supreme Court decided in *Budd* that the rule of capture protects one who, by force, pushes minerals out from under the land of another when the minerals would remain in place without the application of such force. On the contrary, we conclude that the manner in which the Arkansas court dealt with the plaintiff’s contentions in *Budd* indicates that that court declined to rule on the precise issue before us.

In *Budd*, the plaintiff sought an accounting for bromides removed from beneath two nonadjacent tracts of land. The Arkansas Supreme Court treated the two tracts separately, dismissing the cause of action as to each tract for different reasons. The first tract considered by the court was a 240-acre tract in which *Budd* owned an undivided interest in the minerals. The court found that this 240-acre tract was outside of the recycling area, although adjacent to it. Relying on the rule of capture, the court rejected *Budd*’s contention that the drainage of valuable minerals from beneath the tract stated a cause of action. In support of its position, the court quoted the following language from *Osborn v. Arkansas Territorial Oil & Gas Co.*, 103 Ark. 175, 146 S.W. 122, 124 (1912):

\* \* \* “Petroleum, gas and oil are substances of a peculiar character. \* \*  
\* They belong to the owner of land, and are part of it so long as they are

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<sup>2</sup> That case involved the same recycling project and the same defendants. However, as will be seen from our discussion, *infra*, we find significant factual distinctions between that case and the case *sub judice*

part of it or in it or subject to his control; but when they escape and go into other land or come under another's control, the title of the former owner is gone. If an adjoining owner drills his own land and taps a deposit of oil or gas extending under his neighbor's field, so that it comes into his well, it becomes his property.”

\* \* \*

(Quoting *Brown v. Spilman*, 155 U.S. 665, 15 S.Ct. 245, 39 L.Ed. 304 (1895)). *Budd v. Ethyl Corp.*, supra, 474 S.W.2d at 412.

Since Young's tract is within the recycling area, the state court's disposition of Budd's cause of action with respect to the 240-acre tract is not controlling.

Having disposed of the cause of action with respect to the tract lying outside of the recycling area, the Arkansas court turned to Budd's second cause of action, which was based on a 40-acre tract which the court found to be within the recycling area that is, within the defendants' circle of injection wells. Budd owned only an undivided leasehold interest in the 40-acre tract, and the defendants owned all the rest of the tract comprising the fee simple and the remaining leasehold. Although the court could once again have relied on the law of capture, it did not do so.<sup>3</sup> Instead, it denied relief because of Budd's limited interest in the property. The court stressed that Budd owned only an "inchoate" interest in the 40-acre tract: the right to drill for minerals if he wished to do so. "Thus there is no trespass

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<sup>3</sup> The dissenter spoke as if he thought that the majority was applying the law of capture to the tract within the recycling unit. See *Budd v. Ethyl Corp.*, 251 Ark. 639, 474 S.W.2d 411, 414 (1971) (Byrd, J., dissenting). We do not read the majority opinion to have done so.

upon a vested existing property right \* \* \* .”<sup>4</sup> Id. 474 S.W.2d at 413. Since Young owns title to his tract in fee simple, the state court’s disposition of Budd’s cause of action with respect to the 40-acre tract is not controlling.

When pressed on the issue in oral argument, counsel for the defendants conceded that the Arkansas Supreme Court has not yet held that relief for an owner in fee simple is barred by the rule of capture when minerals beneath his land are forced to migrate to the property of another by means of the other’s injection wells. Accordingly, the District Court’s conclusion that the Arkansas law controlling the issue is “clear, concise and unambiguous,” was error. Since the issue has not been determined by the highest court of the state, it is our task to rule as we believe the Arkansas Supreme Court would rule, were the matter squarely presented to it.<sup>5</sup>

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<sup>4</sup> Again, the court quoted from *Osborn v. Arkansas Territorial Oil & Gas Co.*, 103 Ark. 175, 146 S.W. 122 (1912):

\* \* \* “A gas lease, such as is involved in this case, is a contract granting to the lessee the right to explore the land and to produce therefrom the gas therein discovered. It is not a present sale or transfer of title to the gas, but, on account of its vagrant nature, the gas does not become actually owned until actually possessed. As is said in the case of *Williamson v. Jones*, 39 W.Va. 231, 19 S.E. 436: ‘The title is dependent on finding the gas by the purchaser in a limited time,’ and is inchoate.”

*Budd v. Ethyl Corp.*, *supra*, 474 S.W.2d at 413.

<sup>5</sup> We have previously declared that “(t)he responsibility of the federal courts, in matters of local law, is not to formulate the legal mind of the state, but merely to ascertain and apply it.” *Yoder v. Nu-Enamel Corp.*, 117 F.2d 488, 489 (8th Cir. 1941). This task becomes most difficult when state law is uncertain, but we must not shun the responsibility:

When the rights of a litigant are dependent on the law of a particular state, the court of the forum must do its best (not its worst) to determine what that law is. It must use its judicial brains, not a pair of scissors and a paste pot. Our judicial process is not mere syllogistic deduction, except as its worst. At its best, it is the wise and experienced use of many sources in combination statutes,

In our view, if the Supreme Court of Arkansas were faced with this record, it would hold that the rule of capture does not apply, and that the defendants' actions in forcibly removing valuable minerals from beneath Young's land constitute an actionable trespass. We have reached this conclusion for two reasons.

First, we do not believe that the Arkansas Supreme Court would extend a rule developed in the field of oil and gas to the forced migration of minerals of different physical properties. The rule of capture has been applied exclusively,<sup>6</sup> so far as we know, to the escape, seepage, or drainage<sup>7</sup> of "fugacious"<sup>8</sup> minerals which occurs as an

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judicial opinions, treatises, prevailing mores, custom, business practices; it is history and economics and sociology, and logic, both inductive and deductive. Shall a litigant, by the accident of diversity of citizenship, be deprived of the advantages of this judicial process? \* \* \* We must not forget that a litigant has only one day in court. \* \* \*

\* \* \* Each litigant, whether in the federal or the state courts, has a right that his case shall be a part of this evolution a live cell in the tree of justice. \* \* \*

Corbin, *The Laws of the Several States*, 50 *Yale L.J.* 762, 775-776 (1941).

<sup>6</sup> As an example of a case where the forcing out of minerals was permitted, the defendants cite *Railroad Commission of Texas v. Manziel*, 361 S.W.2d 560 (Tex.1962). The secondary recovery (injection) operation sustained in that case had been ordered by a state agency to further the public policy of maximizing oil recovery. Obviously, the authority of private actors is not coextensive with the powers available to a state in exercising its police powers

<sup>7</sup> I Summers, *The Law of Oil and Gas* §§ 61-65 (1954), and the cases cited therein, consistently speak of "drainage" when discussing the rule of capture. See, e. g., *Elliff v. Texon Drilling Co.*, 146 Tex. 575, 210 S.W.2d 558, 562 (1948): "It must be conceded that under the law of capture there is no liability for reasonable and legitimate drainage from the common pool."

<sup>8</sup> The *Oxford English Dictionary* (1971), defines "fugacious" as meaning "(a)pt to flee away or flit," and "fugacity" as meaning "volatile."

8 \* \* \* Because of the liquid and volatile nature of oil and gas and their existence in the earth in sealed strata subject to great pressures, one landowner in a common source of supply cannot produce oil or gas therefrom without

inevitable result of the tapping of a common reservoir. The rule was adopted near the turn of the century primarily as a rule of necessity when courts concluded that the amount of oil and gas which drained toward a production well from neighboring tracts was incapable of measurement. See generally I Summers, *The Law of Oil and Gas* § 63 & n. 37 (1954). With the development of more sophisticated knowledge of geology and a greater ability to measure the amount of drainage, the absolutism with which some courts continue to apply the rule of capture to oil and gas has been criticized. See, e. g., *id.* at § 63. We agree with the defendants that the Arkansas Supreme Court foreclosed such arguments with respect to the drainage of minerals from adjacent lands. But Young does not claim that he is losing minerals due to seepage or drainage toward the defendants' production wells. Rather, he asserts, and has established to the satisfaction of the District Court, that the brine solution under his land would not migrate to the defendants' production wells but for the force exerted by the injection wells; in other words, that the brine is primarily "non-fugacious." We believe that it would be unwise to extend the rule to situations in which non-fugacious minerals are forced from beneath a landowner's property. Our conclusion in this respect is consistent with

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actually or theoretically causing some displacement of the oil or gas under his neighbor's land. \* \* \*

I Summers, *The Law of Oil and Gas* § 62 at 157 (1954).

9 \* \* \* The term "correlative rights" is merely a convenient metas legal privileges as against other owners of land therein to take oil and gas therefrom as legal privileges as against other owners of land therein to take oil and gas therefrom by lawful operations conducted on his own land limited, however, by duties to other owners not to injure the source of supply and by duties not to take an undue proportion of the oil and gas. In addition, of course, to this aggregate of legal relations, each landowner has duties to the public not to waste the oil and gas.

I Summers, *The Law of Oil and Gas* § 63 at 180-181 (1954).

the fact that the Arkansas Supreme Court did not apply the rule of capture to the 40-acre tract in Budd.

Second, even accepting the defendants' contention that the brine beneath Young's land must be treated no differently than would oil or gas, the common law rule of capture is not a license to plunder. Rather, it has an important corollary in the doctrine of "correlative rights." This doctrine allows owners of land to extract oil or gas from a common pool, but posits two duties which limit the right of a landowner to drain oil and gas from beneath adjacent lands: (1) the duty to other owners not to injure the source of supply; and (2) the duty not to take an undue proportion of the oil and gas from the common pool. See I Summers, *The Law of Oil and Gas* § 63 at 180-181 (1954). To violate those duties is to abuse one's correlative rights. This corollary to the rule of capture has been codified in Ark.Stat. Ann. § 53-109(I) (3), which prohibits, as an abuse of correlative rights, "withdrawals causing undue drainage between tracts of land."<sup>9</sup> If causing undue drainage is an abuse of correlative rights, then a fortiori forcing static minerals under one's neighbor's land to migrate amounts to an abuse of those rights. The defendants would have us ignore § 53-109(I)(3) by urging that salt water brine is not governed by oil and gas law. They cannot have their cake and eat it too; if the rule of capture is to be applied to salt

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<sup>9</sup> Ark.Stat. Ann. § 53-110 provides:

Waste of oil or gas as defined in this act is hereby prohibited.

Section 53-109(I) provides:

"Waste" in addition to its ordinary meaning, shall mean "physical waste" as that term is generally understood in the oil and gas industry. It shall include:

(3) Abuse of the correlative rights and opportunities of each owner of oil and gas in a common reservoir due to nonuniform, disproportionate, and unratable withdrawals causing undue drainage between tracts of land.

water brine, the doctrine of correlative rights must likewise be applied.

We conclude that the Supreme Court of Arkansas would not apply the rule of capture to this situation and, hence, would not need to proceed to the alternative question of correlative rights. Accordingly, the appellant has a vested existing property right in the brominated salt water underlying his land, and the action of the defendants in forcibly removing that solution by means of injection and production wells on surrounding property constitutes an actionable trespass. It was improper for the District Court to dismiss the action. The order of dismissal is reversed, and the cause remanded for further proceedings as to the relief to be granted.

**Elliff v. Texon Drilling Co., 210 S.W.2d 558 (Tex. 1948)**

Boone, Boone & Davis, Kemp, Lewright, Dyer, Wilson & Sorrell, and J. M. Wilson, all of Corpus Christi, for petitioners.

Tarlton, Koch & Hale and McCampbell, Wood & Kirkham, all of Corpus Christi, for respondents.

FOLLEY, Justice.

This is a suit by the petitioners, Mrs. Mabel Elliff, Frank Elliff, and Charles C. Elliff, against the respondents, Texon Drilling Company, a Texas corporation, Texon Royalty Company, a Texas corporation, Texon Royalty Company, a Delaware corporation, and John L. Sullivan, for damages resulting from a “blowout” gas well drilled by respondents in the Agua Dulce Field in Nueces County.

The petitioners owned the surface and certain royalty interests in 3054.9 acres of land in Nueces County, upon which there was a producing well known as Elliff No. 1. They owned all the mineral estate underlying the west 1500 acres of the tract, and an undivided one-half interest in the

mineral estate underlying the east 1554.9 acres. Both tracts were subject to oil and gas leases, and therefore their royalty interest in the west 1500 acres was one-eighth of the oil or gas, and in the east 1554.9 acres was one-sixteenth of the oil and gas.

It was alleged that these lands overlaid approximately fifty per cent of a huge reservoir of gas and distillate and that the remainder of the reservoir was under the lands owned by Mrs. Clara Driscoll, adjoining the lands of petitioners on the east. Prior to November 1936, respondents were engaged in the drilling of Driscoll-Sevier No. 2 as an offset well at a location 466 feet east of petitioners' east line. On the date stated, when respondents had reached a depth of approximately 6838 feet, the well blew out, caught fire and cratered. Attempts to control it were unsuccessful, and huge quantities of gas, distillate and some oil were blown into the air, dissipating large quantities from the reservoir into which the offset well was drilled. When the Driscoll-Sevier No. 2 well blew out, the fissure or opening in the ground around the well gradually increased until it enveloped and destroyed Elliff No. 1. The latter well also blew out, cratered, caught fire and burned for several years. Two water wells on petitioners' land became involved in the cratering and each of them blew out. Certain damages also resulted to the surface of petitioners' lands and to their cattle thereon. The cratering process and the eruption continued until large quantities of gas and distillate were drained from under petitioners' land and escaped into the air, all of which was alleged to be the direct and proximate result of the negligence of respondents in permitting their well to blow out. The extent of the emissions from the Driscoll-Sevier No. 2 and Elliff No. 1, and the two water wells on petitioners' lands, was shown at various times during the several years between the blowout in November 1936, and the time of the trial in June 1946. There was also expert testimony from petroleum engineers showing the



extent of the losses from the underground reservoir, which computations extended from the date of the blowout only up to June 1938. It was indicated that it was not feasible to calculate the losses subsequent thereto, although lesser emissions of gas continued even up to the time of the trial. All the evidence with reference to the damages included all losses from the reservoir beneath petitioners' land without regard to whether they were wasted and dissipated from above the Driscoll land or from petitioners' land.

The jury found that respondents were negligent in failing to use drilling mud of sufficient weight in drilling their well, and that such negligence was the proximate cause of the well blowing out. It also found that petitioners had suffered \$4620 damage to sixty acres of the surface, and \$1350 for the loss of 27 head of cattle. The damages for the gas and distillate wasted "from and under" the lands of petitioners, due to respondents' negligence, was fixed by the jury at \$78,580.46 for the gas, and \$69,967.73 for the distillate. These figures were based upon the respective fractional royalty interests of petitioners in the whole amount wasted under their two tracts of land, and at a value, fixed by the court without objection by the parties, of two cents per 1000 cubic feet for the gas and \$1.25 per barrel for the distillate.

The findings as to the amount of drainage of gas and distillate from beneath petitioners' lands were based primarily upon the testimony of petitioners' expert witness, C. J. Jennings, a petroleum engineer. He obtained his information from drilling records and electric logs from the high pressure Agua Dulce Field. He was thereby enabled to fairly estimate the amount of gas and distillate. He had definite information as to porosity and bottom-hole pressure both before and after the blowout. He was able to estimate the amount of gas wasted under the Elliff tract by calculating the volume of the strata of sands and the voids which were occupied by gas. Under his method of

calculation the determining factor was the decrease in bottom-hole pressures of the sands caused by the blowout. He estimated that 13,096,717,000 cubic feet of gas had been drained from the west 1500 acres of the Elliff land, and that 57,625,728,000 cubic feet had been drained from the east 1554.9 acres as a result of the blowout. The distillate loss was calculated by taking the gas and distillate ratio from the records of the Railroad Commission. Jennings estimated that 195,713 barrels had been drained from the west 1500 acres and 802,690 barrels from the east 1554.9 acres, as a result of the blowout.

On the findings of the jury the trial court rendered judgment for petitioners for \$154,518.19, which included \$148,548.19 for the gas and distillate, and \$5970 for damages to the land and cattle. The Court of Civil Appeals reversed the judgment and remanded the cause. 210 S.W.2d 553.

The reversal by the Court of Civil Appeals rests upon two grounds. The first was that since substantially all of the gas and distillate which was drained from under petitioners' lands was lost through respondents' blowout well, petitioners could not recover because under the law of capture they had lost all property rights in the gas or distillate which had migrated from their lands. The second theory was that the recovery cannot stand because the trial court had submitted the wrong measure of damages in that petitioners' claim "is for trespass in and to a freehold estate in land and the proper measure of damage is the reasonable cash market value before and after the occurrence complained of."

In our opinion the Court of Civil Appeals was without authority to pass upon the propriety of the measure of damages adopted by the trial court for the simple reason that no such assignment was presented to that court. Although such an objection was raised in the trial court, we do not find an intimation of it brought forward to the

Court of Civil Appeals. The question is therefore not before us, and our subsequent conclusions as to the rights of the parties are without reference to the correctness of the measure of damages, and we express no opinion on that question.

Consequently, our attention will be confined to the sole question as to whether the law of capture absolves respondents of any liability for the negligent waste or destruction of petitioners' gas and distillate, though substantially all of such waste or destruction occurred after the minerals had been drained from beneath petitioners' lands.

We do not regard as authoritative the three decisions by the Supreme Court of Louisiana to the effect that an adjoining owner is without right of action for gas wasted from the common pool by his neighbor, because in that state only qualified ownership of oil and gas is recognized, no absolute ownership of minerals in place exists, and the unqualified rule is that under the law of capture the minerals belong exclusively to the one that produces them. *Louisiana Gas & Fuel Co. v. White Bros.*, 157 La. 728, 103 So. 23; *McCoy v. Arkansas Naturals Gas Co.*, 175 La. 487, 143 So. 383, 85 A.L.R. 1147, *certiorari denied* 287 U.S. 661, 53 S.Ct. 220, 77 L.Ed. 570; *McCoy v. Arkansas Natural Gas Co.*, 184 La. 101, 165 So. 632. Moreover, from an examination of those cases it will be seen that the decisions rested in part on the theory that "the loss complained of was, manifestly, more a matter of uncertainty and speculation than of fact or estimate." In the more recent trend of the decisions of our state, with the growth and development of scientific knowledge of oil and gas, it is now recognized "that when all oil field has been fairly tested and developed, experts can determine approximately the amount of oil and gas in place in a common pool, and can also equitably determine the amount of oil and gas recoverable by the owner of each tract of land under certain operating conditions." *Brown v.*

*Humble Oil & Refining Co.*, 126 Tex. 296, 83 S.W.2d 935, 940,87 S.W.2d 1069,99 A.L.R. 1107,101 A.L.R. 1393.

In Texas, and in other jurisdictions, a different rules exists as to ownership. In our state the landowner is regarded as having absolute title in severalty to the oil and gas in place beneath his land. *Lemar v. Garner*, 121 Tex. 502, 50 S.W.2d 769; *Humphreys-Mexia Co. v. Gammon*, 113 Tex. 247, 254 S.W. 296, 29 A.L.R. 607; *Waggoner Estate v. Sigler Oil Co.*, 118 Tex. 509, 19 S.W.2d 27; *Texas Co. v. Daugherty*, 107 Tex. 226, 176 S.W. 717, L.R.A. 1917F, 989. The only qualification of that rule of ownership is that it must be considered in connection with the law of capture and is subject to police regulations. *Brown v. Humble Oil & Refining Co.*, supra. The oil and gas beneath the soil are considered a part of the realty. Each owner of land owns separately, distinctly and exclusively all the oil and gas under his land and is accorded the usual remedies against trespassers who appropriate the minerals or destroy their market value. *Peterson v. Grayce Oil Co.*, Tex.Civ.App., 37 S.W.2d 367, affirmed 128 Tex. 550, 98 S.W.2d 781; *Comanche Duke Oil Co. v. Texas Pac. Coal & Oil Co.*, Tex.Com.App., 298 S.W. 554; *Calor Oil & Gas Co. v. Franzell*, 128 Ky. 715, 109 S.W. 328; *Louisville Gas Co. v. Kentucky Heating Co.*, 117 Ky. 71, 77 S.W. 368, 70 L.R.A. 558, 111 Am.St.Rep. 225; Id., 132 Ky. 435, 111 S.W. 374; *Ross v. Damm*, 278 Mich. 388, 270 N.W. 722; 31A Tex.Jur. 911, Sec. 530; Id. 924, Sec. 537; 24 Am.Jur. 641, Sec. 159.

The conflict in the decisions of the various states with reference to the character of ownership is traceable to some extent to the divergent views entertained by the courts, particularly in the earlier cases, as to the nature and migratory character of oil and gas in the soil. 31A Tex.Jur. 24, Sec. 5. In the absence of common law precedent, and owing to the lack of scientific information as to the movement of these minerals, some of the courts have sought by analogy to compare oil and gas to other types of

property such as wild animals, birds, subterranean waters and other migratory things, with reference to which the common law had established rules denying any character of ownership prior to capture. However, as was said by Professor A. W. Walker, Jr., of the School of Law of the University of Texas: "There is no oil or gas producing state today which follows the wild-animal analogy to its logical conclusion that the landowner has no property interest in the oil and gas in place." 16 T.L.R. 370, 371. In the light of modern scientific knowledge these early analogies have been disproven, and courts generally have come to recognize that oil and gas, as commonly found in underground reservoirs, are securely entrapped in a static condition in the original pool, and, ordinarily, so remain until disturbed by penetrations from the surface. It is further established, nevertheless, that these minerals will migrate across property lines towards any low pressure area created by production from the common pool. This migratory character of oil and gas has given rise to the so-called rule or law of capture. That rule simply is that the owner of a tract of land acquires title to the oil or gas which he produces from wells on his land, though part of the oil or gas may have migrated from adjoining lands. He may thus appropriate the oil and gas that have flowed from adjacent lands without the consent of the owner of those lands, and without incurring liability to him for drainage. The non-liability is based upon the theory that after the drainage the title or property interest of the former owner is gone. This rule, at first blush, would seem to conflict with the view of absolute ownership of the minerals in place, but it was otherwise decided in the early case of *Stephens County v. Mid-Kansas Oil & Gas Co.*, 1923, 113 Tex. 160, 254 S.W. 290, 29 A.L.R. 566. Mr. Justice Greenwood there stated, 113 Tex. 167, 254 S.W. 292, 29 A.L.R. 566:

The objection lacks substantial foundation that gas or oil in a certain

tract of land cannot be owned in place, because subject to appropriation, without the consent of the owner of the tract, through drainage from wells on adjacent lands. If the owners of adjacent lands have the right to appropriate, without liability, the gas and oil underlying their neighbor's land, then their neighbor has the correlative right to appropriate, through like methods of drainage, the gas and oil underlying the tracts adjacent to his own.

Thus it is seen that, notwithstanding the fact that oil and gas beneath the surface are subject both to capture and administrative regulation, the fundamental rule of absolute ownership of the minerals in place is not affected in our state. In recognition of such ownership, our courts, in decisions involving well-spacing regulations of our Railroad Commission, have frequently announced the sound view that each landowner should be afforded the opportunity to produce his fair share of the recoverable oil and gas beneath his land, which is but another way of recognizing the existence of correlative rights between the various landowners over a common reservoir of oil or gas.

It must be conceded that under the law of capture there is no liability for reasonable and legitimate drainage from the common pool. The landowner is privileged to sink as many wells as he desires upon his tract of land and extract therefrom and appropriate all the oil and gas that he may produce, so long as he operates within the spirit and purpose of conservation statutes and orders of the Railroad Commission. These laws and regulations are designed to afford each owner a reasonable opportunity to produce his proportionate part of the oil and gas from the entire pool and to prevent operating practices injurious to the common reservoir. In this manner, if all operators exercise the same

degree of skill and diligence, each owner will recover in most instances his fair share of the oil and gas. This reasonable opportunity to produce his fair share of the oil and gas is the landowner's common law right under our theory of absolute ownership of the minerals in place. But from the very nature of this theory the right of each land holder is qualified, and is limited to legitimate operations. Each owner whose land overlies the basin has a like interest, and each must of necessity exercise his right with some regard to the rights of others. No owner should be permitted to carry on his operations in reckless or lawless irresponsibility, but must submit to such limitations as are necessary to enable each to get his own. *Hague v. Wheeler*, 157 Pa. 324, 27 A. 714, 717, 22 L.R.A. 141, 37 Am.St.Rep. 736.

While we are cognizant of the fact that there is a certain amount of reasonable and necessary waste incident to the production of oil and gas to which the non-liability rule must also apply, we do not think this immunity should be extended so as to include the negligent waste or destruction of the oil and gas.

In 1 Summers, *Oil and Gas*, Perm. Ed., s 63 correlative rights of owners of land in a common source of supply of oil and gas are discussed and described in the following language:

These existing property relations, called the correlative rights of the owners of land in the common source of supply, were not created by the statute, but held to exist because of the peculiar physical facts of oil and gas. The term "correlative rights" is merely a convenient method of indicating that each owner of land in a common source of supply of oil and gas has legal privileges as against other owners

of land therein to take oil or gas therefrom by lawful operations conducted on his own land; that each such owner has duties to the other owners not to exercise his privileges of taking so as to injure the common source of supply; and that each such owner has rights that other owners not exercise their privileges of taking so as to injure the common source of supply.

In 85 A.L.R. 1156, in discussing the case of *Hague v. Wheeler*, supra, the annotator states:

\* \* \* The fact that the owner of the land has a right to take and to use gas and oil, even to the diminution or exhaustion of the supply under his neighbor's land, does not give him the right to waste the gas. His property in the gas underlying his land consists of the right to appropriate the same, and permitting the gas to escape into the air is not an appropriation thereof in the proper sense of the term.

In like manner, the negligent waste and destruction of petitioners' gas and distillate was neither a legitimate drainage of the minerals from beneath their lands nor a lawful or reasonable appropriation of them. Consequently, the petitioners did not lose their right, title and interest in them under the law of capture. At the time of their removal they belonged to petitioners, and their wrongful dissipation deprived these owners of the right and opportunity to produce them. That right is forever lost, the same cannot be restored, and petitioners are without an adequate legal remedy unless we allow a recovery under the same common law which governs other actions for damages and



under which the property rights in oil and gas are vested. This remedy should not be denied.

In common with others who are familiar with the nature of oil and gas and the risks involved in their production, the respondents had knowledge that a failure to use due care in drilling their well might result in a blowout with the consequent waste and dissipation of the oil, gas and distillate from the common reservoir. In the conduct of one's business or in the use and exploitation of one's property, the law imposes upon all persons the duty to exercise ordinary care to avoid injury or damage to the property of others. Thus under the common law, and independent of the conservation statutes, the respondents were legally bound to use due care to avoid the negligent waste or destruction of the minerals imbedded in petitioners' oil and gas-bearing strata. This common-law duty the respondents failed to discharge. For that omission they should be required to respond in such damages as will reasonably compensate the injured parties for the loss sustained as the proximate result of the negligent conduct. The fact that the major portion of the gas and distillate escaped from the well on respondents' premises is immaterial. Irrespective of the opening from which the minerals escaped, they belonged to the petitioners and the loss was the same. They would not have been dissipated at any opening except for the wrongful conduct of the respondents. Being responsible for the loss they are in no position to deny liability because the gas and distillate did not escape through the surface of petitioners' lands.

We are therefore of the opinion the Court of Civil Appeals erred in holding that under the law of *caputre* the petitioners cannot recover for the damages resulting from the wrongful drainage of the gas and distillate from beneath their lands. However, we cannot affirm the judgment of the trial court because there is an assignment of error in the Court of Civil Appeals challenging the sufficiency of the

evidence to support the findings of the jury on the amount of the damages, and another charging that the verdict was excessive. We have no jurisdiction of those assignments, and, since they have not been passed upon, the judgment of the Court of civil Appeals is reversed and the cause remanded to that court for consideration of all assignments except those herein decided. *McKenzie Construction Co. v. City of San Antonio*, 131 Tex. 474, 115 S.W.2d 617; *Ritchie v. American Surety Co. of New York*, 145 Tex. 422, 198 S.W.2d 85, and authorities cited.

### 2.3. Review

#### Review Problems

1. Now that we have read cases defining the concept of possession, return to the case of *Bridges v. Hawkesworth*. Argue, contrary to the court's decision in that case, that the shop owner is the first possessor, and thus owner, of the notes that were found on his shop floor.
2. Which of the following most directly rebuts a "Lockean labor theory" argument that a litigant, call him  $A$ , should be declared the owner of an object: (a)  $A$  committed a moral wrong in the course of acquiring the object, (b)  $A$  is richer than  $B$ , who has a much greater need for the object, or (c) granting rights to  $A$  would create incentives for conduct that is more harmful than beneficial. Why? (Points awarded only for the explanation.)
3. In *Terry v. Lock*, the appellate court decides that the trial court's decision that the found money was mislaid was not "clearly erroneous." We've seen that appellate courts generally review legal determinations of trial courts "de novo," that is without any deference to the trial court's determination or reasoning. Why is this more deferential standard used in *Terry*, and why might it be justified?
4. Is the "substantial and unreasonable" test, used to determine whether there is a nuisance, a rule or a standard? Argue against this test based only the test's status as a rule or standard. (That is, act like you're a litigant attacking the test, and make an argument that,

if translated, would work as well against any rule or any standard, depending on which you think the nuisance test is.)

5. Would you need to show evidence of harm to sue successfully a jet engine test facility operating near a residential neighborhood that routinely emits sound above levels safe for human ears? Would you need to show evidence of harm to sue successfully such a facility if it were silent but leaked small quantities of jet fuel onto some of the residences? Explain.

6. Take Garrett Hardin's classic example of a pasture open, say, to six unrelated herdsmen. If Coase's Theorem applies in this situation, will there be a tragedy of the commons? Why or why not? If your answer is yes, explain how. If your answer is no, explain which element necessary for the tragedy to occur would not be present. What would change if we assumed that the pasture was continuously open to new herdsmen, beyond the original six? Explain.

7. If I move into a residence in an industrial area in which there are almost no other residences, and I sue in nuisance a large factory that is both extremely loud and covering my property in significant levels of smoke, will I be able to get an injunction? Will I be able to do so if I pay damages to the factory? Explain.

### **Essay Problem**

According to legend, the pirate Gorefiend was killed shortly before his ship ran ashore in what is now the state of Carolorgia. His fellow pirates buried Gorefiend well upland from the beach, up in the dunes. Because they could not agree on how to divide Gorefiend's valuables, the story goes, they buried him with a fair number of gold and silver objects. Within days, the pirates were captured. Some were sentenced to death and others to long prison terms.

Alfonso Allen stumbled onto the two-hundred-year-old story while working as a tour guide at a historical fort, where some of Gorefiend's crew had been held. Among the many documents and artifacts in the museum's store rooms was a book that had caught Alfonso's eye and had occupied all of his spare time since. Through

exhaustive research, Alfonso was able to decipher the notations in the book, finally concluding that it pinpointed the location of Gorefiend's burial. Using software to model beach erosion and coastline changes, Alfonso generated a map showing the current location of the site: a forested area of Beach Bum Billy's, a private beach club not far away from the fort.

Though Billy's was a private and invitation-only club, once each year on March 17 the club invited the public to join a beachside fundraiser for the local children's hospital. Seizing the chance, Alfonso showed up, paid the entrance fee, grabbed a drink at the cabana, and under cover of darkness headed toward the forested southern corner of the club.

Among the trees, Alfonso was shocked to find an exposed skeleton, apparently eroded out of the ground, with scraps of old leather clothing tying the corpse to Gorefiend's era. Alfonso spied several gold doubloons and silver jewelry, tarnished but visible amongst the bones. Unprepared to map the site and inventory the find, Alfonso placed markers on nearby trees displaying his name and phone number, with a message that this historically significant find should not be disturbed. With that, he headed home, and excitedly posted an article describing his find (but withholding the precise location) on an internet site dedicated to amateur archaeology.

Unbeknownst to Alfonso, he had been followed by another visitor to the club, Craig Crawford, who suspected from Alfonso's haste that something unusual was up. Craig hid in the bushes and later made off with as much gold as he could carry without raising suspicions. Everything unravelled, though, when a Billy's employee spotted Craig's overstuffed pockets. Upon being caught, he reluctantly handed over the gold and the location of the find.

After much back and forth, in which Alfonso was made aware of what had happened and after all concerned had spoken with lawyers, Craig sued Billy's for ownership of the gold. Alfonso intervened and sued Craig and Billy's. Fully analyze the possible claims and defenses of these three parties.

## Answers

1. Now that we have read cases defining the concept of possession, return to the case of *Bridges v. Hawkesworth*. Argue, contrary to the court's decision in that case, that the shop owner is the first possessor, and thus owner, of the notes that were found on his shop floor.

Whatever additional claims the shop owner in *Bridges* may have to the money as a landowner, he should be declared the owner as the first possessor of the lost property. Possession is defined as the intent to possess or control an object together with physical actions manifesting that intent. Precisely what acts are required varies with context. A landowner should be deemed to intend to possess all lost goods on his or her property, because most landowners do indeed intend to control the objects on their land – even if they are unaware of the objects' whereabouts or even existence at any given moment. In any event, an intent to control access to the land is sufficient intent to control access to *things* on the land. The landowner maintains physical control over the land by controlling entry and setting the terms on which one is allowed to stay on the land. Even if a landowner opens up to the general public, he or she is not required to do this and may revoke consent at any time. The physical control the landowner in this case clearly exerted over the land is sufficient to communicate an intent to control all of the property contained on the land, including lost property.

2. Which of the following most directly rebuts a “Lockean labor theory” argument that a litigant, call him *A*, should be declared the owner of an object: (a) *A* committed a moral wrong in the course of acquiring the object, (b) *A* is richer than *B*, who has a much greater need for the object, or (c) granting rights to *A* would create incentives for conduct that is more harmful than beneficial. Why? (Points awarded only for the explanation.)

Locke's labor theory asserts that one has a natural right to the fruits of one's labors. This is a matter of justice and flows from the inalienable, god-given right to one's body and thus one's labors. The commission of a moral wrong in the course of acquiring an object most directly negatives what would otherwise be the moral justification for recognizing ownership by virtue of the acquisition. That is, if the reason we give laborers the fruits of their labors is because it is morally required, proof that an acquisition was immoral would most clearly negate that reason.

3. In *Terry v. Lock*, the appellate court decides that the trial court's decision that the found money was mislaid was not "clearly erroneous." We've seen that appellate courts generally review legal determinations of trial courts "de novo," that is without any deference to the trial court's determination or reasoning. Why is this more deferential standard used in *Terry*, and why might it be justified?

The clearly erroneous standard is used to review the *factual* findings of the lower court. The court that actually heard and saw the evidence is, the theory goes, in a better position to evaluate that evidence and reach conclusions about its validity. Courts generally, though not always, review legal determinations of trial courts de novo, without any deference, because appellate courts are at no comparative disadvantage in determining what the law is or should be.

4. Is the "substantial and unreasonable" test, used to determine whether there is a nuisance, a rule or a standard? Argue against this test based only the test's status as a rule or standard. (That is, act like you're a litigant attacking the test, and make an argument that, if translated, would work as well against any rule or any standard, depending on which you think the nuisance test is.)

The substantial and unreasonable test is well over on the "standards" end of the rule-standard spectrum. It does not provide an objective, non-controversial measure of what is

and what is not a nuisance. One might argue this is a bad thing, because it fails to provide people with clear notice of what will be considered a nuisance. This harms planning, by leading people mistakenly to avoid uses that in fact would not be considered nuisances or perhaps to make uses that will be considered nuisances.

5. Would you need to show evidence of harm to sue successfully a jet engine test facility operating near a residential neighborhood that routinely emits sound above levels safe for human ears? Would you need to show evidence of harm to sue successfully such a facility if it were silent but leaked small quantities of jet fuel onto some of the residences? Explain.

Because noise would be considered “intangible” by most courts, loud noise, if actionable, will be regulated as a nuisance. To prove a nuisance, one needs to show harm. By contrast, jet fuel, even in small quantities, is a tangible object. Leaks onto the property of another would constitute a trespass, which does not require a showing of harm.

6. Take Garrett Hardin’s classic example of a pasture open, say, to six unrelated herdsmen. If Coase’s Theorem applies in this situation, will there be a tragedy of the commons? Why or why not? If your answer is yes, explain how. If your answer is no, explain which element necessary for the tragedy to occur would not be present. What would change if we assumed that the pasture was continuously open to new herdsmen, beyond the original six? Explain.

If we assume Coase’s Theorem applies, it means that the parties will negotiate an efficient result whatever the external legal rules governing their conduct happen to be. A tragedy will not occur in such a scenario, because the parties are cooperating through their negotiation. If the pasture were continually open to new entrants, it is hard to imagine that this cooperation could last. Each new entrant would need to be paid off, eventually exhausting the resources of existing

herdsmen. Indeed, new people would show up, if they had a legal right to use the pasture, simply to get a pay-off. In addition, as the number of herdsmen increases, the costs of bargaining increase as well. Eventually, without sophisticated governance mechanisms, these transaction costs would become too unwieldy to reach a deal.

7. If I move into a residence in an industrial area in which there are almost no other residences, and I sue in nuisance a large factory that is both extremely loud and covering my property in significant levels of smoke, will I be able to get an injunction? Will I be able to do so if I pay damages to the factory? Explain.

If the factory were there first, most courts would decide that I had “come to the nuisance.” This is a defense to nuisance, meaning that courts will generally hold there is no nuisance at all under such facts. Going further, most courts would not, in this case, give me the *Spur* remedy: the ability to shut down the factory if I pay damages (in Calabresi language: protection of the factory, but only with a liability rule). Unlike in *Spur*, there are not many other residences impacted by the factory. Rather there are a great many other industrial concerns. Thus, it is unlikely that a court would decide that the costs of the factory’s activities (to both me and unrepresented third parties - like the residents of Sun City in *Spur*) greatly exceed its benefits. Given that, it would not make sense to order the factory shut down, even on payment of damages.

### **Essay Answer**

On a recent test, I assigned points for this problem as follows:

Discussion of abandonment / treasure trove status of property: 2  
Clearly stated definition of possession and set-up to argue: 2  
Argument leading to a “contextualized” definition of possession: 3  
Application of contextualized possession rule to facts:



2 Discussion of landowner claims to objects based on mere ownership and embedded: 3 Argument concerning possible different treatment as burial goods: 2 Argument that landowner would win if finder(s) declared trespassers: 1 Spotting a trespass issue and stating the law of trespass: 1 Recognizing consent as the difficult issue and establishing the principle: 2 Application of consent rule to facts: 1

Obviously, there are other issues and arguments that could be made, and to the extent decent arguments are made, I reflect them on the score sheet.

# 3. Acquisition by Creation

## 3.1. Unfair Competition

### **International News Service v. Associated Press, 248 U.S. 215 (1918)**

*Messrs. Samuel Untermyer, of New York City, Hiram W. Johnson, of San Francisco, Cal., and Henry A. Wise and William A De Ford, both of New York City, for petitioner.*

*Mr. Frederic W. Lehmann, of St. Louis, Mo., for respondent.*

MR. JUSTICE PITNEY delivered the opinion of the Court.

The parties are competitors in the gathering and distribution of news and its publication for profit in newspapers throughout the United States. The Associated Press, which was complainant in the District Court, is a co-operative organization, incorporated under the Membership Corporations Law of the state of New York, its members being individuals who are either proprietors or representatives of about 950 daily newspapers published in all parts of the United States. That a corporation may be organized under that act for the purpose of gathering news for the use and benefit of its members and for publication in newspapers owned or represented by them, is recognized by an amendment enacted in 1901 (Laws N. Y. 1901, c. 436). Complainant gathers in all parts of the world, by means of various instrumentalities of its own, by exchange with its members, and by other appropriate means, news and intelligence of current and recent events of interest to newspaper readers and distributes it daily to its members for publication in their newspapers. The cost of the service, amounting approximately to \$3,500,000 per annum, is assessed upon the members and becomes a part of their costs of operation, to be recouped, presumably with profit, through the publication of their several newspapers. Under complainant's by-laws each member agrees upon assuming membership that news received through complainant's

service is received exclusively for publication in a particular newspaper, language, and place specified in the certificate of membership, that no other use of it shall be permitted, and that no member shall furnish or permit any one in his employ or connected with his newspaper to furnish any of complainant's news in advance of publication to any person not a member. And each member is required to gather the local news of his district and supply it to the Associated Press and to no one else.

Defendant is a corporation organized under the laws of the state of New Jersey, whose business is the gathering and selling of news to its customers and clients, consisting of newspapers published throughout the United States, under contracts by which they pay certain amounts at stated times for defendant's service. It has widespread news-gathering agencies; the cost of its operations amounts, it is said, to more than \$2,000,000 per annum; and it serves about 400 newspapers located in the various cities of the United States and abroad, a few of which are represented, also, in the membership of the Associated Press.

The parties are in the keenest competition between themselves in the distribution of news throughout the United States; and so, as a rule, are the newspapers that they serve, in their several districts.

Complainant in its bill, defendant in its answer, have set forth in almost identical terms the rather obvious circumstances and conditions under which their business is conducted. The value of the service, and of the news furnished, depends upon the promptness of transmission, as well as upon the accuracy and impartiality of the news; it being essential that the news be transmitted to members or subscribers as early or earlier than similar information can be furnished to competing newspapers by other news services, and that the news furnished by each agency shall not be furnished to newspapers which do not contribute to

the expense of gathering it. And further, to quote from the answer:

Prompt knowledge and publication of worldwide news is essential to the conduct of a modern newspaper, and by reason of the enormous expense incident to the gathering and distribution of such news, the only practical way in which a proprietor of a newspaper can obtain the same is, either through co-operation with a considerable number of other newspaper proprietors in the work of collecting and distributing such news, and the equitable division with them of the expenses thereof, or by the purchase of such news from some existing agency engaged in that business.

The bill was filed to restrain the pirating of complainant's news by defendant in three ways: First, by bribing employes of newspapers published by complainant's members to furnish Associated Press news to defendant before publication, for transmission by telegraph and telephone to defendant's clients for publication by them; second, by inducing Associated Press members to violate its by-laws and permit defendant to obtain news before publication; and, third, by copying news from bulletin boards and from early editions of complainant's newspapers and selling this, either bodily or after rewriting it, to defendant's customers.

The District Court, upon consideration of the bill and answer, with voluminous affidavits on both sides, granted a preliminary injunction under the first and second heads, but refused at that stage to restrain the systematic practice admittedly pursued by defendant, of taking news bodily from the bulletin boards and early editions of complainant's

newspapers and selling it as its own. The court expressed itself as satisfied that this practice amounted to unfair trade, but as the legal question was one of first impression it considered that the allowance of an injunction should await the outcome of an appeal. 240 Fed. 983, 996. Both parties having appealed, the Circuit Court of Appeals sustained the injunction order so far as it went, and upon complainant's appeal modified it and remanded the cause, with directions to issue an injunction also against any bodily taking of the words or substance of complainant's news until its commercial value as news had passed away. 245 Fed. 244, 253. The present writ of certiorari was then allowed. 245 U. S. 644.

The only matter that has been argued before us is whether defendant may lawfully be restrained from appropriating news taken from bulletins issued by complainant or any of its members, or from newspapers published by them, for the purpose of selling it to defendant's clients. Complainant asserts that defendant's admitted course of conduct in this regard both violates complainant's property right in the news and constitutes unfair competition in business. And notwithstanding the case has proceeded only to the stage of a preliminary injunction, we have deemed it proper to consider the underlying questions, since they go to the very merits of the action and are presented upon facts that are not in dispute. As presented in argument, these questions are: (1) Whether there is any property in news; (2) Whether, if there be property in news collected for the purpose of being published, it survives the instant of its publication in the first newspaper to which it is communicated by the news-gatherer; and (3) whether defendant's admitted course of conduct in appropriating for commercial use matter taken from bulletins or early editions of Associated Press publications constitutes unfair competition in trade.

The federal jurisdiction was invoked because of diversity of citizenship, not upon the ground that the suit arose under

the copyright or other laws of the United States. 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; and, according to complainant's contention, news is not within the operation of the copyright act. Defendant, while apparently conceding this, nevertheless invokes the analogies of the law of literary property and copyright, insisting as its principal contention that, assuming complainant has a right of property in its news, it can be maintained (unless the copyright act be complied with) only by being kept secret and confidential, and that upon the publication with complainant's consent of uncopyrighted news of any of complainant's members in a newspaper or upon a bulletin board, the right of property is lost, and the subsequent use of the news by the public or by defendant for any purpose whatever becomes lawful.

A preliminary objection to the form in which the suit is brought may be disposed of at the outset. It is said that the Circuit Court of Appeals granted relief upon considerations applicable to particular members of the Associated Press, and that this was erroneous because the suit was brought by complainant as a corporate entity, and not by its members; the argument being that their interests cannot be protected in this proceeding any more than the individual rights of a stockholder can be enforced in an action brought by the corporation. From the averments of the bill, however, it is plain that the suit in substance was brought for the benefit of complainant's members, and that they would be proper parties, and, except for their numbers, perhaps necessary parties. Complainant is a proper party to conduct the suit as representing their interest; and since no specific objection, based upon the want of parties, appears to have been made below, we will treat the objection as waived. See Equity Rules 38, 43, 44 (33 Sup. Ct. xxix, xxx).

In considering the general question of property in news matter, it is necessary to recognize its dual character, distinguishing between the substance of the information and the particular form or collocation of words in which the writer has communicated it.

No doubt news articles often possess a literary quality, and are the subject of literary property at the common law; nor do we question that such an article, as a literary production, is the subject of copyright by the terms of the act as it now stands. In an early case at the circuit Mr. Justice Thompson held in effect that a newspaper was not within the protection of the copyright acts of 1790 (1 Stat. 124) and 1802 (2 Stat. 171). *Clayton v. Stone*, 2 Paine, 382. But the present act is broader; it provides that the works for which copyright may be secured shall include ‘all the writings of an author,’ and specifically mentions ‘periodicals, including newspapers.’ Act of March 4, 1909, c. 320, §§ 4 and 5, 35 Stat. 1075, 1076. Evidently this admits to copyright a contribution to a newspaper, notwithstanding it also may convey news; and such is the practice of the copyright office, as the newspapers of the day bear witness. See Copyright Office Bulletin No. 15 (1917) pp. 7, 14, 16, 17.

But the news element – the information respecting current events contained in the literary production – is not the creation of the writer, but is a report of matters that ordinarily are *publici juris*; it is the history of the day. It is not to be supposed that the framers of the Constitution, when they empowered Congress ‘to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries’ (Const. art. 1, § 8, par. 8), intended to confer upon one who might happen to be the first to report a historic event the exclusive right for any period to spread the knowledge of it.

We need spend no time, however, upon the general question of property in news matter at common law, or the

application of the copyright act, since it seems to us the case must turn upon the question of unfair competition in business. And, in our opinion, this does not depend upon any general right of property analogous to the common-law right of the proprietor of an unpublished work to prevent its publication without his consent; nor is it foreclosed by showing that the benefits of the copyright act have been waived. We are dealing here not with restrictions upon publication but with the very facilities and processes of publication. The peculiar value of news is in the spreading of it while it is fresh; and it is evident that a valuable property interest in the news, as news, cannot be maintained by keeping it secret. Besides, except for matters improperly disclosed, or published in breach of trust or confidence, or in violation of law, none of which is involved in this branch of the case, the news of current events may be regarded as common property. What we are concerned with is the business of making it known to the world, in which both parties to the present suit are engaged. That business consists in maintaining a prompt, sure, steady, and reliable service designed to place the daily events of the world at the breakfast table of the millions at a price that, while of trifling moment to each reader, is sufficient in the aggregate to afford compensation for the cost of gathering and distributing it, with the added profit so necessary as an incentive to effective action in the commercial world. The service thus performed for newspaper readers is not only innocent but extremely useful in itself, and indubitably constitutes a legitimate business. The parties are competitors in this field; and, on fundamental principles, applicable here as elsewhere, when the rights or privileges of the one are liable to conflict with those of the other, each party is under a duty so to conduct its own business as not unnecessarily or unfairly to injure that of the other. *Hitchman Coal & Coke Co. v. Mitchell*, 245 U. S. 229, 254.



Obviously, the question of what is unfair competition in business must be determined with particular reference to the character and circumstances of the business. The question here is not so much the rights of either party as against the public but their rights as between themselves. See *Morison v. Moat*, 9 Hare, 241, 258. And, although we may and do assume that neither party has any remaining property interest as against the public in uncopyrighted news matter after the moment of its first publication, it by no means follows that there is no remaining property interest in it as between themselves. For, to both of them alike, news matter, however little susceptible of ownership or dominion in the absolute sense, is stock in trade, to be gathered at the cost of enterprise, organization, skill, labor, and money, and to be distributed and sold to those who will pay money for it, as for any other merchandise. Regarding the news, therefore, as but the material out of which both parties are seeking to make profits at the same time and in the same field, we hardly can fail to recognize that for this purpose, and as between them, it must be regarded as quasi property, irrespective of the rights of either as against the public.

....

The question, whether one who has gathered general information or news at pains and expense for the purpose of subsequent publication through the press has such an interest in its publication as may be protected from interference, has been raised many times, although never, perhaps, in the precise form in which it is now presented.

*Board of Trade v. Christie Grain & Stock Co.*, 198 U. S. 236, 250, related to the distribution of quotations of prices on dealings upon a board of trade, which were collected by plaintiff and communicated on confidential terms to numerous persons under a contract not to make them public. This court held that, apart from certain special objections that were overruled, plaintiff's collection of

quotations was entitled to the protection of the law; that, like a trade secret, plaintiff might keep to itself the work done at its expense, and did not lose its right by communicating the result to persons, even if many, in confidential relations to itself, under a contract not to make it public; and that strangers should be restrained from getting at the knowledge by inducing a breach of trust.

In *National Tel. News Co. v. Western Union Tel. Co.*, 119 Fed. 294, the Circuit Court of Appeals for the Seventh Circuit dealt with news matter gathered and transmitted by a telegraph company, and consisting merely of a notation of current events having but a transient value due to quick transmission and distribution; and, while declaring that this was not copyrightable although printed on a tape by tickers in the offices of the recipients, and that it was a commercial not a literary product, nevertheless held that the business of gathering and communicating the news – the service of purveying it was a legitimate business, meeting a distinctive commercial want and adding to the facilities of the business world, and partaking of the nature of property in a sense that entitled it to the protection of a court of equity against piracy.

Other cases are cited, but none that we deem it necessary to mention.

Not only do the acquisition and transmission of news require elaborate organization and a large expenditure of money, skill, and effort; not only has it an exchange value to the gatherer, dependent chiefly upon its novelty and freshness, the regularity of the service, its reputed reliability and thoroughness, and its adaptability to the public needs; but also, as is evident, the news has an exchange value to one who can misappropriate it.

The peculiar features of the case arise from the fact that, while novelty and freshness form so important an element in the success of the business, the very processes of

distribution and publication necessarily occupy a good deal of time. Complainant's service, as well as defendant's, is a daily service to daily newspapers; most of the foreign news reaches this country at the Atlantic seaboard, principally at the city of New York, and because of this, and of time differentials due to the earth's rotation, the distribution of news matter throughout the country is principally from east to west; and, since in speed the telegraph and telephone easily outstrip the rotation of the earth, it is a simple matter for defendant to take complainant's news from bulletins or early editions of complainant's members in the eastern cities and at the mere cost of telegraphic transmission cause it to be published in western papers issued at least as warily as those served by complainant. Besides this, and irrespective of time differentials, irregularities in telegraphic transmission on different lines, and the normal consumption of time in printing and distributing the newspaper, result in permitting pirated news to be placed in the hands of defendant's readers sometimes simultaneously with the service of competing Associated Press papers, occasionally even earlier.

Defendant insists that when, with the sanction and approval of complainant, and as the result of the use of its news for the very purpose for which it is distributed, a portion of complainant's members communicate it to the general public by posting it upon bulletin boards so that all may read, or by issuing it to newspapers and distributing it indiscriminately, complainant no longer has the right to control the use to be made of it; that when it thus reaches the light of day it becomes the common possession of all to whom it is accessible; and that any purchaser of a newspaper has the right to communicate the intelligence which it contains to anybody and for any purpose, even for the purpose of selling it for profit to newspapers published for profit in competition with complainant's members.

The fault in the reasoning lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves. The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant – which is what defendant has done and seeks to justify – is a very different matter. In doing this defendant, by its very act, admits that it 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 that defendant in appropriating it and selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant'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; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself and a court of equity ought not to hesitate long in characterizing it as unfair competition in business.

... .

The contention that the news is abandoned to the public for all purposes when published in the first newspaper is untenable. Abandonment is a question of intent, and the entire organization of the Associated Press negatives such a purpose. The cost of the service would be prohibited if the

reward were to be so limited. No single newspaper, no small group of newspapers, could sustain the expenditure. Indeed, it is one of the most obvious results of defendant's theory that, by permitting indiscriminate publication by anybody and everybody for purposes of profit in competition with the news-gatherer, it would render publication profitless, or so little profitable as in effect to cut off the service by rendering the cost prohibitive in comparison with the return. The practical needs and requirements of the business are reflected in complainant's by-laws which have been referred to. Their effect is that publication by each member must be deemed not by any means an abandonment of the news to the world for any and all purposes, but a publication for limited purposes; for the benefit of the readers of the bulletin or the newspaper as such; not for the purpose of making merchandise of it as news, with the result of depriving complainant's other members of their reasonable opportunity to obtain just returns for their expenditures.

It is to be observed that the view we adopt does not result in giving to complainant the right to monopolize either the gathering or the distribution of the news, or, without complying with the copyright act, to prevent the reproduction of its news articles, but only postpones participation by complainant's competitor in the processes of distribution and reproduction of news that it has not gathered, and only to the extent necessary to prevent that competitor from reaping the fruits of complainant's efforts and expenditure, to the partial exclusion of complainant. and in violation of the principle that underlies the maxim 'sic utere tuo,' etc.

It is said that the elements of unfair competition are lacking because there is no attempt by defendant to palm off its goods as those of the complainant, characteristic of the most familiar, if not the most typical, cases of unfair competition. *Howe Scale Co. v. Wyckoff, Seamans, etc.*,

198 U. S. 118, 140. But we cannot concede that the right to equitable relief is confined to that class of cases. In the present case the fraud upon complainant's rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money, and treating it, therefore, as quasi property for the purposes of their business because they are both selling it as such, defendant's conduct differs from the ordinary case of unfair competition in trade principally in this that, instead of selling its own goods as those of complainant, it substitutes misappropriation in the place of misrepresentation, and sells complainant's goods as its own.

Besides the misappropriation, there are elements of imitation, of false pretense, in defendant's practices. The device of rewriting complainant's news articles, frequently resorted to, carries its own comment. The habitual failure to give credit to complainant for that which is taken is significant. Indeed, the entire system of appropriating complainant's news and transmitting it as a commercial product to defendant's clients and patrons amounts to a false representation to them and to their newspaper readers that the news transmitted is the result of defendant's own investigation in the field. But these elements, although accentuating the wrong, are not the essence of it. It is something more than the advantage of celebrity of which complainant is being deprived.

The doctrine of unclean hands is invoked as a bar to relief; it being insisted that defendant's practices against which complainant seeks an injunction are not different from the practice attributed to complainant, of utilizing defendant's news published by its subscribers. At this point it becomes necessary to consider a distinction that is drawn by complainant, and, as we understand it, was recognized by defendant also in the submission of proofs in the District Court, between two kinds of use that may be made by one

news agency of news taken from the bulletins and newspapers of the other. The first is the bodily appropriation of a statement of fact or a news article, with or without rewriting, but without independent investigation or other expense. This form of pirating was found by both courts to have been pursued by defendant systematically with respect to complainant's news, and against it the Circuit Court of Appeals granted an injunction. This practice complainant denies having pursued and the denial was sustained by the finding of the District Court. It is not contended by defendant that the finding can be set aside, upon the proofs as they now stand. The other use is to take the news of a rival agency as a 'tip' to be investigated, and if verified by independent investigation the news thus gathered is sold. This practice complainant admits that it has pursued and still is willing that defendant shall employ.

Both courts held that complainant could not be debarred on the ground of unclean hands upon the score of pirating defendant's news, because not shown to be guilty of sanctioning this practice.

As to securing 'tips' from a competing news agency the District Court (240 Fed. 991, 995), while not sanctioning the practice, found that both parties had adopted it in accordance with common business usage, in the belief that their conduct was technically lawful, and hence did not find in it any sufficient ground for attributing unclean hands to complainant. The Circuit Court of Appeals (245 Fed. 247, 157) found that the tip habit, though discouraged by complainant, was 'incurably journalistic,' and that there was 'no difficulty in discriminating between the utilization of tips and the bodily appropriation of another's labor in accumulating and stating information.'

We are inclined to think a distinction may be drawn between the utilization of tips and the bodily appropriation of news matter, either in its original form or after rewriting and without independent investigation and verification;

whatever may appear at the final hearing, the proofs as they now stand recognize such a distinction; both parties avowedly recognize the practice of taking tips, and neither party alleges it to be unlawful or to amount to unfair competition in business. In a line of English cases a somewhat analogous practice has been held not to amount to an infringement of the copyright of a directory or other book containing compiled information. In *Kelly v. Morris*, L. R. 1 Eq. 697, 701, 702, Vice Chancellor Sir William Page Wood (afterwards Lord Hatherly), dealing with such a case, said that defendant was

not entitled to take one word of the information previously published without independently working out the matter for himself, so as to arrive at the same result from the same common sources of information, and the only use that he can legitimately make of a previous publication is to verify his own calculations and results when obtained.

This was followed by Vice Chancellor Giffard in *Morris v. Ashbee*, L. R. 7 Eq. 34, where he said:

In a case such as this no one has a right to take the results of the labour and expense incurred by another for the purposes of a rival publication, and thereby save himself the expense and labour of working out and arriving at these results by some independent road.

A similar view was adopted by Lord Chancellor Hatherly and the former Vice Chancellor, then Giffard, L. J., in *Pike v. Nicholas*, L. R. 5 Ch. App. Cas. 251, and shortly afterwards by the latter judge in *Morris v. Wright*, L. R. 5



Ch. App. Cas. 279, 287, where he said, commenting upon *Pike v. Nicholas*:

It was a perfectly legitimate course for the defendant to refer to the plaintiff's book, and if, taking that book as his guide, he went to the original authorities and compiled his book from them, he made no unfair or improper use of the plaintiff's book; and so here, if the fact be that Mr. Wright used the plaintiff's book in order to guide himself to the persons on whom it would be worth his while to call, and for no other purpose, he made a perfectly legitimate use of the plaintiff's book.

A like distinction was recognized by the Circuit Court of Appeals for the Second Circuit in *Edward Thompson Co. v. American Law Book Co.*, 122 Fed. 922 and in *West Pub. Co. v. Edward Thompson Co.*, 176 Fed. 833, 838.

In the case before us, in the present state of the pleadings and proofs, we need go no further than to hold, as we do, that the admitted pursuit by complainant of the practice of taking news items published by defendant's subscribers as tips to be investigated, and, if verified, the result of the investigation to be sold – the practice having been followed by defendant also, and by news agencies generally – is not shown to be such as to constitute an unconscientious or inequitable attitude towards its adversary so as to fix upon complainant the taint of unclean hands, and debar it on this ground from the relief to which it is otherwise entitled.

There is some criticism of the injunction that was directed by the District Court upon the going down of the mandate from the Circuit Court of Appeals. In brief, it restrains any taking or gainfully using of the complainant's news, either bodily or in substance from bulletins issued by the

complainant or any of its members, or from editions of their newspapers, *'until its commercial value as news to the complainant and all of its members has passed away.'* The part complained of is the clause we have italicized; but if this be indefinite, it is no more so than the criticism. Perhaps it would be better that the terms of the injunction be made specific, and so framed as to confine the restraint to an extent consistent with the reasonable protection of complainant's newspapers, each in its own area and for a specified time after its publication, against the competitive use of pirated news by defendant's customers. But the case presents practical difficulties; and we have not the materials, either in the way of a definite suggestion of amendment, or in the way of proofs, upon which to frame a specific injunction; hence, while not expressing approval of the form adopted by the District Court, we decline to modify it at this preliminary stage of the case, and will leave that court to deal with the matter upon appropriate application made to it for the purpose.

The decree of the Circuit court of Appeals will be

Affirmed.

Mr. Justice CLARKE took no part in the consideration or decision of this case.

MR. JUSTICE HOLMES, dissenting.

When an uncopyrighted combination of words is published there is no general right to forbid other people repeating them – in other words there is no property in the combination or in the thoughts or facts that the words express. Property, a creation of law, does not arise from value, although exchangeable – a matter of fact. Many exchangeable values may be destroyed intentionally without compensation. Property depends upon exclusion by law from interference, and a person is not excluded from using any combination of words merely because some one has used it before, even if it took labor and genius to make it. If

a given person is to be prohibited from making the use of words that his neighbors are free to make some other ground must be found. One such ground is vaguely expressed in the phrase unfair trade. This means that the words are repeated by a competitor in business in such a way as to convey a misrepresentation that materially injures the person who first used them, by appropriating credit of some kind which the first user has earned. The ordinary case is a representation by device, appearance, or other indirection that the defendant's goods come from the plaintiff. But the only reason why it is actionable to make such a representation is that it tends to give the defendant an advantage in his competition with the plaintiff and that it is thought undesirable that an advantage should be gained in that way. Apart from that the defendant may use such unpatented devices and uncopyrighted combinations of words as he likes. The ordinary case, I say, is palming off the defendant's product as the plaintiff's but the same evil may follow from the opposite falsehood – from saying whether in words or by implication that the plaintiff's product is the defendant's, and that, it seems to me, is what has happened here.

Fresh news is got only by enterprise and expense. To produce such news as it is produced by the defendant represents by implication that it has been acquired by the defendant's enterprise and at its expense. When it comes from one of the great news collecting agencies like the Associated Press, the source generally is indicated, plainly importing that credit; and that such a representation is implied may be inferred with some confidence from the unwillingness of the defendant to give the credit and tell the truth. If the plaintiff produces the news at the same time that the defendant does, the defendant's presentation impliedly denies to the plaintiff the credit of collecting the facts and assumes that credit to the defendant. If the plaintiff is later in Western cities it naturally will be

supposed to have obtained its information from the defendant. The falsehood is a little more subtle, the injury, a little more indirect, than in ordinary cases of unfair trade, but I think that the principle that condemns the one condemns the other. It is a question of how strong an infusion of fraud is necessary to turn a flavor into a poison. The does seems to me strong enough here to need a remedy from the law. But as, in my view, the only ground of complaint that can be recognized without legislation is the implied misstatement, it can be corrected by stating the truth; and a suitable acknowledgment of the source is all that the plaintiff can require. I think that within the limits recognized by the decision of the Court the defendant should be enjoined from publishing news obtained from the Associated Press for hours after publication by the plaintiff unless it gives express credit to the Associated Press; the number of hours and the form of acknowledgment to be settled by the District Court.

Mr. Justice McKENNA concurs in this opinion.

MR. JUSTICE BRANDEIS, dissenting.

There are published in the United States about 2,500 daily papers. More than 800 of them are supplied with domestic and foreign news of general interest by the Associated Press – a corporation without capital stock which does not sell news or earn or seek to earn profits, but serves merely as an instrumentality by means of which these papers supply themselves at joint expense with such news. Papers not members of the Associated Press depend for their news of general interest largely upon agencies organized for profit. Among these agencies is the International News Service which supplies news to about 400 subscribing papers. It has, like the Associated Press, bureaus and correspondents in this and foreign countries; and its annual expenditures in gathering and distributing news is about \$2,000,000. Ever since its organization in 1909, it has included among the sources from which it gathers news,

copies (purchased in the open market of early editions of some papers published by members of the Associated Press and the bulletins publicly posted by them. These items, which constitute but a small part of the news transmitted to its subscribers, are generally verified by the International News Service before transmission; but frequently items are transmitted without verification; and occasionally even without being re-written. In no case is the fact disclosed that such item was suggested by or taken from a paper or bulletin published by an Associated Press member.

No question of statutory copyright is involved. The sole question for our consideration is this: Was the International News Service properly enjoined from using, or causing to be used gainfully, news of which it acquired knowledge by lawful means (namely, by reading publicly posted bulletins or papers purchased by it in the open market) merely because the news had been originally gathered by the Associated Press and continued to be of value to some of its members, or because it did not reveal the source from which it was acquired?

The 'ticker' cases, the cases concerning literary and artistic compositions, and cases of unfair competition were relied upon in support of the injunction. But it is admitted that none of those cases affords a complete analogy with that before us. The question presented for decision is new, and it is important.

News is a report of recent occurrences. The business of the news agency is to gather systematically knowledge of such occurrences of interest and to distribute reports thereof. The Associated Press contended that knowledge so acquired is property, because it costs money and labor to produce and because it has value for which those who have it not are ready to pay; that it remains property and is entitled to protection as long as it has commercial value as news; and that to protect it effectively, the defendant must be enjoined from making, or causing to be made, any

gainful use of it while it retains such value. An essential element of individual property is the legal right to exclude others from enjoying it. If the property is private, the right of exclusion may be absolute; if the property is affected with a public interest, the right of exclusion is qualified. But the fact that a product of the mind has cost its producer money and labor, and has a value for which others are willing to pay, is not sufficient to ensure to it this legal attribute of property. The general rule of law is, that the noblest of human productions – knowledge, truths ascertained, conceptions, and ideas – became, after voluntary communication to others, free as the air to common use. Upon these incorporeal productions the attribute of property is continued after such communication only in certain classes of cases where public policy has seemed to demand it. These exceptions are confined to productions which, in some degree, involve creation, invention, or discovery. But by no means all such are endowed with this attribute of property. The creations which are recognized as property by the common law are literary, dramatic, musical, and other artistic creations; and these have also protection under the copyright statutes. The inventions and discoveries upon which this attribute of property is conferred only by statute, are the few comprised within the patent law. There are also many other cases in which courts interfere to prevent curtailment of plaintiff's enjoyment of incorporeal productions; and in which the right to relief is often called a property right, but is such only in a special sense. In those cases, the plaintiff has no absolute right to the protection of his production; he has merely the qualified right to be protected as against the defendant's acts, because of the special relation in which the latter stands or the wrongful method or means employed in acquiring the knowledge or the manner in which it is used. Protection of this character is afforded where the suit is based upon breach of contract or of trust or upon unfair competition.

The knowledge for which protection is sought in the case at bar is not of a kind upon which the law has heretofore conferred the attributes of property; nor is the manner of its acquisition or use nor the purpose to which it is applied, such as has heretofore been recognized as entitling a plaintiff to relief.

First. Plaintiff's principal reliance was upon the 'ticker' cases; but they do not support its contention. The leading cases on this subject rest the grant of relief, not upon the existence of a general property right in news, but upon the breach of a contract or trust concerning the use of news communicated; and that element is lacking here... .

... .

If the news involved in the case at bar had been posted in violation of any agreement between the Associated Press and its members, questions similar to those in the 'ticker' cases might have arisen. But the plaintiff does not contend that the posting was wrongful or that any papers were wrongfully issued by its subscribers. On the contrary it is conceded that both the bulletins and the papers were issued in accordance with the regulations of the plaintiff. Under such circumstances, for a reader of the papers purchased in the open market, or a reader of the bulletins publicly posted, to procure and use gainfully, information therein contained, does not involve inducing any one to commit a breach either of contract or of trust, or committing or in any way abetting a breach of confidence.

Second. Plaintiff also relied upon the cases which hold that the common law right of the producer to prohibit copying is not lost by the private circulation of a literary composition, the delivery of a lecture, the exhibition of a painting, or the performance of a dramatic or musical composition. These cases rest upon the ground that the common law recognizes such productions as property which, despite restricted communication, continues until

there is a dedication to the public under the copyright statutes or otherwise. But they are inapplicable for two reasons: (1) At common law, as under the copyright acts, intellectual productions are entitled to such protection only if there is underneath something evincing the mind of a creator or originator, however modest the requirement. The mere record of isolated happenings, whether in words or by photographs not involving artistic skill, are denied such protection. (2) At common law, as under the copyright acts, the element in intellectual productions which secures such protection, is not the knowledge, truths, ideas, or emotions which the composition expresses, but the form or sequence in which they are expressed; that is, 'some new collocation of visible or audible points – of lines, colors, sounds, or words.' See *White-Smith Music Co. v. Apollo Co.*, 209 U. S. 1, 19; *Kalem Co. v. Harper Bros.*, 222 U. S. 55, 63. An author's theories, suggestions, and speculations, or the systems, plans, methods, and arrangements of an originator, derive no such protection from the statutory copyright of the book in which they are set forth; and they are likewise denied such protection at common law.

That news is not property in the strict sense is illustrated by the case of *Sports and General Press Agency, Ltd., v. 'Our Dogs' Publishing Co., Ltd.*, [1916] 2 K. B. 880, where the plaintiff, the assignee of the right to photograph the exhibits at a dog show, was refused an injunction against defendant who had also taken pictures of the show and was publishing them. The court said that, except in so far as the possession of the land occupied by the show enabled the proprietors to exclude people or permit them on condition that they agree not to take photographs (which condition was not imposed in that case), the proprietors had no exclusive right to photograph the show and could therefore grant no such right. And it was further stated that, at any rate, no matter what conditions might be imposed upon



those entering the grounds, if the defendant had been on top of a house or in some position where he could photograph the show without interfering with the physical property of the plaintiff, the plaintiff would have no right to stop him. If, when the plaintiff creates the event recorded, he is not entitled to the exclusive first publication of the news (in that case a photograph) of the event, no reason can be shown why he should be accorded such protection as to events which he simply records and transmits to other parts of the world, though with great expenditure of time and money.

Third. If news be treated as possessing the characteristics not of a trade secret, but of literary property, then the earliest issue of a paper of general circulation or the earliest public posting of a bulletin which embodies such news would, under the established rules governing literary property, operate as a publication, and all property in the news would then cease. Resisting this conclusion, plaintiff relied upon the cases which hold that uncopyrighted intellectual and artistic property survives private circulation or a restricted publication; and it contended that in each issue of each paper, a restriction is to be implied, that the news shall not be used gainfully in competition with the Associated Press or any of its members. There is no basis for such an implication. But it is, also, well settled that where the publication is in fact a general one – even express words of restriction upon use are inoperative. In other words, a general publication is effective to dedicate literary property to the public, regardless of the actual intent of its owner. In the cases dealing with lectures, dramatic and musical performances, and art exhibitions, upon which plaintiff relied, there was no general publication in print comparable to the issue of daily newspapers or the unrestricted public posting of bulletins. The principles governing those cases differ more or less in application, if not in theory, from the principles governing

the issue of printed copies; and in so far as they do differ, they have no application to the case at bar.

Fourth. Plaintiff further contended that defendant's practice constitutes unfair competition, because there is 'appropriation without cost to itself of values created by' the plaintiff; and it is upon this ground that the decision of this court appears to be based. To appropriate and use for profit, knowledge and ideas produced by other men, without making compensation or even acknowledgment, may be inconsistent with a finer sense of propriety; but, with the exceptions indicated above, the law has heretofore sanctioned the practice. Thus it was held that one may ordinarily make and sell anything in any form, may copy with exactness that which another has produced, or may otherwise use his ideas without his consent and without the payment of compensation, and yet not inflict a legal injury; and that ordinarily one is at perfect liberty to find out, if he can by lawful means, trade secrets of another, however valuable, and then use the knowledge so acquired gainfully, although it cost the original owner much in effort and in money to collect or produce.

Such taking and gainful use of a product of another which, for reasons of public policy, the law has refused to endow with the attributes of property, does not become unlawful because the product happens to have been taken from a rival and is used in competition with him. The unfairness in competition which hitherto has been recognized by the law as a basis for relief, lay in the manner or means of conducting the business; and the manner or means held legally unfair, involves either fraud or force or the doing of acts otherwise prohibited by law. In the 'passing off' cases (the typical and most common case of unfair competition), the wrong consists in fraudulently representing by word or act that defendant's goods are those of plaintiff. See *Hanover Milling Co. v. Metcalf*, 240 U. S. 403, 412, 413. In the other cases, the diversion of trade was effected through

physical or moral coercion, or by inducing breaches of contract or of trust or by enticing away employes. In some others, called cases of simulated competition, relief was granted because defendant's purpose was unlawful; namely, not competition but deliberate and wanton destruction of plaintiff's business.

That competition is not unfair in a legal sense, merely because the profits gained are unearned, even if made at the expense of a rival, is shown by many cases besides those referred to above. He who follows the pioneer into a new market, or who engages in the manufacture of an article newly introduced by another, seeks profits due largely to the labor and expense of the first adventurer; but the law sanctions, indeed encourages, the pursuit. He who makes a city known through his product, must submit to sharing the resultant trade with others who, perhaps for that reason, locate there later. *Canal Co. v. Clark*, 13 Wall. 311; *Elgin National Watch Co. v. Illinois Watch Co.*, 179 U. S. 665, 673. He who has made his name a guaranty of quality, protests in vain when another with the same name engages, perhaps for that reason, in the same lines of business; provided, precaution is taken to prevent the public from being deceived into the belief that what he is selling, was made by his competitor. One bearing a name made famous by another is permitted to enjoy the unearned benefit which necessarily flows from such use, even though the use proves harmful to him who gave the name value. *Brown Chemical Co. v. Meyer*, 139 U. S. 540, 544 [other citations omitted].

The means by which the International News Service obtains news gathered by the Associated Press is also clearly unobjectionable. It is taken from papers bought in the open market or from bulletins publicly posted. No breach of contract such as the court considered to exist in *Hitchman Coal & Coke Co. v. Mitchell*, 245 U. S. 229, 254, or of trust such as was present in *Morison v. Moat*, 9 Hare,

241, and neither fraud nor force is involved. The manner of use is likewise unobjectionable. No reference is made by word or by act to the Associated Press, either in transmitting the news to subscribers or by them in publishing it in their papers. Neither the International News Service nor its subscribers is gaining or seeking to gain in its business a benefit from the reputation of the Associated Press. They are merely using its product without making compensation. See *Bamforth v. Douglass Post Card & Machine Co.* (C. C.) 158 Fed. 355; *Tribune Co. of Chicago v. Associated Press* (C. C.) 116 Fed. 126. That they have a legal right to do, because the product is not property, and they do not stand in any relation to the Associated Press, either of contract or of trust, which otherwise precludes such use. The argument is not advanced by characterizing such taking and use a misappropriation.

It is also suggested that the fact that defendant does not refer to the Associated Press as the source of the news may furnish a basis for the relief. But the defendant and its subscribers, unlike members of the Associated Press, were under no contractual obligation to disclose the source of the news; and there is no rule of law requiring acknowledgment to be made where uncopyrighted matter is reproduced. The International News Service is said to mislead its subscribers into believing that the news transmitted was originally gathered by it and that they in turn mislead their readers. There is, in fact, no representation by either of any kind. Sources of information are sometimes given because required by contract; sometimes because naming the source gives authority to an otherwise incredible statement; and sometimes the source is named because the agency does not wish to take the responsibility itself of giving currency to the news. But no representation can properly be implied from omission to mention the source of information

except that the International News Service is transmitting news which it believes to be credible.

Nor is the use made by the International News Service of the information taken from papers or bulletins of Associated Press members legally objectionable by reason of the purpose for which it was employed. The acts here complained of were not done for the purpose of injuring the business of the Associated Press. Their purpose was not even to divert its trade, or to put it at a disadvantage by lessening defendant's necessary expenses. The purpose was merely to supply subscribers of the International News Service promptly with all available news. The suit is, as this court declares, in substance one brought for the benefit of the members of the Associated Press, who would be proper, and except for their number perhaps necessary, parties; and the plaintiff conducts the suit as representing their interests. It thus appears that the protection given by the injunction is not actually to the business of the complainant news agency; for this agency does not sell news nor seek to earn profits, but is a mere instrumentality by which 800 or more newspapers collect and distribute news. It is these papers severally which are protected; and the protection afforded is not from competition of the defendant, but from possible competition of one or more of the 400 other papers which receive the defendant's service. Furthermore, the protection to these Associated Press members consists merely in denying to other papers the right to use as news, information which by authority of all concerned, had theretofore been given to the public by some of those who joined in gathering it; and to which the law denies the attributes of property. There is in defendant's purpose nothing on which to base a claim for relief.

It is further said that, while that for which the Associated Press spends its money is too fugitive to be recognized as property in the common-law courts, the defendant cannot

be heard to say so in a court of equity, where the question is one of unfair competition. The case presents no elements of equitable title or of breach of trust. The only possible reason for resort to a court of equity in a case like this is that the remedy which the law gives is inadequate. If the plaintiff has no legal cause of action, the suit necessarily fails. *Levy v. Walker*, L. R. 10 Ch. D. 436, 449. There is nothing in the situation of the parties which can estop the defendant from saying so.

Fifth. The great development of agencies now furnishing country-wide distribution of news, the vastness of our territory, and improvements in the means of transmitting intelligence, have made it possible for a news agency or newspapers to obtain, without paying compensation, the fruit of another's efforts and to use news so obtained gainfully in competition with the original collector. The injustice of such action is obvious. But to give relief against it would involve more than the application of existing rules of law to new facts. It would require the making of a new rule in analogy to existing ones. The unwritten law possesses capacity for growth; and has often satisfied new demands for justice by invoking analogies or by expanding a rule or principle. This process has been in the main wisely applied and should not be discontinued. Where the problem is relatively simple, as it is apt to be when private interests only are involved, it generally proves adequate. But with the increasing complexity of society, the public interest tends to become omnipresent; and the problems presented by new demands for justice cease to be simple. Then the creation or recognition by courts of a new private right may work serious injury to the general public, unless the boundaries of the right are definitely established and wisely guarded. In order to reconcile the new private right with the public interest, it may be necessary to prescribe limitations and rules for its enjoyment; and also to provide administrative machinery for enforcing the rules. It is

largely for this reason that, in the effort to meet the many new demands for justice incident to a rapidly changing civilization, resort to legislation has latterly been had with increasing frequency.

The rule for which the plaintiff contends would effect an important extension of property rights and a corresponding curtailment of the free use of knowledge and of ideas; and the facts of this case admonish us of the danger involved in recognizing such a property right in news, without imposing upon news-gatherers corresponding obligations. A large majority of the newspapers and perhaps half the newspaper readers of the United States are dependent for their news of general interest upon agencies other than the Associated Press. The channel through which about 400 of these papers received, as the plaintiff alleges, 'a large amount of news relating to the European war of the greatest importance and of intense interest to the newspaper reading public' was suddenly closed. The closing to the International News Service of these channels for foreign news (if they were closed) was due not to unwillingness on its part to pay the cost of collecting the news, but to the prohibitions imposed by foreign governments upon its securing news from their respective countries and from using cable or telegraph lines running therefrom. For aught that appears, this prohibition may have been wholly undeserved; and at all events the 400 papers and their readers may be assumed to have been innocent. For aught that appears, the International News Service may have sought then to secure temporarily by arrangement with the Associated Press the latter's foreign news service. For aught that appears, all of the 400 subscribers of the International News Service would gladly have then become members of the Associated Press, if they could have secured election thereto. It is possible, also, that a large part of the readers of these papers were so situated that they could not secure prompt access to papers served

by the Associated Press. The prohibition of the foreign governments might as well have been extended to the channels through which news was supplied to the more than a thousand other daily papers in the United States not served by the Associated Press; and a large part of their readers may also be so located that they cannot procure prompt access to papers served by the Associated Press.

A Legislature, urged to enact a law by which one news agency or newspaper may prevent appropriation of the fruits of its labors by another, would consider such facts and possibilities and others which appropriate inquiry might disclose. Legislators might conclude that it was impossible to put an end to the obvious injustice involved in such appropriation of news, without opening the door to other evils, greater than that sought to be remedied. Such appears to have been the opinion of our Senate which reported unfavorably a bill to give news a few hours' protection; and which ratified, on February 15, 1911, the convention adopted at the Fourth International American Conference; and such was evidently the view also of the signatories to the International Copyright Union of November 13, 1908, as both these conventions expressly exclude news from copyright protection.

Or legislators dealing with the subject might conclude, that the right to news values should be protected to the extent of permitting recovery of damages for any unauthorized use, but that protection by injunction should be denied, just as courts of equity ordinarily refuse (perhaps in the interest of free speech) to restrain actionable libels, and for other reasons decline to protect by injunction mere political rights; and as Congress has prohibited courts from enjoining the illegal assessment or collection of federal taxes. If a Legislature concluded to recognize property in published news to the extent of permitting recovery at law, it might, with a view to making the remedy more certain



and adequate, provide a fixed measure of damages, as in the case of copyright infringement.

Or again, a Legislature might conclude that it was unwise to recognize even so limited a property right in published news as that above indicated; but that a news agency should, on some conditions, be given full protection of its business; and to that end a remedy by injunction as well as one for damages should be granted, where news collected by it is gainfully used without permission. If a Legislature concluded (as at least one court has held, *New York and Chicago Grain and Stock Exchange v. Board of Trade*, 127 Ill. 153) that under certain circumstances news-gathering is a business affected with a public interest; it might declare that, in such cases, news should be protected against appropriation, only if the gatherer assumed the obligation of supplying it at reasonable rates and without discrimination, to all papers which applied therefor. If legislators reached that conclusion, they would probably go further, and prescribe the conditions under which and the extent to which the protection should be afforded; and they might also provide the administrative machinery necessary for insuring to the public, the press, and the news agencies, full enjoyment of the rights so conferred.

Courts are ill-equipped to make the investigations which should precede a determination of the limitations which should be set upon any property right in news or of the circumstances under which news gathered by a private agency should be deemed affected with a public interest. Courts would be powerless to prescribe the detailed regulations essential to full enjoyment of the rights conferred or to introduce the machinery required for enforcement of such regulations. Considerations such as these should lead us to decline to establish a new rule of law in the effort to redress a newly disclosed wrong, although the propriety of some remedy appears to be clear.

## **Outline of *INS v. AP***

Three opinions: Pitney (majority); Holmes; Brandeis

In a nutshell:

Pitney: AP has relative title to news it gathers such that it can prevent competitors from free riding for some period after it is first reported. This is in order to keep alive the incentive to gather news.

Holmes: The harm here is only that INS is publishing news under its name that in fact was gathered by the AP - potentially misleading consumers about the source of the news. INS should be required to credit AP but no more.

Brandeis: Just because there is value in news does not mean that the initial gatherer should receive the legal right to exclude others from using and reporting that news. There is value in free riding, at least where, as here, the public isn't confused about the source of news. The law does not protect creators of value in every case, only in certain areas (patent and copyright, for example). And in any event, establishing exclusion rights in news is a change that will affect the interests of the general public and getting the balance right will require careful review of the industry and, perhaps, administrative machinery that courts are not in the best position to provide. This issue should be left to the legislature.

### **Majority opinion**

#### I. Background and posture of the case

- Background on industry and organization of INS and AP.
- Allegations: Injury exists in taking the advantage of freshness
- Procedural history - we're here on an interlocutory appeal from the grant of a preliminary injunction.

- Only issue is whether INS can use news published by AP, on bulletin boards or in papers, as the sole basis for its own stories.
- This is a case raising only state law issues of unfair competition (the parties are diverse, coming from different states, thus giving fed courts jurisdiction) - not copyright. Copyright would only protect the expression, the literary quality or wording of news stories, not the facts that form the basis of the stories. And the facts are all that was taken here.

## II. Positive Legal Analysis

- News is valuable because it is, well, new. Those in the news business compete to report facts first, or at least timely.
- As business competitors they are under a legal duty, when conflict between them is likely, to “conduct their business as not unnecessarily or unfairly to injure the of the other.” If there is a right to exclude here, it is only relative (RELATIVE TITLE). Each may have a right to exclude the other, but not the general public, who may do with the news what they wish.
- So is there such a right?
- Canvass precedent - two cases suggesting that finding relative title to news would fit with existing law.
- Justification - news is valuable to those who gather it and to those who would appropriate it. HERE, The time difference between the East and West coast allows a competitor to appropriate that value, publishing nearly simultaneously with the gatherer on the West Coast.
- Since news is expensive to gather, an interloper should not be allowed to reap what he has not sown. (Argument that property rights, at least as between competitors, should be awarded to protect labor. Contra *Pierson v. Post*.) That’s happened here, so liability.

### III. Rebuttals to arguments against

- News is not “abandoned” when published. There’s no intent to abandon, as is evidenced by the organizational structure of the AP. They couldn’t stay in business if they couldn’t profit from publication of the news. Their bylaws attempt to prevent transmission to competitors before publication.
- The holding does not create a monopoly of gathering and distributing news, but only partially keeps out competitors who would “reproduce” AP’s news and only for long enough to give AP enough value to keep alive its incentive to gather news.
- The harm here is not (only) in the fraud upon consumers, the reverse palming off of AP’s news as coming from INS. And so INS’s giving credit would not fix the problem.
- AP uses other organizations’ news stories as leads or tips that are independently verified before publication. But this does not mean that AP is guilty of that of which they accuse INS (which guilt might establish the equitable defense of unclean hands).

#### **Holmes**

In general, the law does not prevent one from repeating what others have said. The news is not copyrighted and so is free to be used by others, including competitors. But here, using AP’s news and publishing it at the same time AP papers publish it, in the west, amounts to a kind of fraud. INS should be required to name the source.

#### **Brandeis**

- Facts
- Framing the question: Can AP enjoin a competitor from using AP-published news that the competitor lawfully acquires? No cases answer this question.

- The background rule is that “a product of the mind,” even if it requires laborious effort to produce, is free to be ripped off by others. There are exceptions to this only where public policy requires it - as in patent, copyright, and certain cases where the relationship between the parties demands it.
- This is not such a case (rebutts arguments one by one):
  1. Distinguish precedent - not like cases where the appropriation involved a breach of contract or trust. No such relationship here.
  2. Distinguish adverse precedent based on a kind of common law copyright by using a Feist rationale - to have such a cause of action, the expression must evince at least some originality, not a bare recitation of facts.
  3. There was a general publication here, and so once published, the news is not protectable literary property (don't worry about this).
  4. Rebutts the bare argument that it's unfair competition to free-ride. But unfair competition doesn't protect against free-riding, only against fraud or force or other legal violations used to gain a competitive edge. No such unfair means were used here (papers were bought in the open market). And the law generally sanctions and even encourages free riders, those who follow pioneers. Also, Brandeis disagrees that a failure to attribute is misleading. Doesn't think people assume the publisher is the source of all the news it publishes.
  5. (LEGAL PROCESS) Technological change and the “vastness of our territory” do threaten to erode the incentive to engage in the worthwhile endeavor of news gathering and dissemination. But we'd need to develop new law to deal with this, and doing so

would affect the public at large, perhaps adversely. Courts won't do a good job, and so should leave this for the legislature (which can take broader evidence about the problem and produce more finely tuned rules enforceable by administrative machinery).

**Cheney Bros. V. Doris Silk Corporation, 35 F.2d 279  
(SDNY, 1929)**

Harry D. Nims, of New York City (Minturn DeS. Verdi and Wallace H. Martin, both of New York City, on the brief), for appellant.

Epstein & Bros., of New York City (Arthur J. Brothers, of New York City, of counsel), for appellee.

Before MANTON, L. HAND, and SWAN, Circuit Judges.

L. HAND, CIRCUIT JUDGE

The plaintiff, a corporation, is a manufacturer of silks, which puts out each season many new patterns, designed to attract purchasers by their novelty and beauty. Most of these fail in that purpose, so that no much more than a fifth catch the public fancy. Moreover, they have only a short life, for the most part no more than a single season of eight or nine months. It is in practice impossible, and it would be very onerous if it were not, to secure design patents upon all of these; it would also be impossible to know in advance which would sell well, and patent only those. Besides, it is probable that for the most part they have no such originality as would support a design patent. Again, it is impossible to copyright them under the Copyright Act (17 USCA s 1 et seq.), or at least so the authorities of the Copyright Office hold. So it is easy for any one to copy such as prove successful, and the plaintiff, which is put to much ingenuity and expense in fabricating them, finds itself without protection of any sort for its pains.

Taking advantage of this situation, the defendant copied one of the popular designs in the season beginning in October, 1928, and undercut the plaintiff's price. This is the injury of which it complains. The defendant, though it duplicated the design in question, denies that it knew it to be the plaintiff's, and there thus arises an issue which might be an answer to the motion. However, the parties wish a decision upon the equity of the bill, and, since it is within our power to dismiss it, we shall accept its allegation, and charge the defendant with knowledge.

The plaintiff asks for protection only during the season, and needs no more, for the designs are all ephemeral. It seeks in this way to disguise the extent of the proposed innovation, and to persuade us that, if we interfere only a little, the solecism, if there be one, may be pardonable. But the reasoning which would justify any interposition at all demands that it cover the whole extent of the injury. A man whose designs come to harvest in two years, or in five, has prima facie as good right to protection as one who deals only in annuals. Nor could we consistently stop at designs; processes, machines, and secrets have an equal claim. The upshot must be that, whenever any one has contrived any of these, others may be forbidden to copy it. That is not the law. In the absence of some recognized right at common law, or under the statutes- and the plaintiff claims neither- a man's property is limited to the chattels which embody his invention. Others may imitate these at their pleasure. *Flagg Mfg. Co. v. Holway*, 178 Mass. 83, 59 N.E. 667; *Keystone Co. v. Portland Publishing Co.*, 186 F. 690 (C.C.A. 1); *Heide v. Wallace*, 135 F. 346 (C.C.A. 3); *Upjohn Co. v. Merrell Co.*, 269 F. 209 (C.C.A. 6); *Hudson Co. v. Apco Co.* (D.C.) 288 F. 871; *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299 (C.C.A. 2); *Hamilton Co. v. Tubbs Co.* (D.C.) 216 F. 401; *Montegut v. Hickson*, 178 App.Div. 94, 164 N.Y.S. 858.

This is confirmed by the doctrine of ‘non-functional’ features, under which it is held that to imitate these is to impute to the copy the same authorship as the original. *Enterprise Co. v. Landers*, 131 F. 240 (C.C.A. 2); *Yale & Towne Co. v. Adler*, 154 F. 37 (C.C.A. 2); *Rushmore v. Manhattan Co.*, 163 F. 939, 19 L.R.A.(N.S.) 269 (C.C.A. 2); *Rushmore v. Badger Co.*, 198 F. 379 (C.C.A. 2); *Fox v. Glynn*, 191 Mass. 344, 78 N.E. 89, 9 L.R.A.(N.S.) 1096, 114 Am.St.Rep. 619. These decisions imply that, except as to these elements, any one may copy the original at will. Unless, therefore, there has been some controlling authority to the contrary, the bill at bar stands upon no legal right and must fail.

Of the cases on which the plaintiff relies, the chief is *International News Service v. Associated Press*, 248 U.S. 215, 39 S.Ct. 68, 63 L.Ed. 211, 2 A.L.R. 293. Although that concerned another subject-matter- printed news dispatches- we agree that, if it meant to lay down a general doctrine, it would cover this case; at least, the language of the majority opinion goes so far. We do not believe that it did. While it is of course true that law ordinarily speaks in general terms, there are cases where the occasion is at once the justification for, and the limit of, what is decided. This appears to us such an instance; we think that no more was covered than situations substantially similar to those then at bar. The difficulties of understanding it otherwise are insuperable. We are to suppose that the court meant to create a sort of common-law patent or copyright for reasons of justice. Either would flagrantly conflict with the scheme which Congress has for more than a century devised to cover the subject-matter.

Qua patent, we should at least have to decide, as *tabula rasa*, whether the design or machine was new and required invention; further, we must ignore the Patent Office whose action has always been a condition upon the creation of this kind of property. Qua copyright, although it would be simpler to decide upon the merits, we should equally be



obliged to dispense with the conditions imposed upon the creation of the right. Nor, if we went so far, should we know whether the property so recognized should be limited to the periods prescribed in the statutes, or should extend as long as the author's grievance. It appears to us incredible that the Supreme Court should have had in mind any such consequences. To exclude others from the enjoyment of a chattel is one thing; to prevent any imitation of it, to set up a monopoly in the plan of its structure, gives the author a power over his fellows vastly greater, a power which the Constitution allows only Congress to create.

The other cases are easily distinguishable. *Board of Trade v. Christie*, 198 U.S. 236, 25 S.Ct. 637, 49 L.Ed. 1031, went upon the fact that the defendants had procured their information through a breach of contract between the plaintiff and its subscribers, or some surreptitious and dishonest conduct. *Hunt v. N.Y. Cotton Exchange*, 205 U.S. 322, 27 S.Ct. 529, 51 L.Ed. 821, was another instance of the same kind. There is, indeed, language in *National Tel. News Co. v. West Un. Tel. Co.*, 119 F. 294, 60 L.R.A. 805 (C.C.A. 7), which goes further, but we take it that the authoritative statement of the doctrine must be found in *Board of Trade v. Christie* 221 F. 305 (C.C.A. 2). Though the limitations there imposed have indeed been extended in *International News Service v. Associated Press*, they still comprise no more than cases involving news and perhaps market quotations. *Prest-O-Lite v. Bogen* (C.C.) 209 F. 915, and *Prest-O-Lite v. Davis* (D.C.) 209 F. 917, were cases of passing off. In *Kiernan v. Manhattan Co.*, 50 How.Prac.(N.Y.) 194, *Dodge v. Construction Co.*, 183 Mass. 63, 66 N.E. 204, 60 L.R.A. 810, 97 Am.St.Rep. 412; *Exchange Co. v. Gregory*, L.R. (1896) 1 Q.B. 147 (C.A.) and *Exchange Co. v. Central News*, L.R. (1897) 2 Ch. 48, again, either there was a breach of contract between the plaintiff and its subscriber, or the defendant had dishonestly procured the information. They are like *Board of Trade v. Christie*.

True, it would seem as though the plaintiff had suffered a grievance for which there should be a remedy, perhaps by an amendment of the Copyright Law, assuming that this does not already cover the case, which is not urged here. It seems a lame answer in such a case to turn the injured party out of court, but there are larger issues at stake than his redress. Judges have only a limited power to amend the law; when the subject has been confided to a Legislature, they must stand aside, even though there be an hiatus in completed justice. An omission in such cases must be taken to have been as deliberate as though it were express, certainly after long-standing action on the subject-matter. Indeed, we are not in any position to pass upon the questions involved, as Brandeis, J., observed in *International News Service v. Associated Press*. We must judge upon records prepared by litigations, which do not contain all that may be relevant to the issues, for they cannot disclose the conditions of this industry, or of the others which may be involved. Congress might see its way to create some sort of temporary right, or it might not. Its decision would certainly be preceded by some examination of the result upon the other interests affected. Whether these would prove paramount we have no means of saying; it is not for us to decide. Our vision is inevitably contracted, and the whole horizon may contain much which will compose a very different picture.

The order is affirmed, and, as the bill cannot in any event succeed, it may be dismissed, if the defendant so desires.

**National Basketball Association v. Motorola, Inc., 105  
F.3d 841**

Before: VAN GRAAFEILAND, WINTER, and  
ALTIMARI, Circuit Judges.

WINTER, Circuit Judge:

... .

## I. BACKGROUND

The facts are largely undisputed. Motorola manufactures and markets the SportsTrax paging device while STATS supplies the game information that is transmitted to the pagers. The product became available to the public in January 1996, at a retail price of about \$200. SportsTrax's pager has an inch-and-a-half by inch-and-a-half screen and operates in four basic modes: "current," "statistics," "final scores" and "demonstration." It is the "current" mode that gives rise to the present dispute. In that mode, SportsTrax displays the following information on NBA games in progress: (i) the teams playing; (ii) score changes; (iii) the team in possession of the ball; (iv) whether the team is in the free-throw bonus; (v) the quarter of the game; and (vi) time remaining in the quarter. The information is updated every two to three minutes, with more frequent updates near the end of the first half and the end of the game. There is a lag of approximately two or three minutes between events in the game itself and when the information appears on the pager screen.

SportsTrax's operation relies on a "data feed" supplied by STATS reporters who watch the games on television or listen to them on the radio. The reporters key into a personal computer changes in the score and other information such as successful and missed shots, fouls, and clock updates. The information is relayed by modem to STATS's host computer, which compiles, analyzes, and formats the data for retransmission. The information is then sent to a common carrier, which then sends it via satellite to various local FM radio networks that in turn emit the signal received by the individual SportsTrax pagers.

Although the NBA's complaint concerned only the SportsTrax device, the NBA offered evidence at trial concerning STATS's America On-Line ("AOL") site. Starting in January, 1996, users who accessed STATS's

AOL site, typically via a modem attached to a home computer, were provided with slightly more comprehensive and detailed real-time game information than is displayed on a SportsTrax pager. On the AOL site, game scores are updated every 15 seconds to a minute, and the player and team statistics are updated each minute. The district court's original decision and judgment, *National Basketball Ass'n v. Sports Team Analysis and Tracking Sys. Inc.*, 931 F. Supp. 1124 (S.D.N.Y. 1996), did not address the AOL site, because "NBA's complaint and the evidence proffered at trial were devoted largely to SportsTrax." *National Basketball Ass'n v. Sports Team Analysis and Tracking Sys. Inc.*, 939 F.Supp. 1071, 1074 n. 1 (S.D.N.Y. 1996). Upon motion by the NBA, however, the district court amended its decision and judgment and enjoined use of the real-time game information on STATS's AOL site. *Id.* at 1075 n. 1. Because the record on appeal, the briefs of the parties, and oral argument primarily addressed the SportsTrax device, we similarly focus on that product. However, we regard the legal issues as identical with respect to both products, and our holding applies equally to SportsTrax and STATS's AOL site.

The NBA's complaint asserted six claims for relief: (i) state law unfair competition by misappropriation; (ii) false advertising under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (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, 47 U.S.C. § 605. Motorola counterclaimed, alleging that the NBA unlawfully interfered with Motorola's contractual relations with four individual NBA teams that had agreed to sponsor and advertise SportsTrax.

The district court dismissed all of the NBA's claims except the first-misappropriation under New York law. The court also dismissed Motorola's counterclaim. Finding Motorola and STATS liable for misappropriation, Judge Preska entered the permanent injunction, reserved the calculation of damages for subsequent proceedings, and stayed execution of the injunction pending appeal. Motorola and STATS appeal from the injunction ... .

... .

*C. The State-Law Misappropriation Claim*

... .

In our view, the elements central to an *INS* claim are: (i) the plaintiff generates or collects information at some cost or expense; (ii) the value of the information is highly time-sensitive; (iii) the defendant's use of the information constitutes free-riding on the plaintiff's costly efforts to generate or collect it; (iv) the defendant's use of the information is in direct competition with a product or service offered by the plaintiff; (v) 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.<sup>1</sup>

*INS* is not about ethics; it is about the protection of property rights in time-sensitive information so that the information will be made available to the public by profit seeking entrepreneurs. If services like AP were not assured of property rights in the news they pay to collect, they would cease to collect it. The ability of their competitors to appropriate their product at only nominal cost and thereby to disseminate a competing product at a lower price would destroy the incentive to collect news in the first place. The newspaper-reading public would suffer because no one would have an incentive to collect “hot news.”

We therefore find the extra elements—those in addition to the elements of copyright infringement—that allow a “hotnews” 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.

## 2 . The Legality of SportsTrax

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<sup>1</sup> Some authorities have labeled this element as requiring direct competition between the defendant and the plaintiff in a primary market. “In most of the small number of cases in which the misappropriation doctrine has been determinative, the defendant’s appropriation, like that in *INS*, resulted in direct competition in the plaintiffs’ primary market ... Appeals to the misappropriation doctrine are almost always rejected when the appropriation does not intrude upon the plaintiff’s primary market.”, Restatement (Third) of Unfair Competition, § 38 cmt. c, at 412-13; see also *National Football League v. Governor of State of Delaware*, 435 F. Supp. 1372 (D. Del. 1977). In that case, the NFL sued Delaware over the state’s lottery game which was based on NFL games. In dismissing the wrongful misappropriation claims, the court stated: “While courts have recognized that one has a right to one’s own harvest, this proposition has not been construed to preclude others from profiting from demands for collateral services generated by the success of one’s business venture.” *Id.* at 1378. The court also noted, “It is true that Delaware is thus making profits it would not make but for the existence of the NFL, but I find this difficult to distinguish from the multitude of charter bus companies who generate profit from servicing those of plaintiffs’ fans who want to go to the stadium or, indeed, the sidewalk popcorn salesman who services the crowd as it surges towards the gate.” *Id.*

We conclude that Motorola and STATS have not engaged in unlawful misappropriation under the “hot-news” test set out above. To be sure, some of the elements of a “hot-news” *INS* claim are met. The information transmitted to SportsTrax is not precisely contemporaneous, but it is nevertheless time-sensitive. Also, the NBA does provide, or will shortly do so, information like that available through SportsTrax. It now offers a service called “Gamestats” that provides official play-by-play game sheets and half-time and final box scores within each arena. It also provides such information to the media in each arena. In the future, the NBA plans to enhance Gamestats so that it will be networked between the various arenas and will support a pager product analogous to SportsTrax. SportsTrax will of course directly compete with an enhanced Gamestats.

However, there are critical elements missing in the NBA’s attempt to assert a “hot-news” *INS*-type claim. As framed by the NBA, their claim compresses and confuses three different informational products. The first product is generating the information by playing the games; the second product is transmitting live, full descriptions of those games; and the third product is collecting and retransmitting strictly factual information about the games. The first and second products are the NBA’s primary business: producing basketball games for live attendance and licensing copyrighted broadcasts of those games. The collection and retransmission of strictly factual material about the games is a different product: e.g., box-scores in newspapers, summaries of statistics on television sports news, and real-time facts to be transmitted to pagers. In our view, the NBA has failed to show any competitive effect whatsoever from SportsTrax on the first and second products and a lack of any free-riding by SportsTrax on the third.

With regard to the NBA’s primary products-producing basketball games with live attendance and licensing

copyrighted broadcasts of those games—there is no evidence that anyone regards SportsTrax or the AOL site as a substitute for attending NBA games or watching them on television. In fact, Motorola markets SportsTrax as being designed “for those times when you cannot be at the arena, watch the game on TV, or listen to the radio ...”

The NBA argues that the pager market is also relevant to a “hot-news” *INS*-type claim and that SportsTrax’s future competition with Gamestats satisfies any missing element. We agree that there is a separate market for the real-time transmission of factual information to pagers or similar devices, such as STATS’s AOL site. However, we disagree that SportsTrax is in any sense free-riding off Gamestats.

An indispensable element of an *INS* “hot-news” claim is free riding by a defendant on a plaintiff’s product, enabling the defendant to produce a directly competitive product for less money because it has lower costs. SportsTrax is not such a product. The use of pagers to transmit real-time information about NBA games requires: (i) the collecting of facts about the games; (ii) the transmission of these facts on a network; (iii) the assembling of them by the particular service; and (iv) the transmission of them to pagers or an on-line computer site. Appellants are in no way free-riding on Gamestats. Motorola and STATS expend their own resources to collect purely factual information generated in NBA games to transmit to SportsTrax pagers. They have their own network and assemble and transmit data themselves.

To be sure, if appellants in the future were to collect facts from an enhanced Gamestats pager to retransmit them to SportsTrax pagers, that would constitute free-riding and might well cause Gamestats to be unprofitable because it had to bear costs to collect facts that SportsTrax did not. If the appropriation of facts from one pager to another pager service were allowed, transmission of current information on NBA games to pagers or similar devices would be



substantially deterred because any potential transmitter would know that the first entrant would quickly encounter a lower cost competitor free-riding on the originator's transmissions.<sup>2</sup>

However, that is not the case in the instant matter. SportsTrax and Gamestats are each bearing their own costs of collecting factual information on NBA games, and, if one produces a product that is cheaper or otherwise superior to the other, that producer will prevail in the marketplace. This is obviously not the situation against which *INS* was intended to prevent: the potential lack of any such product or service because of the anticipation of free-riding.

For the foregoing reasons, the NBA has not shown any damage to any of its products based on free-riding by Motorola and STATS, and the NBA's misappropriation claim based on New York law is preempted.

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<sup>2</sup> It may well be that the NBA's product, when enhanced, will actually have a competitive edge because its Gamestats system will apparently be used for a number of in-stadium services as well as the pager market, resulting in a certain amount of cost sharing. Gamestats might also have a temporal advantage in collecting and transmitting official statistics. Whether this is so does not affect our disposition of this matter, although it does demonstrate the gulf between this case and *INS*, where the free-riding created the danger of no wire service being viable.

### 3.2. Trademarks and Domain Names

#### **Qualitex Co. v. Jacobson Products Co., 514 U.S. 159 (1995)**

JUSTICE BREYER delivered the opinion of the Court.

The question in this case is whether the Lanham Trademark Act of 1946 (Lanham Act), 15 U.S.C. §§ 1051-1127 (1988 ed. and Supp. V), permits the registration of a trademark that consists, purely and simply, of a color. We conclude that, sometimes, a color will meet ordinary legal trademark requirements. And, when it does so, no special legal rule prevents color alone from serving as a trademark.

The case before us grows out of petitioner Qualitex Company's use (since the 1950's) of a special shade of green-gold color on the pads that it makes and sells to dry cleaning firms for use on dry cleaning presses. In 1989 respondent Jacobson Products (a Qualitex rival) began to sell its own press pads to dry cleaning firms; and it colored those pads a similar green-gold. In 1991 Qualitex registered the special green-gold color on press pads with the Patent and Trademark Office as a trademark. Registration No. 1,633,711 (Feb. 5, 1991). Qualitex subsequently added a trademark infringement count, 15 U.S.C. § 1114(1), to an unfair competition claim, § 1125(a), in a lawsuit it had already filed challenging Jacobson's use of the green-gold color.

Qualitex won the lawsuit in the District Court. 21 U.S.P.Q.2d 1457, 1991 WL 318798 (CD Cal.1991). But, the Court of Appeals for the Ninth Circuit set aside the judgment in Qualitex's favor on the trademark infringement claim because, in that Circuit's view, the Lanham Act does not permit Qualitex, or anyone else, to register "color alone" as a trademark. 13 F.3d 1297, 1300, 1302 (1994).

The courts of appeals have differed as to whether or not the law recognizes the use of color alone as a trademark.

Compare *NutraSweet Co. v. Stadt Corp.*, 917 F.2d 1024, 1028 (CA7 1990) (absolute prohibition against protection of color alone), with *In re Owens-Corning Fiberglas Corp.*, 774 F.2d 1116, 1128 (CA Fed.1985) (allowing registration of color pink for fiberglass insulation), and *Master Distributors, Inc. v. Pako Corp.*, 986 F.2d 219, 224 (CA8 1993) (declining to establish *per se* prohibition against protecting color alone as a trademark). Therefore, this Court granted certiorari. 512 U.S. —, 115 S.Ct. 40, 129 L.Ed.2d 935 (1994). We now hold that there is no rule absolutely barring the use of color alone, and we reverse the judgment of the Ninth Circuit.

## II

The Lanham Act gives a seller or producer the exclusive right to “register” a trademark, 15 U.S.C. § 1052 (1988 ed. and Supp. V), and to prevent his or her competitors from using that trademark, § 1114(1). Both the language of the Act and the basic underlying principles of trademark law would seem to include color within the universe of things that can qualify as a trademark. The language of the Lanham Act describes that universe in the broadest of terms. It says that trademarks “include any word, name, symbol, or device, or any combination thereof.” § 1127. Since human beings might use as a “symbol” or “device” almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive. The courts and the Patent and Trademark Office have authorized for use as a mark a particular shape (of a Coca-Cola bottle), a particular sound (of NBC’s three chimes), and even a particular scent (of plumeria blossoms on sewing thread). See, *e.g.*, Registration No. 696,147 (Apr. 12, 1960); Registration Nos. 523,616 (Apr. 4, 1950) and 916,522 (July 13, 1971); *In re Clarke*, 17 U.S.P.Q.2d 1238, 1240 (TTAB 1990). If a shape, a sound, and a fragrance can act as symbols why, one might ask, can a color not do the same?

A color is also capable of satisfying the more important part of the statutory definition of a trademark, which requires that a person “use” or “intend to use” the mark

“to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.” 15 U.S.C. § 1127.

True, a product’s color is unlike “fanciful,” “arbitrary,” or “suggestive” words or designs, which almost *automatically* tell a customer that they refer to a brand. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-10 (CA2 1976) (Friendly, J.); see *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. —, —, 112 S.Ct. 2753, 2757, 120 L.Ed.2d 615 (1992). The imaginary word “Suntost,” or the words “Suntost Marmalade,” on a jar of orange jam immediately would signal a brand or a product “source”; the jam’s orange color does not do so. But, over time, customers may come to treat a particular color on a product or its packaging (say, a color that in context seems unusual, such as pink on a firm’s insulating material or red on the head of a large industrial bolt) as signifying a brand. And, if so, that color would have come to identify and distinguish the goods – *i.e.* “to “indicate” their “source” – much in the way that descriptive words on a product (say, “Trim” on nail clippers or “Car-Freshner” on deodorizer) can come to indicate a product’s origin. See, *e.g.*, *J. Wiss & Sons Co. v. W.E. Bassett Co.*, 59 C.C.P.A. 1269, 1271 (Pat.), 462 F.2d 567, 569 (1972); *Car-Freshner Corp. v. Turtle Wax, Inc.*, 268 F.Supp. 162, 164 (SDNY 1967). In this circumstance, trademark law says that the word (*e.g.*, “Trim”), although not inherently distinctive, has developed “secondary meaning.” See *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n. 11, 102 S.Ct. 2182, 2187, n. 11, 72 L.Ed.2d 606 (1982) (“secondary meaning” is acquired when

“in the minds of the public, the primary significance of a product feature ... is to identify the source of the product rather than the product itself”). Again, one might ask, if trademark law permits a descriptive word with secondary meaning to act as a mark, why would it not permit a color, under similar circumstances, to do the same?

We cannot find in the basic objectives of trademark law any obvious theoretical objection to the use of color alone as a trademark, where that color has attained “secondary meaning” and therefore identifies and distinguishes a particular brand (and thus indicates its “source”). In principle, trademark law, by preventing others from copying a source-identifying mark, “reduces the customer’s costs of shopping and making purchasing decisions,” 1 J. McCarthy, *McCarthy on Trademarks and Unfair Competition* § 2.012, p. 2-3 (3d ed. 1994) (hereinafter McCarthy), for it quickly and easily assures a potential customer that *this* item – the item with this mark – is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby “encourages the production of quality products,” *ibid.*, and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer’s inability quickly to evaluate the quality of an item offered for sale. See, e.g., 3 L. Altman, *Callmann on Unfair Competition, Trademarks and Monopolies* § 17.03 (4th ed. 1983); Landes & Posner, *The Economics of Trademark Law*, 78 T.M. Rep. 267, 271-272 (1988); *Park N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198, 105 S.Ct. 658, 663, 83 L.Ed.2d 582 (1985); S.Rep. No. 100-515, p. 4 (1988) U.S.Code Cong. & Admin.News, 1988, pp. 5577, 5580. It is the source-distinguishing ability of a mark – not its ontological status as color, shape, fragrance, word, or sign – that

permits it to serve these basic purposes. See Landes & Posner, *Trademark Law: An Economic Perspective*, 30 *J.Law & Econ.* 265, 290 (1987). And, for that reason, it is difficult to find, in basic trademark objectives, a reason to disqualify absolutely the use of a color as a mark.

Neither can we find a principled objection to the use of color as a mark in the important “functionality” doctrine of trademark law. The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm’s reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, 35 U.S.C. §§ 154, 173, after which competitors are free to use the innovation. If a product’s functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity). See *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 119-120, 59 S.Ct. 109, 113-114, 83 L.Ed. 73 (1938) (Brandeis, J.); *Inwood Laboratories, Inc., supra*, 456 U.S., at 863, 102 S.Ct., at 2193 (White, J., concurring in result) (“A functional characteristic is ‘an important ingredient in the commercial success of the product,’ and, after expiration of a patent, it is no more the property of the originator than the product itself”) (citation omitted). Functionality doctrine therefore would require, to take an imaginary example, that even if customers have come to identify the special illumination-enhancing shape of a new patented light bulb with a particular manufacturer, the manufacturer may not use that shape as a trademark, for doing so, after the patent had expired, would impede competition – not by protecting the reputation of the original bulb maker, but by frustrating competitors’ legitimate efforts to produce an

equivalent illumination-enhancing bulb. See, *e.g.*, *Kellogg Co., supra*, 305 U.S., at 119-120, 59 S.Ct., at 113-114 (trademark law cannot be used to extend monopoly over “pillow” shape of shredded wheat biscuit after the patent for that shape had expired). This Court consequently has explained that, “in general terms, a product feature is functional,” and cannot serve as a trademark, “if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,” that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage. *Inwood Laboratories, Inc.*, 456 U.S., at 850, n. 10, 102 S.Ct., at 2186, n. 10. Although sometimes color plays an important role (unrelated to source identification) in making a product more desirable, sometimes it does not. And, this latter fact – the fact that sometimes color is not essential to a product’s use or purpose and does not affect cost or quality – indicates that the doctrine of “functionality” does not create an absolute bar to the use of color alone as a mark. See *Owens-Corning*, 774 F.2d, at 1123 (pink color of insulation in wall “performs no nontrademark function”).

It would seem, then, that color alone, at least sometimes, can meet the basic legal requirements for use as a trademark. It can act as a symbol that distinguishes a firm’s goods and identifies their source, without serving any other significant function. See U.S. Dept. of Commerce, Patent and Trademark Office, Trademark Manual of Examining Procedure § 1202.04(e), p. 1202-13 (2d ed. May, 1993) (hereinafter PTO Manual) (approving trademark registration of color alone where it “has become distinctive of the applicant’s goods in commerce,” provided that “there is no competitive need for colors to remain available in the industry” and the color is not “functional”); see also 1 McCarthy §§ 3.011, 7.26 (“requirements for qualification of a word or symbol as a trademark” are that it be (1) a “symbol,” (2) “used ... as a mark,” (3) “to identify and

distinguish the seller's goods from goods made or sold by others," but that it not be "functional"). Indeed, the District Court, in this case, entered findings (accepted by the Ninth Circuit) that show Qualitex's green-gold press pad color has met these requirements. The green-gold color acts as a symbol. Having developed secondary meaning (for customers identified the green-gold color as Qualitex's), it identifies the press pads' source. And, the green-gold color serves no other function. (Although it is important to use *some* color on press pads to avoid noticeable stains, the court found "no competitive need in the press pad industry for the green-gold color, since other colors are equally usable." 21 U.S.P.Q.2d, at 1460, 1991 WL 318798.) Accordingly, unless there is some special reason that convincingly militates against the use of color alone as a trademark, trademark law would protect Qualitex's use of the green-gold color on its press pads.

### III

Respondent Jacobson Products says that there are four special reasons why the law should forbid the use of color alone as a trademark. We shall explain, in turn, why we, ultimately, find them unpersuasive.

*First*, Jacobson says that, if the law permits the use of color as a trademark, it will produce uncertainty and unresolvable court disputes about what shades of a color a competitor may lawfully use. Because lighting (morning sun, twilight mist) will affect perceptions of protected color, competitors and courts will suffer from "shade confusion" as they try to decide whether use of a similar color on a similar product does, or does not, confuse customers and thereby infringe a trademark. Jacobson adds that the "shade confusion" problem is "more difficult" and "far different from" the "determination of the similarity of words or symbols." Brief for Respondent 22.



We do not believe, however, that color, in this respect, is special. Courts traditionally decide quite difficult questions about whether two words or phrases or symbols are sufficiently similar, in context, to confuse buyers. They have had to compare, for example, such words as “Bonamine” and “Dramamine” (motion-sickness remedies); “Huggies” and “Dougies” (diapers); “Cheracol” and “Syrocol” (cough syrup); “Cyclone” and “Tornado” (wire fences); and “Mattres” and “1-800-Mattres” (mattress franchisor telephone numbers). See, e.g., *G.D. Searle & Co. v. Chas. Pfizer & Co.*, 265 F.2d 385, 389 (CA7 1959); *Kimberly-Clark Corp. v. H. Douglas Enterprises, Ltd.*, 774 F.2d 1144, 1146-1147 (CA Fed.1985); *Upjohn Co. v. Schwartz*, 246 F.2d 254, 262 (CA2 1957); *Hancock v. American Steel & Wire Co.*, 40 C.C.P.A. of New Jersey, 931, 935 (Pat.), 203 F.2d 737, 740-741 (1953); *Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675, 678 (CA2 1989). Legal standards exist to guide courts in making such comparisons. See, e.g., 2 McCarthy § 15.08; 1 McCarthy §§ 11.24-11.25 (“Strong” marks, with greater secondary meaning, receive broader protection than “weak” marks). We do not see why courts could not apply those standards to a color, replicating, if necessary, lighting conditions under which a colored product is normally sold. See Ebert, Trademark Protection in Color: Do It By the Numbers!, 84 T.M.Rep. 379, 405 (1994). Indeed, courts already have done so in cases where a trademark consists of a color plus a design, i.e., a colored symbol such as a gold stripe (around a sewer pipe), a yellow strand of wire rope, or a “brilliant yellow” band (on ampules). See, e.g., *Youngstown Sheet & Tube Co. v. Tallman Conduit Co.*, 149 U.S.P.Q. 656, 657 (TTAB 1966); *Amsted Industries, Inc. v. West Coast Wire Rope & Rigging Inc.*, 2 U.S.P.Q.2d 1755, 1760 (TTAB 1987); *In re Hodes-Lange Corp.*, 167 U.S.P.Q. 255, 256 (TTAB 1970).

*Second*, Jacobson argues, as have others, that colors are in limited supply. See, e.g., *NutraSweet Co.*, 917 F.2d, at 1028;

*Campbell Soup Co. v. Armour & Co.*, 175 F.2d 795, 798 (CA3 1949). Jacobson claims that, if one of many competitors can appropriate a particular color for use as a trademark, and each competitor then tries to do the same, the supply of colors will soon be depleted. Put in its strongest form, this argument would concede that "hundreds of color pigments are manufactured and thousands of colors can be obtained by mixing." L. Cheskin, *Colors: What They Can Do For You* 47 (1947). But, it would add that, in the context of a particular product, only some colors are usable. By the time one discards colors that, say, for reasons of customer appeal, are not usable, and adds the shades that competitors cannot use lest they risk infringing a similar, registered shade, then one is left with only a handful of possible colors. And, under these circumstances, to permit one, or a few, producers to use colors as trademarks will "deplete" the supply of usable colors to the point where a competitor's inability to find a suitable color will put that competitor at a significant disadvantage.

This argument is unpersuasive, however, largely because it relies on an occasional problem to justify a blanket prohibition. When a color serves as a mark, normally alternative colors will likely be available for similar use by others. See, e.g., *Owens-Corning*, 774 F.2d, at 1121 (pink insulation). Moreover, if that is not so – if a "color depletion" or "color scarcity" problem does arise – the trademark doctrine of "functionality" normally would seem available to prevent the anticompetitive consequences that Jacobson's argument posits, thereby minimizing that argument's practical force.

The functionality doctrine, as we have said, forbids the use of a product's feature as a trademark where doing so will put a competitor at a significant disadvantage because the feature is "essential to the use or purpose of the article" or "affects its cost or quality." *Inwood Laboratories, Inc.*, 456 U.S., at 850, n. 10, 102 S.Ct., at 2186, n. 10. The

functionality doctrine thus protects competitors against a disadvantage (unrelated to recognition or reputation) that trademark protection might otherwise impose, namely their inability reasonably to replicate important non-reputation-related product features. For example, this Court has written that competitors might be free to copy the color of a medical pill where that color serves to identify the kind of medication (*e.g.*, a type of blood medicine) in addition to its source. See *id.*, at 853, 858, n. 20, 102 S.Ct., at 2188, 2190, n. 20 (“Some patients commingle medications in a container and rely on color to differentiate one from another”); see also J. Ginsburg, D. Goldberg, & A. Greenbaum, *Trademark and Unfair Competition Law* 194-195 (1991) (noting that drug color cases “have more to do with public health policy” regarding generic drug substitution “than with trademark law”). And, the federal courts have demonstrated that they can apply this doctrine in a careful and reasoned manner, with sensitivity to the effect on competition. Although we need not comment on the merits of specific cases, we note that lower courts have permitted competitors to copy the green color of farm machinery (because customers wanted their farm equipment to match) and have barred the use of black as a trademark on outboard boat motors (because black has the special functional attributes of decreasing the apparent size of the motor and ensuring compatibility with many different boat colors). See *Deere & Co. v. Farmhand, Inc.*, 560 F.Supp. 85, 98 (SD Iowa 1982), *aff’d*, 721 F.2d 253 (CA8 1983); *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1532 (CA Fed.1994), *cert. pending*, No. 94-1075; see also *Nor-Am Chemical v. O.M. Scott & Sons Co.*, 4 U.S.P.Q.2d 1316, 1320, 1987 WL 13742 (ED Pa.1987) (blue color of fertilizer held functional because it indicated the presence of nitrogen). The Restatement (Third) of Unfair Competition adds that, if a design’s “aesthetic value” lies in its ability to “confer a significant benefit that cannot practically be duplicated by the use of alternative designs,”

then the design is “functional.” Restatement (Third) of Unfair Competition § 17, Comment *c*, pp. 175-176 (1995). The “ultimate test of aesthetic functionality,” it explains, “is whether the recognition of trademark rights would significantly hinder competition.” *Id.*, at 176.

The upshot is that, where a color serves a significant nontrademark function – whether to distinguish a heart pill from a digestive medicine or to satisfy the “noble instinct for giving the right touch of beauty to common and necessary things,” G.K. Chesterton, *Simplicity and Tolstoy* 61 (1912) – courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient. That examination should not discourage firms from creating aesthetically pleasing mark designs, for it is open to their competitors to do the same. See, *e.g.*, *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 343 (CA7 1985) (Posner, J.). But, ordinarily, it should prevent the anticompetitive consequences of Jacobson’s hypothetical “color depletion” argument, when, and if, the circumstances of a particular case threaten “color depletion.”

*Third*, Jacobson points to many older cases – including Supreme Court cases – in support of its position. In 1878, this Court described the common-law definition of trademark rather broadly to “consist of a name, symbol, figure, letter, form, or device, if adopted and used by a manufacturer or merchant in order to designate the goods he manufactures or sells to distinguish the same from those manufactured or sold by another.” *McLean v. Fleming*, 96 U.S. 245, 254, 24 L.Ed. 828. Yet, in interpreting the Trademark Acts of 1881 and 1905, 21 Stat. 502, 33 Stat. 724, which retained that common-law definition, the Court questioned “whether mere color can constitute a valid trade-mark,” *A. Leschen & Sons Rope Co. v. Broderick & Bascom Rope Co.*, 201 U.S. 166, 171, 26 S.Ct. 425, 426, 50

L.Ed. 710 (1906), and suggested that the “product including the coloring matter is free to all who make it.” *Coca-Cola Co. v. Koke Co. of America*, 254 U.S. 143, 147, 41 S.Ct. 113, 114, 65 L.Ed. 189 (1920). Even though these statements amounted to dicta, lower courts interpreted them as forbidding protection for color alone. See, e.g., *Campbell Soup Co.*, 175 F.2d, at 798, and n. 9; *Life Savers Corp. v. Curtiss Candy Co.*, 182 F.2d 4, 9 (CA7 1950) (quoting *Campbell Soup*).

These Supreme Court cases, however, interpreted trademark law as it existed *b efore* 1946, when Congress enacted the Lanham Act. The Lanham Act significantly changed and liberalized the common law to “dispense with mere technical prohibitions,” S.Rep. No. 1333, 79th Cong., 2d Sess., 3 (1946), most notably, by permitting trademark registration of descriptive words (say, “U-Build-It” model airplanes) where they had acquired “secondary meaning.” See *Abercrombie & Fitch Co.*, 537 F.2d, at 9 (Friendly, J.). The Lanham Act extended protection to descriptive marks by making clear that (with certain explicit exceptions not relevant here),

“nothing ... shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce.” 15 U.S.C. § 1052(f) (1988 ed., Supp. V).

This language permits an ordinary word, normally used for a nontrademark purpose (e.g., description), to act as a trademark where it has gained “secondary meaning.” Its logic would appear to apply to color as well. Indeed, in 1985, the Federal Circuit considered the significance of the Lanham Act’s changes as they related to color and held that trademark protection for color was consistent with the

“jurisprudence under the Lanham Act developed in accordance with the statutory principle that if a mark is capable of being or becoming distinctive of the applicant’s goods in commerce, then it is capable of serving as a trademark.” *Owens-Corning*, 774 F.2d, at 1120.

In 1988 Congress amended the Lanham Act, revising portions of the definitional language, but left unchanged the language here relevant. § 134, 102 Stat. 3946, 15 U.S.C. § 1127. It enacted these amendments against the following background: (1) the Federal Circuit had decided *Owens-Corning*; (2) the Patent and Trademark Office had adopted a clear policy (which it still maintains) permitting registration of color as a trademark, see PTO Manual § 1202.04(e) (at p. 1200-12 of the January 1986 edition and p. 1202-13 of the May 1993 edition); and (3) the Trademark Commission had written a report, which recommended that “the terms ‘symbol, or device’ ... not be deleted or narrowed to preclude registration of such things as a color, shape, smell, sound, or configuration which functions as a mark,” The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors, 77 T.M.Rep. 375, 421 (1987) (hereinafter Trademark Commission); see also 133 Cong.Rec. 32812 (1987) (statement of Sen. DeConcini) (“The bill I am introducing today is based on the Commission’s report and recommendations”). This background strongly suggests that the language “any word, name, symbol, or device,” 15 U.S.C. § 1127, had come to include color. And, when it amended the statute, Congress retained these terms. Indeed, the Senate Report accompanying the Lanham Act revision explicitly referred to this background understanding, in saying that the “revised definition intentionally retains ... the words ‘symbol or device’ so as not to preclude the registration of

colors, shapes, sounds or configurations where they function as trademarks.” S.Rep. No. 100-515, at 44 U.S.Code Cong. & Admin.News, 1988, p. 5607. (In addition, the statute retained language providing that “no trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration ... on account of its nature” (except for certain specified reasons not relevant here). 15 U.S.C. § 1052 (1988 ed., Supp. V)).

This history undercuts the authority of the precedent on which Jacobson relies. Much of the pre-1985 case law rested on statements in Supreme Court opinions that interpreted pre-Lanham Act trademark law and were not directly related to the holdings in those cases. Moreover, we believe the Federal Circuit was right in 1985 when it found that the 1946 Lanham Act embodied crucial legal changes that liberalized the law to permit the use of color alone as a trademark (under appropriate circumstances). At a minimum, the Lanham Act’s changes left the courts free to reevaluate the preexisting legal precedent which had absolutely forbidden the use of color alone as a trademark. Finally, when Congress re-enacted the terms “word, name, symbol, or device” in 1988, it did so against a legal background in which those terms had come to include color, and its statutory revision embraced that understanding.

*Fourth*, Jacobson argues that there is no need to permit color alone to function as a trademark because a firm already may use color as part of a trademark, say, as a colored circle or colored letter or colored word, and may rely upon “trade dress” protection, under § 43(a) of the Lanham Act, if a competitor copies its color and thereby causes consumer confusion regarding the overall appearance of the competing products or their packaging, see 15 U.S.C. § 1125(a) (1988 ed., Supp. V). The first part of this argument begs the question. One can understand

why a firm might find it difficult to place a usable symbol or word on a product (say, a large industrial bolt that customers normally see from a distance); and, in such instances, a firm might want to use color, pure and simple, instead of color as part of a design. Neither is the second portion of the argument convincing. Trademark law helps the holder of a mark in many ways that “trade dress” protection does not. See 15 U.S.C. § 1124 (ability to prevent importation of confusingly similar goods); § 1072 (constructive notice of ownership); § 1065 (incontestible status); § 1057(b) (prima facie evidence of validity and ownership). Thus, one can easily find reasons why the law might provide trademark protection in addition to trade dress protection.

#### IV

Having determined that a color may sometimes meet the basic legal requirements for use as a trademark and that respondent Jacobson’s arguments do not justify a special legal rule preventing color alone from serving as a trademark (and, in light of the District Court’s here undisputed findings that Qualitex’s use of the green-gold color on its press pads meets the basic trademark requirements), we conclude that the Ninth Circuit erred in barring Qualitex’s use of color as a trademark. For these reasons, the judgment of the Ninth Circuit is

*Reversed.*

**Virtual Works, Inc. v. Volkswagen of America, Inc.,  
238 F.3d 264 (4th Cir. 2001)**

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Washington, D.C., for Appellant.

Thomas Rex Lee, HOWARD, PHILLIPS & ANDERSEN,  
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Before WILKINSON, Chief Judge, and MICHAEL and TRAXLER, Circuit Judges.

WILKINSON, Chief Judge:

Volkswagen challenges Virtual Works, Inc.'s use of the domain name vw.net under the 1999 Anticybersquatting Consumer Protection Act (ACPA). Volkswagen claims that Virtual Works registered vw.net with the purpose of one day selling it to Volkswagen. The district court agreed, holding that Virtual Works had a bad faith intent to profit from the vw.net domain name and that its use of vw.net diluted and infringed upon the VW mark. *Virtual Works, Inc. v. Network Solutions, Inc.*, 106 F. Supp.2d 845 (E.D. Va. 2000). The district court therefore ordered Virtual Works to relinquish to Volkswagen the rights to vw.net. Because the district court did not err in holding that Virtual Works violated the ACPA, we affirm the judgment.

#### I.

On October 23, 1996, Virtual Works registered the domain name vw.net with Network Solutions, Inc. (NSI). At that time, NSI was the only company authorized by the government to serve as a registrar for Internet domain names. A domain name tells users where they can find a particular web page, much like a street address tells people where they can find a particular home or business. Domain names consist of two parts: the top level domain name (TLD) and secondary level domain name (SLD). The TLD is the suffix, identifying the nature of the site. The SLD is the prefix, identifying the site's owner. Thus in the domain name Duke.edu, ".edu" is the TLD, identifying the site as affiliated with an educational institution. "Duke" is the SLD, identifying the owner as Duke University. There are various other TLDs. The most common are .com, .net, and .org for commercial users and .gov for governmental entities. At one point there was a distinction between the

.com, .org, and .net TLDs. The .net TLD was reserved for Internet service providers (ISPs). The .org TLD was reserved for non-commercial or non-profit users. In September 1995, however, NSI stopped enforcing these distinctions. Thus, after 1995, commercial businesses could register domain names with the .net, .org, or .com TLD.

At the time Virtual Works registered vw.net, two of its principals, Christopher Grimes and James Anderson, were aware that some Internet users might think that vw.net was affiliated with Volkswagen. According to Grimes, he and Anderson “talked about Volkswagen and decided that [they] would use the domain name for [the] company, but if Volkswagen offered to work out a deal for services or products, that [they] would sell it to [Volkswagen] for a lot of money.” When Virtual Works registered vw.net, many other domain names were available for its use. For instance, vwi.net, vwi.org, virtual works. net, and virtual works. org, were still available.

Virtual Works used the vw.net domain name for approximately two years as a part of its ISP business. In December 1998, various Volkswagen dealerships contacted Virtual Works and expressed an interest in purchasing the rights to the vw.net domain name. Virtual Works, in turn, called Volkswagen, offering to sell vw.net. The terms of Virtual Works’ offer, however, were somewhat unusual. Anderson left a voice mail message for Linda Scipione in Volkswagen’s trademark department. In the message, Anderson stated that he owned the rights to vw.net. He also said that unless Volkswagen bought the rights to vw.net, Virtual Works would sell the domain name to the highest bidder. Anderson gave Volkswagen twenty-four hours to respond.

In response to what it perceived as a threat to the VW mark, Volkswagen invoked NSI’s dispute resolution procedure. NSI in turn told Virtual Works that Virtual Works would lose the vw.net domain name unless it filed a

declaratory judgment action against Volkswagen. Virtual Works complied. Volkswagen subsequently counterclaimed, alleging trademark dilution, infringement, and cybersquatting under the ACPA. 15 U.S.C. § 1125(d). The district court granted Volkswagen's motion for summary judgment on its cybersquatting, dilution, and infringement counterclaims and dismissed Virtual Works' cross-motions on the same. Accordingly, the district court ordered Virtual Works to relinquish to Volkswagen the rights to the vw.net domain name. Virtual Works appeals.

## II.

### A.

The ACPA was enacted in 1999 in response to concerns over the proliferation of cybersquatting -the Internet version of a land grab. According to the Senate Report accompanying the Act: "Trademark owners are facing a new form of piracy on the Internet caused by acts of 'cybersquatting,' which refers to the deliberate, bad-faith, and abusive registration of Internet domain names in violation of the rights of trademark owners." S. Rep. No. 106-140, at 4 (1999). Cybersquatting is the practice of registering "well-known brand names as Internet domain names" in order to force the rightful owners of the marks "to pay for the right to engage in electronic commerce under their own brand name." *Id.* at 5. See also H.R. Rep. No. 106-412, at 5-7 (1999). Cybersquatting is profitable because while it is inexpensive for a cybersquatter to register the mark of an established company as a domain name, such companies are often vulnerable to being forced into paying substantial sums to get their names back. *Sporty's Farm, L.L.C. v. Sportsman's Market, Inc.*, 202 F.3d 489, 493 (2d Cir. 2000).

Congress viewed the practice of cybersquatting as harmful because it threatened "the continued growth and vitality of

the Internet as a platform” for “communication, electronic commerce, education, entertainment, and countless other yet-to-be-determined uses.” S. Rep. No. 106-140, at 8. New legislation was required to address this situation because then-current law did not expressly prohibit the act of cybersquatting and cybersquatters had started to take the necessary precautions to insulate themselves from liability under the Federal Trademark Dilution Act. *Id.* at 7. Accordingly, Congress passed, and the President signed, the ACPA in 1999. Pub. L. No. 106-113, 113 Stat. 1536 (codified at 15 U.S.C. § 1125(d)).

B.

Under the ACPA, a person alleged to be a cybersquatter is liable to the owner of a protected mark if that person:

(i) has a bad faith intent to profit from that mark ...; and

(ii) registers, traffics in, or uses a domain name that-(I) in the case of a mark that is distinctive ..., is identical or confusingly similar to that mark;(II) in the case of a famous mark ..., is identical or confusingly similar to or dilutive of that mark;

15 U.S.C. § 1125(d)(1)(A). With respect to the bad faith determination, the statute provides that:

(B)(i) In determining whether a person has a bad faith intent ... a court may consider factors such as, but not limited to

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site ... that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark ...;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used ... the domain name in the bona fide offering of any goods or services ...;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name ...;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others ...; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous ... .

15 U.S.C. § 1125(d)(1)(B)(i). In addition to listing these nine factors, the Act contains a safe harbor. The safe harbor provision states that bad faith intent "shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was fair use or otherwise lawful." 15 U.S.C. § 1225(d)(1)(B)(ii).

A court is not limited to considering these nine factors when determining the presence or absence of bad faith. 15 U.S.C. § 1125(d)(1)(B)(i). The Second Circuit, in the first court of appeals case addressing the ACPA, noted that the most important grounds for finding bad faith "are the unique circumstances of th[e] case, which do not fit neatly into the specific factors enumerated by Congress but may nevertheless be considered under the statute." *Sporty's Farm*, 202 F.3d at 499.

The remedies available under the ACPA depend on when the unlawful activity took place. A person who unlawfully registers, traffics in, or uses a domain name after the ACPA's date of enactment, November 29, 1999, can be liable for monetary damages under 15 U.S.C. § 1117(d) and can have the domain name transferred to the owner of the mark or canceled under 15 U.S.C. § 1125(d)(2)(D)(i). The only remedy available for ACPA violations that occurred before November 29, 1999, however, is to have the domain name transferred to the owner of the mark or canceled.

Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, § 3010, 113 Stat. 1536. Since Virtual Works' alleged cybersquatting occurred before the ACPA's date of enactment, Volkswagen sought only the right to use vw.net for itself.

### III.

Having discussed the statutory purpose and framework of the ACPA, we must now determine whether Virtual Works violated the Act. The district court found that a number of the ACPA's nine bad faith factors supported Volkswagen's claim that Virtual Works' registration of vw.net constituted cybersquatting under the Act. *Virtual Works*, 106 F. Supp.2d at 848. With respect to the first and second factors, for example, the district court held that Virtual Works had no right to or interest in the VW mark and that Virtual Works had never been referred to or done business under the name VW. *Id.* at 847. With respect to the fifth factor, the district court held that the disparaging comments posted by Virtual Works harmed the goodwill of the VW mark. *Id.* Finally, the district court found that, under the ninth factor, the famousness of the VW mark also favored Volkswagen. *Id.* The district court thus granted summary judgment to Volkswagen, which we review de novo.

#### A.

The first inquiry under the ACPA is whether Virtual Works acted with a bad faith intent to profit from a protected mark. 15 U.S.C. § 1125(d)(1)(A)(i). Virtual Works claims that the district court erred in holding that it did. We need not, however, march through the nine factors seriatim because the ACPA itself notes that use of the listed criteria is permissive. As the Second Circuit noted in *Sporty's Farms*, the factors are "expressly described as indicia that

‘may’ be considered along with other facts.” 202 F.3d at 498 (citing 15 U.S.C. § 1125(d)(1)(B)(i)).

We are mindful that the instant case comes to us on summary judgment and involves a contested determination of Virtual Works’ intent. Unfortunately for Virtual Works, however, there is both circumstantial and direct evidence establishing bad faith. The following uncontested facts all provide circumstantial evidence of Virtual Works’ bad faith with respect to the VW mark: 1) the famousness of the VW mark; 2) the similarity of vw.net to the VW mark; 3) the admission that Virtual Works never once did business as VW nor identified itself as such; and 4) the availability of vwi.org and vwi.net at the time Virtual Works registered vw.net. Notably, either of these domain names would have satisfied Virtual Works’ own stated criterion of registering a domain name that used only two or three letters and would have eliminated any risk of confusion with respect to the VW mark.

We consider such circumstantial factors cautiously, however. We do not suggest that these four facts would alone resolve the question of Virtual Works’ intent on summary judgment. The fact that a domain resembles a famous trademark, for example, hardly in and of itself establishes bad faith. Moreover, domain names that are abbreviations of a company’s formal name are quite common. To view the use of such names as tantamount to bad faith would chill Internet entrepreneurship with the prospect of endless litigation.

Volkswagen, however, points to direct evidence regarding Virtual Works’ intent -the statements made at registration. Grimes’ deposition reveals that when registering vw.net, he and Anderson specifically acknowledged that vw.net might be confused with Volkswagen by some Internet users. They nevertheless decided to register the address for their own use, but left open the possibility of one day selling the site to Volkswagen “for a lot of money.” Volkswagen claims



that this is sufficient to establish bad faith registration in violation of the ACPA.

Viewing the facts in the light most favorable to Virtual Works, as we must on summary judgment, the statement at registration establishes that Virtual Works had a dual purpose in selecting vw.net. Contrary to Virtual Works' claim, the fact that it used vw.net for two years as a part of an ISP business is not dispositive of the question of intent. Virtual Works chose vw.net over other domain names not just because "vw" reflected the company's own initials, but also because it foresaw the ability to profit from the natural association of vw.net with the VW mark. Indeed, it is obvious even to a casual observer that the similarity between vw.net and the VW mark is overwhelming.

Moreover, the facts in the summary judgment record affirmatively support the claim that Virtual Works had a bad faith intent to profit when it attempted to sell vw.net to Volkswagen. It is true that a mere offer to sell a domain name is not itself evidence of unlawful trafficking. H.R. Conf. Rep. No. 106-464, at 111 (1999). The ACPA was not enacted to put an end to the sale of all domain names. This case, however, involves much more than a plain vanilla offer to sell a domain name.

Indeed, the second piece of direct evidence regarding Virtual Works' intent is the terms of its offer to Volkswagen. Virtual Works told Volkswagen that vw.net would be sold to the highest bidder if Volkswagen did not make an offer within twenty-four hours. Virtual Works also stated that others would jump at the chance to own a valuable domain name like vw.net because Internet users would instinctively associate the site with Volkswagen. Virtual Works knew, both when it registered vw.net and when it offered to sell the site, that consumers would associate vw.net with Volkswagen. It sought to maximize the advantage of this association by threatening to auction off the site. And it hoped that in an effort to protect its

mark, Volkswagen would respond with a hefty offer of its own.

Likewise, Virtual Works cannot take refuge in the ACPA's safe harbor provision. The safe harbor is only available when the defendant both "believed and had reasonable grounds to believe that the use of the domain name was fair use or otherwise lawful." 15 U.S.C. § 1125(d)(1)(B)(ii). The openly admitted hope of profiting from consumer confusion of vw.net with the VW mark disqualifies Virtual Works from the ACPA's safe harbor. A defendant who acts even partially in bad faith in registering a domain name is not, as a matter of law, entitled to benefit from the Act's safe harbor provision. Virtual Works knew it was registering a domain name bearing strong resemblance to a federally protected trademark. And it did so, at least in part, with the idea of selling the site "for a lot of money" to the mark's owner.

Just as we are reluctant to interpret the ACPA's liability provisions in an overly aggressive manner, we decline to construe the safe harbor so broadly as to undermine the rest of the statute. All but the most blatant cybersquatters will be able to put forth at least some lawful motives for their behavior. To hold that all such individuals may qualify for the safe harbor would frustrate Congress' purpose by artificially limiting the statute's reach. We do not think Congress intended the safe harbor to protect defendants operating, at least in part, with unlawful intent.

The ACPA allows a court to view the totality of the circumstances in making the bad faith determination. 15 U.S.C.S 1125(d)(1)(B)(i). Here, that means looking at the purely circumstantial indicia of bad faith, as well as the direct evidence of the statements made at the time of registration and the direct evidence regarding terms of the sale. Whether our decision would be the same in the absence of any particular piece of evidence is a question we need not address. Viewed in its totality, the evidence

establishes that at the time Virtual Works proposed to sell vw.net to Volkswagen, it was motivated by a bad faith intent to profit from the famousness of the VW mark. This is the sort of misconduct that Congress sought to discourage.

B.

The second inquiry under the ACPA is whether Virtual Works 1) registered, trafficked in, or used a domain name; 2) that is identical or confusingly similar to a distinctive mark; or 3) is identical, confusingly similar to, or dilutive of a famous mark. 15 U.S.C. § 1125(d)(1)(A)(ii). There is no dispute that Virtual Works registered, trafficked in, and used vw.net. There is also no dispute that the VW mark is famous. The sole point of contention is whether vw.net is identical, confusingly similar to, or dilutive of Volkswagen's famous VW mark.

Virtual Works claims it is not similar because there is a distinction between the .net and .com TLD. According to Virtual Works, Volkswagen could not have registered vw.net in October of 1996 because it is an automaker and not an Internet service provider. This claim, however, is unavailing in light of the fact that NSI stopped enforcing the .com/.net distinction over a year before Virtual Works registered vw.net. The claim is also undermined by Virtual Works' admission that at the time of registration it was aware of the potential confusion with the VW mark, and by its statement to Volkswagen that users would instinctively use the vw.net address to link to Volkswagen's web site. Cf. *Shade's Landing, Inc. v. Williams*, 76 F. Supp.2d 983, 990 (D. Minn. 1999) ("Because all domain names include one of these extensions, the distinction between a domain name ending with '.com' and the same name ending with '.net' is not highly significant."). The district court was correct, therefore, in holding that vw.net is confusingly similar to the famous VW mark.

#### IV.

The remedy that Volkswagen sought in district court was the right to use vw.net for itself. The ACPA allows a court to order “the transfer of the domain name to the owner of the mark” if the Act is violated. 15 U.S.C. § 1125(d)(2)(D)(i). Because Virtual Works’ violation of the ACPA supports the remedy Volkswagen seeks, we need not address Volkswagen’s claims of trademark infringement or dilution.

The ACPA was not enacted to give companies the right to fence off every possible combination of letters that bears any similarity to a protected mark. Rather, it was enacted to prevent the expropriation of protected marks in cyberspace and to abate the consumer confusion resulting therefrom. The resolution of this case turns on the unique facts and circumstances which it presents. Ultimately, we believe the evidence is sufficient to establish that, as a matter of law, Virtual Works attempted to profit in bad faith from Volkswagen’s famous mark. 15 U.S.C. § 1125(d)(1)(A). The district court thus did not err in ordering Virtual Works to turn over vw.net to Volkswagen. For the foregoing reasons, we affirm the judgment.

#### **Problems**

If Qualitex developed a new material for their dryer pads that featured distinctive, small bumps that aid in the evenness of drying, Qualitex ... (For each answer, state whether the resulting statement is true or false, with a very, very brief explanation.)

- (a) could trademark the bumpy pad.
- (b) would be barred from trademark because a bumpy texture is not a word, name, symbol or device.
- (c) would be barred from trademark under the functionality doctrine.

(d) would be barred from obtaining a patent for the texture itself, because the bumps aren't a "process," under the patent statutes.

(e) might be able to patent the process for creating the material even if materials featuring a similar texture are already on the market.

### **Answers**

(a) could trademark the bumpy pad.

False. This is just a pure application of the functionality doctrine - see below.

(b) would be barred from trademark because a bumpy texture is not a word, name, symbol or device.

False. As Breyer stated in *Qualitex*, "[s]ince human beings might use as a 'symbol' or 'device' almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive." Indeed, a bumpy texture is capable of carrying meaning. Even the more demanding part of the statute might be met here, since the bumpy texture quite possibly could be used to distinguish Qualitex as the source of the pads.

(c) would be barred from trademark under the functionality doctrine.

True. The texture "aid[s] in the evenness of drying." Because the texture results in a better performing pad, and thus "affects the ... quality" of the pad, the functionality doctrine would bar trademark registration of the texture.

(d) would be barred from obtaining a patent for the texture itself, because the bumps aren't a "process," under the patent statutes.

False. Even if the bumps aren't a "process," they might be a "manufacture" or "composition of matter," and thus patentable subject matter under §101 of the Patent Act. The Act allows one to patent inventions other than processes.

(e) might be able to patent the process for creating the material even if materials featuring a similar texture are already on the market.

True. If similar materials are on the market already, then one would not be able to patent the material itself. This is because the material would not be novel, which is required to obtain a patent. However, if Qualitex has invented a new process for creating a known material and that process otherwise meets the novel and non-obvious requirements, then the *process* may be patentable.

### **3.3. Patents**

Diamond v. Chakrabarty, 447 U.S. 303 (1980)

Lawrence G. Wallace, Washington, D. C., for petitioner.

Edward F. McKie, Jr., Washington, D. C., for respondent.

MR. CHIEF JUSTICE BURGER delivered the opinion of the Court.

We granted certiorari to determine whether a live, human-made micro-organism is patentable subject matter under 35 U.S.C. § 101.

## I

In 1972, respondent Chakrabarty, a microbiologist, filed a patent application, assigned to the General Electric Co. The application asserted 36 claims related to Chakrabarty's invention of "a bacterium from the genus *Pseudomonas* containing therein at least two stable energy-generating plasmids, each of said plasmids providing a separate hydrocarbon degradative pathway."<sup>1</sup> This human-made, genetically engineered bacterium is capable of breaking down multiple components of crude oil. Because of this property, which is possessed by no naturally occurring bacteria, Chakrabarty's invention is believed to have significant value for the treatment of oil spills.<sup>2</sup>

Chakrabarty's patent claims were of three types: first, process claims for the method of producing the bacteria; second, claims for an inoculum comprised of a carrier material floating on water, such as straw, and the new bacteria; and third, claims to the bacteria themselves. The patent examiner allowed the claims falling into the first two categories, but rejected claims for the bacteria. His decision rested on two grounds: (1) that micro-organisms are

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<sup>1</sup> Plasmids are hereditary units physically separate from the chromosomes of the cell. In prior research, Chakrabarty and an associate discovered that plasmids control the oil degradation abilities of certain bacteria. In particular, the two researchers discovered plasmids capable of degrading camphor and octane, two components of crude oil. In the work represented by the patent application at issue here, Chakrabarty discovered a process by which four different plasmids, capable of degrading four different oil components, could be transferred to and maintained stably in a single *Pseudomonas* bacterium, which itself has no capacity for degrading oil.

<sup>2</sup> At present, biological control of oil spills requires the use of a mixture of naturally occurring bacteria, each capable of degrading one component of the oil complex. In this way, oil is decomposed into simpler substances which can serve as food for aquatic life. However, for various reasons, only a portion of any such mixed culture survives to attack the oil spill. By breaking down multiple components of oil, Chakrabarty's micro-organism promises more efficient and rapid oil-spill control.

“products of nature,” and (2) that as living things they are not patentable subject matter under 35 U.S.C. § 101.

Chakrabarty appealed the rejection of these claims to the Patent Office Board of Appeals, and the Board affirmed the Examiner on the second ground.<sup>3</sup> Relying on the legislative history of the 1930 Plant Patent Act, in which Congress extended patent protection to certain asexually reproduced plants, the Board concluded that § 101 was not intended to cover living things such as these laboratory created micro-organisms.

The Court of Customs and Patent Appeals, by a divided vote, reversed on the authority of its prior decision in *In re Bergy*, 563 F.2d 1031, 1038 (1977), which held that “the fact that microorganisms ... are alive ... [is] without legal significance” for purposes of the patent law.<sup>4</sup> Subsequently, we granted the Acting Commissioner of Patents and Trademarks’ petition for certiorari in *Bergy*, vacated the judgment, and remanded the case “for further consideration in light of *Parker v. Flook*, 437 U.S. 584, [98 S.Ct. 2522, 57 L.Ed.2d 451] (1978).” 438 U.S. 902, 98 S.Ct. 3119, 57 L.Ed.2d 1145 (1978). The Court of Customs and Patent Appeals then vacated its judgment in *Chakrabarty* and consolidated the case with *Bergy* for reconsideration. After re-examining both cases in the light of our holding in *Flook*, that court, with one dissent, reaffirmed its earlier judgments. 596 F.2d 952 (1979).

The Commissioner of Patents and Trademarks again sought certiorari, and we granted the writ as to both *Bergy* and *Chakrabarty*. 444 U.S. 924, 100 S.Ct. 261, 62 L.Ed.2d

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<sup>3</sup> The Board concluded that the new bacteria were not “products of nature,” because *Pseudomonas* bacteria containing two or more different energy-generating plasmids are not naturally occurring.

<sup>4</sup> *Bergy* involved a patent application for a pure culture of the micro-organism *Streptomyces vellosus* found to be useful in the production of lincomycin, an antibiotic.



180 (1979). Since then, *Bergy* has been dismissed as moot, 444 U.S. 1028, 100 S.Ct. 696, 62 L.Ed.2d 664 (1980), leaving only *Chakrabarty* for decision.

## II

The Constitution grants Congress broad power to legislate to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Art. I, § 8, cl. 8. The patent laws promote this progress by offering inventors exclusive rights for a limited period as an incentive for their inventiveness and research efforts. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-481, 94 S.Ct. 1879, 1885-1886, 40 L.Ed.2d 315 (1974); *Universal Oil Co. v. Globe Co.*, 322 U.S. 471, 484, 64 S.Ct. 1110, 1116, 88 L.Ed. 1399 (1944). The authority of Congress is exercised in the hope that “[t]he productive effort thereby fostered will have a positive effect on society through the introduction of new products and processes of manufacture into the economy, and the emanations by way of increased employment and better lives for our citizens.” *Kewanee, supra*, 416 U.S., at 480, 94 S.Ct., at 1885-86.

The question before us in this case is a narrow one of statutory interpretation requiring us to construe 35 U.S.C. § 101, which provides:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Specifically, we must determine whether respondent’s micro-organism constitutes a “manufacture” or “composition of matter” within the meaning of the statute.<sup>5</sup>

### III

In cases of statutory construction we begin, of course, with the language of the statute. *Southeastern Community College v. Davis*, 442 U.S. 397, 405, 99 S.Ct. 2361, 2366, 60 L.Ed.2d 980 (1979). And “unless otherwise defined, words will be interpreted as taking their ordinary, contemporary common meaning.” *Perrin v. United States*, 444 U.S. 37, 42, 100 S.Ct. 311, 314, 62 L.Ed.2d 199 (1979). We have also cautioned that courts “should not read into the patent laws limitations and conditions which the legislature has not expressed.” *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199, 53 S.Ct. 554, 561, 77 L.Ed. 1114 (1933).

Guided by these canons of construction, this Court has read the term “manufacture” in § 101 in accordance with its dictionary definition to mean “the production of articles for use from raw or prepared materials by giving to these materials new forms, qualities, properties, or combinations, whether by hand-labor or by machinery.” *American Fruit Growers, Inc. v. Brogdex Co.*, 283 U.S. 1, 11, 51 S.Ct. 328, 330, 75 L.Ed. 801 (1931). Similarly, “composition of matter” has been construed consistent with its common usage to include “all compositions of two or more substances and ... all composite articles, whether they be the results of chemical union, or of mechanical mixture, or whether they be gases, fluids, powders or solids.” *Shell Development Co. v. Watson*, 149 F.Supp. 279, 280 (D.C.1957) (citing 1 A. Deller, Walker on Patents § 14, p. 55 (1st ed. 1937)). In choosing such expansive terms as “manufacture” and “composition of matter,” modified by the comprehensive

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<sup>5</sup> This case does not involve the other “conditions and requirements” of the patent laws, such as novelty and nonobviousness. 35 U.S.C. §§ 102, 103.

“any,” Congress plainly contemplated that the patent laws would be given wide scope.

The relevant legislative history also supports a broad construction. The Patent Act of 1793, authored by Thomas Jefferson, defined statutory subject matter as “any new and useful art, machine, manufacture, or composition of matter, or any new or useful improvement [thereof].” Act of Feb. 21, 1793, § 1, 1 Stat. 319. The Act embodied Jefferson’s philosophy that “ingenuity should receive a liberal encouragement.” 5 Writings of Thomas Jefferson 75-76 (Washington ed. 1871). See *Graham v. John Deere Co.*, 383 U.S. 1, 7-10, 86 S.Ct. 684, 688-690, 15 L.Ed.2d 545 (1966). Subsequent patent statutes in 1836, 1870, and 1874 employed this same broad language. In 1952, when the patent laws were recodified, Congress replaced the word “art” with “process,” but otherwise left Jefferson’s language intact. The Committee Reports accompanying the 1952 Act inform us that Congress intended statutory subject matter to “include anything under the sun that is made by man.” S.Rep.No.1979, 82d Cong., 2d Sess., 5 (1952); H.R.Rep.No.1923, 82d Cong., 2d Sess., 6 (1952).<sup>6</sup>

This is not to suggest that § 101 has no limits or that it embraces every discovery. The laws of nature, physical phenomena, and abstract ideas have been held not patentable. See *Parker v. Flook*, 437 U.S. 584, 98 S.Ct. 2522, 57 L.Ed.2d 451 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 67, 93 S.Ct. 253, 255, 34 L.Ed.2d 273 (1972); *Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130, 68 S.Ct. 440, 441, 92 L.Ed. 588 (1948); *O’Reilly v. Morse*, 15 How. 62, 112-121, 14 L.Ed. 601 (1854); *Le Roy v. Tatham*, 14 How. 156, 175,

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<sup>6</sup> This same language was employed by P. J. Federico, a principal draftsman of the 1952 recodification, in his testimony regarding that legislation: “[U]nder section 101 a person may have invented a machine or a manufacture, which may include anything under the sun that is made by man. . . .” Hearings on H.R. 3760 before Subcommittee No. 3 of the House Committee on the Judiciary, 82d Cong., 1st Sess., 37 (1951).

14 L.Ed. 367 (1853). Thus, a new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter. Likewise, Einstein could not patent his celebrated law that  $E=mc^2$ ; nor could Newton have patented the law of gravity. Such discoveries are “manifestations of ... nature, free to all men and reserved exclusively to none.” *Funk, supra*, 333 U.S., at 130, 68 S.Ct., at 441.

Judged in this light, respondent’s micro-organism plainly qualifies as patentable subject matter. His claim is not to a hitherto unknown natural phenomenon, but to a nonnaturally occurring manufacture or composition of matter – a product of human ingenuity “having a distinctive name, character [and] use.” *Hartranft v. Wiegmann*, 121 U.S. 609, 615, 7 S.Ct. 1240, 1243, 30 L.Ed. 1012 (1887). The point is underscored dramatically by comparison of the invention here with that in *Funk*. There, the patentee had discovered that there existed in nature certain species of root-nodule bacteria which did not exert a mutually inhibitive effect on each other. He used that discovery to produce a mixed culture capable of inoculating the seeds of leguminous plants. Concluding that the patentee had discovered “only some of the handiwork of nature,” the Court ruled the product non-patentable:

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<sup>7</sup> The Plant Patent Act of 1930, 35 U.S.C. § 161, provides in relevant part:

Whoever invents or discovers and asexually reproduces any distinct and new variety of plant, including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state, may obtain a patent therefor ... .

The Plant Variety Protection Act of 1970, provides in relevant part:

The breeder of any novel variety of sexually reproduced plant (other than fungi, bacteria, or first generation hybrids) who has so reproduced the variety, or his successor in interest, shall be entitled to plant variety protection therefor ... .

84 Stat. 1547, 7 U.S.C. § 2402(a). See generally, 3 A. Deller, Walker on Patents, ch. IX (2d ed. 1964); R. Allyn, *The First Plant Patents* (1934).

Each of the species of root-nodule bacteria contained in the package infects the same group of leguminous plants which it always infected. No species acquires a different use. The combination of species produces no new bacteria, no change in the six species of bacteria, and no enlargement of the range of their utility. Each species has the same effect it always had. The bacteria perform in their natural way. Their use in combination does not improve in any way their natural functioning. They serve the ends nature originally provided and act quite independently of any effort of the patentee.

333 U.S., at 131, 68 S.Ct., at 442.

Here, by contrast, the patentee has produced a new bacterium with markedly different characteristics from any found in nature and one having the potential for significant utility. His discovery is not nature's handiwork, but his own; accordingly it is patentable subject matter under § 101.

#### IV

Two contrary arguments are advanced, neither of which we find persuasive.

##### (A)

The petitioner's first argument rests on the enactment of the 1930 Plant Patent Act, which afforded patent protection to certain asexually reproduced plants, and the 1970 Plant Variety Protection Act, which authorized protection for certain sexually reproduced plants but

excluded bacteria from its protection.<sup>8</sup> In the petitioner’s view, the passage of these Acts evidences congressional understanding that the terms “manufacture” or “composition of matter” do not include living things; if they did, the petitioner argues, neither Act would have been necessary.

We reject this argument. Prior to 1930, two factors were thought to remove plants from patent protection. The first was the belief that plants, even those artificially bred, were products of nature for purposes of the patent law. This position appears to have derived from the decision of the patent office in *Ex parte Latimer*, 1889 Dec.Com.Pat. 123, in which a patent claim for fiber found in the needle of the *Pinus australis* was rejected. The Commissioner reasoned that a contrary result would permit “patents [to] be obtained upon the trees of the forest and the plants of the earth, which of course would be unreasonable and impossible.” *Id.*, at 126. The *Latimer* case, it seems, came to “se[t] forth the general stand taken in these matters” that plants were natural products not subject to patent protection. Thorne, *Relation of Patent Law to Natural Products*, 6 J. Pat.Off.Soc. 23, 24 (1923).<sup>9</sup> The second obstacle to patent protection for plants was the fact that plants were thought not amenable to the “written description” requirement of the patent law. See 35 U.S.C. § 112. Because new plants may differ from old only in color

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<sup>8</sup> Writing three years after the passage of the 1930 Act, R. Cook, Editor of the *Journal of Heredity*, commented: “It is a little hard for plant men to understand why [Art. I, § 8] of the Constitution should not have been earlier construed to include the promotion of the art of plant breeding. The reason for this is probably to be found in the principle that natural products are not patentable.” *Florists Exchange and Horticultural Trade World*, July 15, 1933, p. 9.

<sup>9</sup> In 1873, the Patent Office granted Louis Pasteur a patent on “yeast, free from organic germs of disease, as an article of manufacture.” And in 1967 and 1968, immediately prior to the passage of the Plant Variety Protection Act, that Office granted two patents which, as the petitioner concedes, state claims for living micro-organisms. See Reply Brief for Petitioner 3, and n. 2.

or perfume, differentiation by written description was often impossible. See Hearings on H.R.11372 before the House Committee on Patents, 71st Cong., 2d Sess. 7 (1930) (memorandum of Patent Commissioner Robertson).

In enacting the Plant Patent Act, Congress addressed both of these concerns. It explained at length its belief that the work of the plant breeder “in aid of nature” was patentable invention. S.Rep.No.315, 71st Cong., 2d Sess., 6-8 (1930); H.R.Rep.No.1129, 71st Cong., 2d Sess., 7-9 (1930). And it relaxed the written description requirement in favor of “a description ... as complete as is reasonably possible.” 35 U.S.C. § 162. No Committee or Member of Congress, however, expressed the broader view, now urged by the petitioner, that the terms “manufacture” or “composition of matter” exclude living things. The sole support for that position in the legislative history of the 1930 Act is found in the conclusory statement of Secretary of Agriculture Hyde, in a letter to the Chairmen of the House and Senate Committees considering the 1930 Act, that “the patent laws ... at the present time are understood to cover only inventions or discoveries in the field of inanimate nature.” See S.Rep.No.315, *supra*, at Appendix A; H.R.Rep.No.1129, *supra*, at Appendix A. Secretary Hyde’s opinion, however, is not entitled to controlling weight. His views were solicited on the administration of the new law and not on the scope of patentable subject matter – an area beyond his competence. Moreover, there is language in the House and Senate Committee Reports suggesting that to the extent Congress considered the matter it found the Secretary’s dichotomy unpersuasive. The Reports observe:

There is a clear and logical distinction *between the discovery of a new variety of plant and of certain inanimate things*, such, for example, as a new and useful natural mineral. The mineral is created wholly by nature unassisted by man... . On

the other hand, a plant discovery resulting from cultivation is unique, isolated, and is not repeated by nature, nor can it be reproduced by nature unaided by man... .

S.Rep.No.315, *supra*, at 6; H.R.Rep.No.1129,*supra*, at 7 (emphasis added).

Congress thus recognized that the relevant distinction was not between living and inanimate things, but between products of nature, whether living or not, and human-made inventions. Here, respondent's micro-organism is the result of human ingenuity and research. Hence, the passage of the Plant Patent Act affords the Government no support.

Nor does the passage of the 1970 Plant Variety Protection Act support the Government's position. As the Government acknowledges, sexually reproduced plants were not included under the 1930 Act because new varieties could not be reproduced true-to-type through seedlings. Brief for Petitioner 27, n. 31. By 1970, however, it was generally recognized that true-to-type reproduction was possible and that plant patent protection was therefore appropriate. The 1970 Act extended that protection. There is nothing in its language or history to suggest that it was enacted because § 101 did not include living things.

In particular, we find nothing in the exclusion of bacteria from plant variety protection to support the petitioner's position. See n. 7, *supra*. The legislative history gives no reason for this exclusion. As the Court of Customs and Patent Appeals suggested, it may simply reflect congressional agreement with the result reached by that court in deciding *In re Arzberger*, 27 C.C.P.A. (Pat.) 1315, 112 F.2d 834 (1940), which held that bacteria were not plants for the purposes of the 1930 Act. Or it may reflect the fact that prior to 1970 the Patent Office had issued



patents for bacteria under § 101.<sup>10</sup> In any event, absent some clear indication that Congress “focused on [the] issues ... directly related to the one presently before the Court,” *SEC v. Sloan*, 436 U.S. 103, 120-121, 98 S.Ct. 1702, 1713, 56 L.Ed.2d 148 (1978), there is no basis for reading into its actions an intent to modify the plain meaning of the words found in § 101. See *TVA v. Hill*, 437 U.S. 153, 189-193, 98 S.Ct. 2279, 2299-2301, 57 L.Ed.2d 117 (1978); *United States v. Price*, 361 U.S. 304, 313, 80 S.Ct. 326, 331, 4 L.Ed.2d 334 (1960).

(B)

The petitioner’s second argument is that micro-organisms cannot qualify as patentable subject matter until Congress expressly authorizes such protection. His position rests on the fact that genetic technology was unforeseen when Congress enacted § 101. From this it is argued that resolution of the patentability of inventions such as respondent’s should be left to Congress. The legislative process, the petitioner argues, is best equipped to weigh the competing economic, social, and scientific considerations involved, and to determine whether living organisms produced by genetic engineering should receive patent protection. In support of this position, the petitioner relies on our recent holding in *Parker v. Flook*, 437 U.S. 584, 98 S.Ct. 2522, 57 L.Ed.2d 451 (1978), and the statement that the judiciary “must proceed cautiously when ... asked to extend patent rights into areas wholly unforeseen by Congress.” *Id.*, at 596, 98 S.Ct. at 2529.

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<sup>10</sup> Even an abbreviated list of patented inventions underscores the point: telegraph (Morse, No. 1,647); telephone (Bell, No. 174,465); electric lamp (Edison, No. 223,898); airplane (the Wrights, No. 821,393); transistor (Bardeen & Brattain, No. 2,524,035); neutronic reactor (Fermi & Szilard, No. 2,708,656); laser (Schawlow & Townes, No. 2,929,922). See generally *Revolutionary Ideas, Patents & Progress in America*, United States Patent and Trademark Office (1976).

It is, of course, correct that Congress, not the courts, must define the limits of patentability; but it is equally true that once Congress has spoken it is “the province and duty of the judicial department to say what the law is.” *Marbury v. Madison*, 1 Cranch 137, 177, 2 L.Ed. 60 (1803). Congress has performed its constitutional role in defining patentable subject matter in § 101; we perform ours in construing the language Congress has employed. In so doing, our obligation is to take statutes as we find them, guided, if ambiguity appears, by the legislative history and statutory purpose. Here, we perceive no ambiguity. The subject-matter provisions of the patent law have been cast in broad terms to fulfill the constitutional and statutory goal of promoting “the Progress of Science and the useful Arts” with all that means for the social and economic benefits envisioned by Jefferson. Broad general language is not necessarily ambiguous when congressional objectives require broad terms.

Nothing in *Flook* is to the contrary. That case applied our prior precedents to determine that a “claim for an improved method of calculation, even when tied to a specific end use, is unpatentable subject matter under § 101.” 437 U.S., at 595, n. 18, 98 S.Ct., at 2528, n. 18. The Court carefully scrutinized the claim at issue to determine whether it was precluded from patent protection under “the principles underlying the prohibition against patents for ‘ideas’ or phenomena of nature.” *Id.*, at 593, 98 S.Ct. at 2527. We have done that here. *Flook* did not announce a new principle that inventions in areas not contemplated by Congress when the patent laws were enacted are unpatentable *per se*.

To read that concept into *Flook* would frustrate the purposes of the patent law. This Court frequently has observed that a statute is not to be confined to the “particular application[s] ... contemplated by the legislators.” *Barr v. United States*, 324 U.S. 83, 90, 65 S.Ct.

522, 525, 89 L.Ed. 765 (1945). Accord, *Browder v. United States*, 312 U.S. 335, 339, 61 S.Ct. 599, 601, 85 L.Ed. 862 (1941); *Puerto Rico v. Shell Co.*, 302 U.S. 253, 257, 58 S.Ct. 167, 169, 82 L.Ed. 235 (1937). This is especially true in the field of patent law. A rule that unanticipated inventions are without protection would conflict with the core concept of the patent law that anticipation undermines patentability. See *Graham v. John Deere Co.*, 383 U.S., at 12-17, 86 S.Ct., at 691-693. Mr. Justice Douglas reminded that the inventions most benefiting mankind are those that “push back the frontiers of chemistry, physics, and the like.” *Great A. & P. Tea Co. v. Supermarket Corp.*, 340 U.S. 147, 154, 71 S.Ct. 127, 131, 95 L.Ed. 162 (1950) (concurring opinion). Congress employed broad general language in drafting § 101 precisely because such inventions are often unforeseeable.<sup>11</sup>

To buttress his argument, the petitioner, with the support of *amicus*, points to grave risks that may be generated by research endeavors such as respondent’s. The briefs present a gruesome parade of horrors. Scientists, among them Nobel laureates, are quoted suggesting that genetic research may pose a serious threat to the human race, or, at the very least, that the dangers are far too substantial to permit such research to proceed apace at this time. We are told that genetic research and related technological developments may spread pollution and disease, that it may result in a loss

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<sup>11</sup> We are not to be understood as suggesting that the political branches have been laggard in the consideration of the problems related to genetic research and technology. They have already taken action. In 1976, for example, the National Institutes of Health released guidelines for NIH-sponsored genetic research which established conditions under which such research could be performed. 41 Fed.Reg. 27902. In 1978 those guidelines were revised and relaxed. 43 Fed.Reg. 60080, 60108, 60134. And Committees of the Congress have held extensive hearings on these matters. See, *e. g.*, Hearings on Genetic Engineering before the Subcommittee on Health of the Senate Committee on Labor and Public Welfare, 94th Cong., 1st Sess. (1975); Hearings before the Subcommittee on Science, Technology, and Space of the Senate Committee on Commerce, Science, and Transportation, 95th Cong., 1st Sess. (1977); Hearings on H.R. 4759 et al. before the Subcommittee on Health and the Environment of the House Committee on Interstate and Foreign Commerce, 95th Cong., 1st Sess. (1977).

of genetic diversity, and that its practice may tend to depreciate the value of human life. These arguments are forcefully, even passionately, presented; they remind us that, at times, human ingenuity seems unable to control fully the forces it creates – that with Hamlet, it is sometimes better “to bear those ills we have than fly to others that we know not of.”

It is argued that this Court should weigh these potential hazards in considering whether respondent’s invention is patentable subject matter under § 101. We disagree. The grant or denial of patents on micro-organisms is not likely to put an end to genetic research or to its attendant risks. The large amount of research that has already occurred when no researcher had sure knowledge that patent protection would be available suggests that legislative or judicial fiat as to patentability will not deter the scientific mind from probing into the unknown any more than Canute could command the tides. Whether respondent’s claims are patentable may determine whether research efforts are accelerated by the hope of reward or slowed by want of incentives, but that is all.

What is more important is that we are without competence to entertain these arguments – either to brush them aside as fantasies generated by fear of the unknown, or to act on them. The choice we are urged to make is a matter of high policy for resolution within the legislative process after the kind of investigation, examination, and study that legislative bodies can provide and courts cannot. That process involves the balancing of competing values and interests, which in our democratic system is the business of elected representatives. Whatever their validity, the contentions now pressed on us should be addressed to the political

branches of the Government, the Congress and the Executive, and not to the courts.<sup>12</sup>

We have emphasized in the recent past that “[o]ur individual appraisal of the wisdom or unwisdom of a particular [legislative] course ... is to be put aside in the process of interpreting a statute.” *TVA v. Hill*, 437 U.S., at 194, 98 S.Ct., at 2302. Our task, rather, is the narrow one of determining what Congress meant by the words it used in the statute; once that is done our powers are exhausted. Congress is free to amend § 101 so as to exclude from patent protection organisms produced by genetic engineering. Cf. 42 U.S.C. § 2181(a), exempting from patent protection inventions “useful solely in the utilization of special nuclear material or atomic energy in an atomic weapon.” Or it may chose to craft a statute specifically designed for such living things. But, until Congress takes such action, this Court must construe the language of § 101 as it is. The language of that section fairly embraces respondent’s invention.

Accordingly, the judgment of the Court of Customs and Patent Appeals is

*Affirmed.*

MR. JUSTICE BRENNAN, with whom MR. JUSTICE WHITE, MR. JUSTICE MARSHALL, AND MR. JUSTICE POWELL join, dissenting.

I agree with the Court that the question before us is a narrow one. Neither the future of scientific research, nor even, the ability of respondent Chakrabarty to reap some monopoly profits from his pioneering work, is at stake. Patents on the processes by which he has produced and employed the new living organism are not contested. The

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<sup>12</sup> I read the Court to admit that the popular conception, even among advocates of agricultural patents, was that living organisms were unpatentable. See *ante*, at 311-312, and n. 8.

only question we need decide is whether Congress, exercising its authority under Art. I, § 8, of the Constitution, intended that he be able to secure a monopoly on the living organism itself, no matter how produced or how used. Because I believe the Court has misread the applicable legislation, I dissent.

The patent laws attempt to reconcile this Nation's deep seated antipathy to monopolies with the need to encourage progress. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530-531, 92 S.Ct. 1700, 1707-1708, 32 L.Ed.2d 273 (1972); *Graham v. John Deere Co.*, 383 U.S. 1, 7-10, 86 S.Ct. 684, 668-690, 15 L.Ed.2d 545 (1966). Given the complexity and legislative nature of this delicate task, we must be careful to extend patent protection no further than Congress has provided. In particular, were there an absence of legislative direction, the courts should leave to Congress the decisions whether and how far to extend the patent privilege into areas where the common understanding has been that patents are not available.<sup>13</sup> Cf. *Deepsouth Packing Co. v. Laitram Corp.*, *supra*.

In this case, however, we do not confront a complete legislative vacuum. The sweeping language of the Patent Act of 1793, as re-enacted in 1952, is not the last

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<sup>13</sup> But even if I agreed with the Court that the 1930 and 1970 Acts were not dispositive, I would dissent. This case presents even more cogent reasons than *Deepsouth Packing Co.* not to extend the patent monopoly in the face of uncertainty. At the very least, these Acts are signs of legislative attention to the problems of patenting living organisms, but they give no affirmative indication of congressional intent that bacteria be patentable. The caveat of *Parker v. Flook*, 437 U.S. 584, 596, 90 S.Ct. 2522, 2529, 57 L.Ed.2d 451 (1978), an admonition to "proceed cautiously when we are asked to extend patent rights into areas wholly unforeseen by Congress," therefore becomes pertinent. I should think the necessity for caution is that much greater when we are asked to extend patent rights into areas Congress has foreseen and considered but has not resolved.

pronouncement Congress has made in this area. In 1930 Congress enacted the Plant Patent Act affording patent protection to developers of certain asexually reproduced plants. In 1970 Congress enacted the Plant Variety Protection Act to extend protection to certain new plant varieties capable of sexual reproduction. Thus, we are not dealing – as the Court would have it – with the routine problem of “unanticipated inventions.” *Ante*, at 316. In these two Acts Congress has addressed the general problem of patenting animate inventions and has chosen carefully limited language granting protection to some kinds of discoveries, but specifically excluding others. These Acts strongly evidence a congressional limitation that excludes bacteria from patentability.<sup>2</sup>

First, the Acts evidence Congress’ understanding, at least since 1930, that § 101 does not include living organisms. If newly developed living organisms not naturally occurring had been patentable under § 101, the plants included in the scope of the 1930 and 1970 Acts could have been patented without new legislation. Those plants, like the bacteria involved in this case, were new varieties not naturally occurring.<sup>14</sup> Although the Court, *ante*, at 311, rejects this line of argument, it does not explain why the Acts were necessary unless to correct a pre-existing situation.<sup>15</sup> I cannot share the Court’s implicit assumption that Congress was engaged in either idle exercises or mere correction of the public record when it enacted the 1930 and 1970 Acts.

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<sup>14</sup> The Court refers to the logic employed by Congress in choosing not to perpetuate the “dichotomy” suggested by Secretary Hyde. *Ante*, at 313. But by this logic the bacteria at issue here are distinguishable from a “mineral ... created wholly by nature” in exactly the same way as were the new varieties of plants. If a new Act was needed to provide patent protection for the plants, it was equally necessary for bacteria. Yet Congress provided for patents on plants but not on these bacteria. In short, Congress decided to make only a subset of animate “human-made inventions,” *ibid.*, patentable.

<sup>15</sup> If the 1930 Act’s only purpose were to solve the technical problem of description referred to by the Court, *ante*, at 312, most of the Act, and in particular its limitation to asexually reproduced plants, would have been totally unnecessary.

And Congress certainly thought it was doing something significant. The Committee Reports contain expansive prose about the previously unavailable benefits to be derived from extending patent protection to plants.<sup>16</sup> H.R. Rep. No. 91-1605, pp. 1-3 (1970), U.S.Code Cong. & Admin.News 1970, p. 5082; S.Rep.No.315, 71st Cong., 2d Sess., 1-3 (1930). Because Congress thought it had to legislate in order to make agricultural “human-made inventions” patentable and because the legislation Congress enacted is limited, it follows that Congress never meant to make items outside the scope of the legislation patentable.

Second, the 1970 Act clearly indicates that Congress has included bacteria within the focus of its legislative concern, but not within the scope of patent protection. Congress specifically excluded bacteria from the coverage of the 1970 Act. 7 U.S.C. § 2402(a). The Court’s attempts to supply explanations for this explicit exclusion ring hollow. It is true that there is no mention in the legislative history of the exclusion, but that does not give us license to invent reasons. The fact is that Congress, assuming that animate objects as to which it had not specifically legislated could not be patented, excluded bacteria from the set of patentable organisms.

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<sup>16</sup> Secretary Hyde’s letter was not the only explicit indication in the legislative history of these Acts that Congress was acting on the assumption that legislation was necessary to make living organisms patentable. The Senate Judiciary Committee Report on the 1970 Act states the Committee’s understanding that patent protection extended no further than the explicit provisions of these Acts:

Under the patent law, patent protection is limited to those varieties of plants which reproduce asexually, that is, by such methods as grafting or budding. No protection is available to those varieties of plants which reproduce sexually, that is, generally by seeds.

S.Rep.No.91-1246, p. 3 (1970).

Similarly, Representative Poage, speaking for the 1970 Act, after noting the protection accorded asexually developed plants, stated that “for plants produced from seed, there has been no such protection.” 116 Cong.Rec. 40295 (1970).



The Court protests that its holding today is dictated by the broad language of § 101, which cannot “be confined to the ‘particular application[s] ... contemplated by the legislators.’ ” *Ante*, at 315, quoting *Barr v. United States*, 324 U.S. 83, 90, 65 S.Ct. 522, 525, 89 L.Ed. 765 (1945). But as I have shown, the Court’s decision does not follow the unavoidable implications of the statute. Rather, it extends the patent system to cover living material even though Congress plainly has legislated in the belief that § 101 does not encompass living organisms. It is the role of Congress, not this Court, to broaden or narrow the reach of the patent laws. This is especially true where, as here, the composition sought to be patented uniquely implicates matters of public concern.

### 3.4 Copyright

#### 3.4.1. Eligibility

#### **Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340 (1991)**

O’CONNOR J., delivered the opinion of the Court, in which REHNQUIST, C.J., and WHITE, MARSHALL, STEVENS, SCALIA, KENNEDY, and SOUTER, JJ., joined. BLACKMUN, J., concurred in the judgment.

Kyler Knobbe, Cimarron, Kan., for petitioner.

James M. Caplinger, Jr., Topeka, Kan., for respondent.

JUSTICE O’CONNOR delivered the opinion of the Court.

This case requires us to clarify the extent of copyright protection available to telephone directory white pages.

I

Rural Telephone Service Company, Inc., is a certified public utility that provides telephone service to several communities in northwest Kansas. It is subject to a state regulation that requires all telephone companies operating

in Kansas to issue annually an updated telephone directory. Accordingly, as a condition of its monopoly franchise, Rural publishes a typical telephone directory, consisting of white pages and yellow pages. The white pages list in alphabetical order the names of Rural's subscribers, together with their towns and telephone numbers. The yellow pages list Rural's business subscribers alphabetically by category and feature classified advertisements of various sizes. Rural distributes its directory free of charge to its subscribers, but earns revenue by selling yellow pages advertisements.

Feist Publications, Inc., is a publishing company that specializes in area-wide telephone directories. Unlike a typical directory, which covers only a particular calling area, Feist's area-wide directories cover a much larger geographical range, reducing the need to call directory assistance or consult multiple directories. The Feist directory that is the subject of this litigation covers 11 different telephone service areas in 15 counties and contains 46,878 white pages listings – compared to Rural's approximately 7,700 listings. Like Rural's directory, Feist's is distributed free of charge and includes both white pages and yellow pages. Feist and Rural compete vigorously for yellow pages advertising.

As the sole provider of telephone service in its service area, Rural obtains subscriber information quite easily. Persons desiring telephone service must apply to Rural and provide their names and addresses; Rural then assigns them a telephone number. Feist is not a telephone company, let alone one with monopoly status, and therefore lacks independent access to any subscriber information. To obtain white pages listings for its area-wide directory, Feist approached each of the 11 telephone companies operating in northwest Kansas and offered to pay for the right to use its white pages listings.

Of the 11 telephone companies, only Rural refused to license its listings to Feist. Rural's refusal created a problem for Feist, as omitting these listings would have left a gaping hole in its area-wide directory, rendering it less attractive to potential yellow pages advertisers. In a decision subsequent to that which we review here, the District Court determined that this was precisely the reason Rural refused to license its listings. The refusal was motivated by an unlawful purpose "to extend its monopoly in telephone service to a monopoly in yellow pages advertising." *Rural Telephone Service Co. v. Feist Publications, Inc.*, 737 F.Supp. 610, 622 (Kan.1990).

Unable to license Rural's white pages listings, Feist used them without Rural's consent. Feist began by removing several thousand listings that fell outside the geographic range of its area-wide directory, then hired personnel to investigate the 4,935 that remained. These employees verified the data reported by Rural and sought to obtain additional information. As a result, a typical Feist listing includes the individual's street address; most of Rural's listings do not. Notwithstanding these additions, however, 1,309 of the 46,878 listings in Feist's 1983 directory were identical to listings in Rural's 1982-1983 white pages. App. 54 (¶ 15-16), 57. Four of these were fictitious listings that Rural had inserted into its directory to detect copying.

Rural sued for copyright infringement in the District Court for the District of Kansas taking the position that Feist, in compiling its own directory, could not use the information contained in Rural's white pages. Rural asserted that Feist's employees were obliged to travel door-to-door or conduct a telephone survey to discover the same information for themselves. Feist responded that such efforts were economically impractical and, in any event, unnecessary because the information copied was beyond the scope of copyright protection. The District Court granted summary

judgment to Rural, explaining that “[c]ourts have consistently held that telephone directories are copyrightable” and citing a string of lower court decisions. 663 F.Supp. 214, 218 (1987). In an unpublished opinion, the Court of Appeals for the Tenth Circuit affirmed “for substantially the reasons given by the district court.” App. to Pet. for Cert. 4a, judgt. order reported at 916 F.2d 718 (1990). We granted certiorari, 498 U.S. 808, 111 S.Ct. 40, 112 L.Ed.2d 17 (1990), to determine whether the copyright in Rural’s directory protects the names, towns, and telephone numbers copied by Feist.

## II

### A.

This case concerns the interaction of two well-established propositions. The first is that facts are not copyrightable; the other, that compilations of facts generally are. Each of these propositions possesses an impeccable pedigree. That there can be no valid copyright in facts is universally understood. The most fundamental axiom of copyright law is that “[n]o author may copyright his ideas or the facts he narrates.” *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 556, 105 S.Ct. 2218, 2228, 85 L.Ed.2d 588 (1985). Rural wisely concedes this point, noting in its brief that “[f]acts and discoveries, of course, are not themselves subject to copyright protection.” Brief for Respondent 24. At the same time, however, it is beyond dispute that compilations of facts are within the subject matter of copyright. Compilations were expressly mentioned in the Copyright Act of 1909, and again in the Copyright Act of 1976.

There is an undeniable tension between these two propositions. Many compilations consist of nothing but raw data *i.e.*, wholly factual information not accompanied by any original written expression. On what basis may one

claim a copyright in such a work? Common sense tells us that 100 uncopyrightable facts do not magically change their status when gathered together in one place. Yet copyright law seems to contemplate that compilations that consist exclusively of facts are potentially within its scope.

The key to resolving the tension lies in understanding why facts are not copyrightable. The *sine qua non* of copyright is originality. To qualify for copyright protection, a work must be original to the author. See *Harper & Row, supra*, at 547-549, 105 S.Ct., at 2223-2224. Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity. 1 M. Nimmer & D. Nimmer, Copyright §§ 2.01[A], [B] (1990) (hereinafter Nimmer). To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily, as they possess some creative spark, “no matter how crude, humble or obvious” it might be. *Id.*, § 1.08[C][1]. Originality does not signify novelty; a work may be original even though it closely resembles other works so long as the similarity is fortuitous, not the result of copying. To illustrate, assume that two poets, each ignorant of the other, compose identical poems. Neither work is novel, yet both are original and, hence, copyrightable. See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54 (CA2 1936).

Originality is a constitutional requirement. The source of Congress’ power to enact copyright laws is Article I, § 8, cl. 8, of the Constitution, which authorizes Congress to “secur[e] for limited Times to Authors ... the exclusive Right to their respective Writings.” In two decisions from the late 19th century *The Trade-Mark Cases*, 100 U.S. 82, 25 L.Ed. 550 (1879); and *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 4 S.Ct. 279, 28 L.Ed. 349 (1884) – this Court defined the crucial terms “authors” and “writings.” In so

doing, the Court made it unmistakably clear that these terms presuppose a degree of originality.

In *The Trade-Mark Cases*, the Court addressed the constitutional scope of “writings.” For a particular work to be classified “under the head of writings of authors,” the Court determined, “originality is required.” 100 U.S., at 94. The Court explained that originality requires independent creation plus a modicum of creativity: “[W]hile the word *writings* may be liberally construed, as it has been, to include original designs for engraving, prints, &c., it is only such as are *original*, and are founded in the creative powers of the mind. The writings which are to be protected are *the fruits of intellectual labor*, embodied in the form of books, prints, engravings, and the like.” *Ibid.* (emphasis in original).

In *Burrow-Giles*, the Court distilled the same requirement from the Constitution’s use of the word “authors.” The Court defined “author,” in a constitutional sense, to mean “he to whom anything owes its origin; originator; maker.” 111 U.S., at 58, 4 S.Ct., at 281 (internal quotation marks omitted). As in *The Trade-Mark Cases*, the Court emphasized the creative component of originality. It described copyright as being limited to “original intellectual conceptions of the author,” 111 U.S., at 58, 4 S.Ct., at 281, and stressed the importance of requiring an author who accuses another of infringement to prove “the existence of those facts of originality, of intellectual production, of thought, and conception.” *Id.*, at 59-60, 4 S.Ct., at 281-282.

The originality requirement articulated in *The Trade-Mark Cases* and *Burrow-Giles* remains the touchstone of copyright protection today. See *Goldstein v. California*, 412 U.S. 546, 561-562, 93 S.Ct. 2303, 2312, 37 L.Ed.2d 163 (1973). It is the very “premise of copyright law.” *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 1368 (CA5 1981). Leading scholars agree on this point. As one pair of commentators succinctly puts it: “The originality requirement is *constitutionally mandated* for all works.” Patterson & Joyce,

Monopolizing the Law: The Scope of Copyright Protection for Law Reports and Statutory Compilations, 36 UCLA L.Rev. 719, 763, n. 155 (1989) (emphasis in original) (hereinafter Patterson & Joyce). Accord, *id.*, at 759-760, and n. 140; Nimmer § 1.06[A] (“[O]riginality is a statutory as well as a constitutional requirement”); *id.*, § 1.08[C][1] (“[A] modicum of intellectual labor ... clearly constitutes an essential constitutional element”).

It is this bedrock principle of copyright that mandates the law’s seemingly disparate treatment of facts and factual compilations. “No one may claim originality as to facts.” *Id.*, § 2.11[A], p. 2-157. This is because facts do not owe their origin to an act of authorship. The distinction is one between creation and discovery: The first person to find and report a particular fact has not created the fact; he or she has merely discovered its existence. To borrow from *Burrow-Giles*, one who discovers a fact is not its “maker” or “originator.” 111 U.S., at 58, 4 S.Ct., at 281. “The discoverer merely finds and records.” Nimmer § 2.03[E]. Census takers, for example, do not “create” the population figures that emerge from their efforts; in a sense, they copy these figures from the world around them. Denicola, Copyright in Collections of Facts: A Theory for the Protection of Nonfiction Literary Works, 81 Colum.L.Rev. 516, 525 (1981) (hereinafter Denicola). Census data therefore do not trigger copyright because these data are not “original” in the constitutional sense. Nimmer § 2.03[E]. The same is true of all facts – scientific, historical, biographical, and news of the day. “[T]hey may not be copyrighted and are part of the public domain available to every person.” *Miller, supra*, at 1369.

Factual compilations, on the other hand, may possess the requisite originality. The compilation author typically chooses which facts to include, in what order to place them, and how to arrange the collected data so that they may be used effectively by readers. These choices as to

selection and arrangement, so long as they are made independently by the compiler and entail a minimal degree of creativity, are sufficiently original that Congress may protect such compilations through the copyright laws. Nimmer §§ 2.11[D], 3.03; Denicola 523, n. 38. Thus, even a directory that contains absolutely no protectible written expression, only facts, meets the constitutional minimum for copyright protection if it features an original selection or arrangement. See *Harper & Row*, 471 U.S., at 547, 105 S.Ct., at 2223. Accord, Nimmer § 3.03.

This protection is subject to an important limitation. The mere fact that a work is copyrighted does not mean that every element of the work may be protected. Originality remains the *sine qua non* of copyright; accordingly, copyright protection may extend only to those components of a work that are original to the author. Patterson & Joyce 800-802; Ginsburg, Creation and Commercial Value: Copyright Protection of Works of Information, 90 Colum.L.Rev. 1865, 1868, and n. 12 (1990) (hereinafter Ginsburg). Thus, if the compilation author clothes facts with an original collocation of words, he or she may be able to claim a copyright in this written expression. Others may copy the underlying facts from the publication, but not the precise words used to present them. In *Harper & Row*, for example, we explained that President Ford could not prevent others from copying bare historical facts from his autobiography, see 471 U.S., at 556-557, 105 S.Ct., at 2228-2229, but that he could prevent others from copying his “subjective descriptions and portraits of public figures.” *Id.*, at 563, 105 S.Ct., at 2232. Where the compilation author adds no written expression but rather lets the facts speak for themselves, the expressive element is more elusive. The only conceivable expression is the manner in which the compiler has selected and arranged the facts. Thus, if the selection and arrangement are original, these elements of the work are eligible for copyright protection. See Patry,



Copyright in Compilations of Facts (or Why the “White Pages” Are Not Copyrightable), 12 Com. & Law 37, 64 (Dec. 1990) (hereinafter Patry). No matter how original the format, however, the facts themselves do not become original through association. See Patterson & Joyce 776.

This inevitably means that the copyright in a factual compilation is thin. Notwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another’s publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement. As one commentator explains it: “[N]o matter how much original authorship the work displays, the facts and ideas it exposes are free for the taking... . [T]he very same facts and ideas may be divorced from the context imposed by the author, and restated or reshuffled by second comers, even if the author was the first to discover the facts or to propose the ideas.” Ginsburg 1868.

It may seem unfair that much of the fruit of the compiler’s labor may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not “some unforeseen byproduct of a statutory scheme.” *Harper & Row*, 471 U.S., at 589, 105 S.Ct., at 2245 (dissenting opinion). It is, rather, “the essence of copyright,” *ibid.*, and a constitutional requirement. The primary objective of copyright is not to reward the labor of authors, but “[t]o promote the Progress of Science and useful Arts.” Art. I, § 8, cl. 8. Accord, *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156, 95 S.Ct. 2040, 2044, 45 L.Ed.2d 84 (1975). To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. *Harper & Row*, *supra*, 471 U.S., at 556-557, 105 S.Ct., at 2228-2229. This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship. As applied to

a factual compilation, assuming the absence of original written expression, only the compiler's selection and arrangement may be protected; the raw facts may be copied at will. This result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science and art.

This Court has long recognized that the fact/expression dichotomy limits severely the scope of protection in fact-based works. More than a century ago, the Court observed: "The very object of publishing a book on science or the useful arts is to communicate to the world the useful knowledge which it contains. But this object would be frustrated if the knowledge could not be used without incurring the guilt of piracy of the book." *Baker v. Selden*, 101 U.S. 99, 103, 25 L.Ed. 841 (1880). We reiterated this point in *Harper & Row*:

[N]o author may copyright facts or ideas. The copyright is limited to those aspects of the work – termed 'expression' – that display the stamp of the author's originality. [C]opyright does not prevent subsequent users from copying from a prior author's work those constituent elements that are not original – for example ... facts, or materials in the public domain – as long as such use does not unfairly appropriate the author's original contributions.

471 U.S., at 547-548, 105 S.Ct., at 2223-2224 (citation omitted).

This, then, resolves the doctrinal tension: Copyright treats facts and factual compilations in a wholly consistent manner. Facts, whether alone or as part of a compilation, are not original and therefore may not be copyrighted. A factual compilation is eligible for copyright if it features an

original selection or arrangement of facts, but the copyright is limited to the particular selection or arrangement. In no event may copyright extend to the facts themselves.

## B.

As we have explained, originality is a constitutionally mandated prerequisite for copyright protection. The Court's decisions announcing this rule predate the Copyright Act of 1909, but ambiguous language in the 1909 Act caused some lower courts temporarily to lose sight of this requirement.

The 1909 Act embodied the originality requirement, but not as clearly as it might have. See Nimmer § 2.01. The subject matter of copyright was set out in §§ 3 and 4 of the Act. Section 4 stated that copyright was available to “all the writings of an author.” 35 Stat. 1076. By using the words “writings” and “author” – the same words used in Article I, § 8, of the Constitution and defined by the Court in *The Trade-Mark Cases* and *Burrow-Giles* – the statute necessarily incorporated the originality requirement articulated in the Court's decisions. It did so implicitly, however, thereby leaving room for error.

Section 3 was similarly ambiguous. It stated that the copyright in a work protected only “the copyrightable component parts of the work.” It thus stated an important copyright principle, but failed to identify the specific characteristic originality – that determined which component parts of a work were copyrightable and which were not.

Most courts construed the 1909 Act correctly, notwithstanding the less-than-perfect statutory language. They understood from this Court's decisions that there could be no copyright without originality. See Patterson & Joyce 760-761. As explained in the Nimmer treatise: “The 1909 Act neither defined originality, nor even expressly

required that a work be ‘original’ in order to command protection. However, the courts uniformly inferred the requirement from the fact that copyright protection may only be claimed by ‘authors’... . It was reasoned that since an author is ‘the ... creator, originator’ it follows that a work is not the product of an author unless the work is original.” Nimmer § 2.01 (footnotes omitted) (citing cases).

But some courts misunderstood the statute. See, e.g., *Leon v. Pacific Telephone & Telegraph Co.*, 91 F.2d 484 (CA9 1937); *Jeweler’s Circular Publishing Co. v. Keystone Publishing Co.*, 281 F. 83 (CA2 1922). These courts ignored §§ 3 and 4, focusing their attention instead on § 5 of the Act. Section 5, however, was purely technical in nature: It provided that a person seeking to register a work should indicate on the application the type of work, and it listed 14 categories under which the work might fall. One of these categories was “[b]ooks, including composite and cyclopaedic works, directories, gazetteers, and other compilations.” § 5(a). Section 5 did not purport to say that all compilations were automatically copyrightable. Indeed, it expressly disclaimed any such function, pointing out that “the subject-matter of copyright [i]s defined in section four.” Nevertheless, the fact that factual compilations were mentioned specifically in § 5 led some courts to infer erroneously that directories and the like were copyrightable *per se*, “without any further or precise showing of original – personal – authorship.” Ginsburg 1895.

Making matters worse, these courts developed a new theory to justify the protection of factual compilations. Known alternatively as “sweat of the brow” or “industrious collection,” the underlying notion was that copyright was a reward for the hard work that went into compiling facts. The classic formulation of the doctrine appeared in *Jeweler’s Circular Publishing Co.*, 281 F., at 88:

The right to copyright a book upon which one has expended labor in its preparation does not depend upon whether the materials which he has collected consist or not of matters which are *publici juris*, or whether such materials show literary skill *or originality*, either in thought or in language, or anything more than industrious collection. The man who goes through the streets of a town and puts down the names of each of the inhabitants, with their occupations and their street number, acquires material of which he is the author.

(emphasis added).

The “sweat of the brow” doctrine had numerous flaws, the most glaring being that it extended copyright protection in a compilation beyond selection and arrangement – the compiler’s original contributions – to the facts themselves. Under the doctrine, the only defense to infringement was independent creation. A subsequent compiler was “not entitled to take one word of information previously published,” but rather had to “independently wor[k] out the matter for himself, so as to arrive at the same result from the same common sources of information.” *Id.*, at 88-89 (internal quotations omitted). “Sweat of the brow” courts thereby eschewed the most fundamental axiom of copyright law – that no one may copyright facts or ideas. See *Miller v. Universal City Studios, Inc.*, 650 F.2d, at 1372 (criticizing “sweat of the brow” courts because “ensur[ing] that later writers obtain the facts independently ... is precisely the scope of protection given ... copyrighted matter, and the law is clear that facts are not entitled to such protection”).

Decisions of this Court applying the 1909 Act make clear that the statute did not permit the “sweat of the brow” approach. The best example is *International News Service v. Associated Press*, 248 U.S. 215, 39 S.Ct. 68, 63 L.Ed. 211 (1918). In that decision, the Court stated unambiguously that the 1909 Act conferred copyright protection only on those elements of a work that were original to the author. *International News Service* had conceded taking news reported by Associated Press and publishing it in its own newspapers. Recognizing that § 5 of the Act specifically mentioned “ ‘periodicals, including newspapers,’ ” § 5(b), the Court acknowledged that news articles were copyrightable. *Id.*, at 234, 39 S.Ct., at 70. It flatly rejected, however, the notion that the copyright in an article extended to the factual information it contained: “[T]he news element – the information respecting current events contained in the literary production – is not the creation of the writer, but is a report of matters that ordinarily are *publici juris*; it is the history of the day.” *Ibid.*<sup>1</sup>

Without a doubt, the “sweat of the brow” doctrine flouted basic copyright principles. Throughout history, copyright law has “recognize[d] a greater need to disseminate factual works than works of fiction or fantasy.” *Harper & Row*, 471 U.S., at 563, 105 S.Ct., at 2232. Accord, Gorman, Fact or Fancy: The Implications for Copyright, 29 J. Copyright Soc. 560, 563 (1982). But “sweat of the brow” courts took a contrary view; they handed out proprietary interests in facts and declared that authors are absolutely precluded from saving time and effort by relying upon the facts contained in prior works. In truth, “[i]t is just such wasted effort that the proscription against the copyright of ideas and facts ...

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<sup>1</sup> The Court ultimately rendered judgment for Associated Press on noncopyright grounds that are not relevant here. See 248 U.S., at 235, 241-242, 39 S.Ct., at 71, 73-74.

[is] designed to prevent.” *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 310 (CA2 1966), cert. denied 385 U.S. 1009, 87 S.Ct. 714, 17 L.Ed.2d 546 (1967). “Protection for the fruits of such research ... may in certain circumstances be available under a theory of unfair competition. But to accord copyright protection on this basis alone distorts basic copyright principles in that it creates a monopoly in public domain materials without the necessary justification of protecting and encouraging the creation of ‘writings’ by ‘authors.’ ” Nimmer § 3.04, p. 3-23 (footnote omitted).

### C.

“Sweat of the brow” decisions did not escape the attention of the Copyright Office. When Congress decided to overhaul the copyright statute and asked the Copyright Office to study existing problems, see *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 159, 105 S.Ct. 638, 642, 83 L.Ed.2d 556 (1985), the Copyright Office promptly recommended that Congress clear up the confusion in the lower courts as to the basic standards of copyrightability. The Register of Copyrights explained in his first report to Congress that “originality” was a “basic requisit[e]” of copyright under the 1909 Act, but that “the absence of any reference to [originality] in the statute seems to have led to misconceptions as to what is copyrightable matter.” Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., p. 9 (H. Judiciary Comm. Print 1961). The Register suggested making the originality requirement explicit. *Ibid.*

Congress took the Register’s advice. In enacting the Copyright Act of 1976, Congress dropped the reference to “all the writings of an author” and replaced it with the phrase “original works of authorship.” 17 U.S.C. § 102(a). In making explicit the originality requirement, Congress announced that it was merely clarifying existing law: “The

two fundamental criteria of copyright protection [are] originality and fixation in tangible form... . The phrase ‘original works of authorship,’ which is purposely left undefined, is intended to incorporate without change *the standard of originality established by the courts under the present [1909] copyright statute.*” H.R.Rep. No. 94-1476, p. 51 (1976) (emphasis added) (hereinafter H.R.Rep.); S.Rep. No. 94-473, p. 50 (1975), U.S.Code Cong. & Admin.News 1976, pp. 5659, 5664 (emphasis added) (hereinafter S.Rep.). This sentiment was echoed by the Copyright Office: “Our intention here is to maintain the *established standards* of originality... .” Supplementary Report of the Register of Copyrights on the General Revision of U.S. Copyright Law, 89th Cong., 1st Sess., pt. 6, p. 3 (H. Judiciary Comm. Print 1965) (emphasis added).

To ensure that the mistakes of the “sweat of the brow” courts would not be repeated, Congress took additional measures. For example, § 3 of the 1909 Act had stated that copyright protected only the “copyrightable component parts” of a work, but had not identified originality as the basis for distinguishing those component parts that were copyrightable from those that were not. The 1976 Act deleted this section and replaced it with § 102(b), which identifies specifically those elements of a work for which copyright is not available: “In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.” Section 102(b) is universally understood to prohibit any copyright in facts. *Harper & Row, supra*, at 547, 556, 105 S.Ct., at 2223, 2228. Accord, *Nimmer* § 2.03[E] (equating facts with “discoveries”). As with § 102(a), Congress emphasized that § 102(b) did not change the law, but merely clarified it: “Section 102(b) in no way enlarges or contracts the scope of copyright protection under the



present law. Its purpose is to restate ... that the basic dichotomy between expression and idea remains unchanged.” H.R.Rep., at 57; S.Rep., at 54, U.S.Code Cong. & Admin.News 1976, p. 5670.

Congress took another step to minimize confusion by deleting the specific mention of “directories ... and other compilations” in § 5 of the 1909 Act. As mentioned, this section had led some courts to conclude that directories were copyrightable *per se* and that every element of a directory was protected. In its place, Congress enacted two new provisions. First, to make clear that compilations were not copyrightable *per se*, Congress provided a definition of the term “compilation.” Second, to make clear that the copyright in a compilation did not extend to the facts themselves, Congress enacted § 103.

The definition of “compilation” is found in § 101 of the 1976 Act. It defines a “compilation” in the copyright sense as “a work formed by the collection and assembling of preexisting materials or of data *that* are selected, coordinated, or arranged *in such a way that* the resulting work as a whole constitutes an original work of authorship” (emphasis added).

The purpose of the statutory definition is to emphasize that collections of facts are not copyrightable *per se*. It conveys this message through its tripartite structure, as emphasized above by the italics. The statute identifies three distinct elements and requires each to be met for a work to qualify as a copyrightable compilation: (1) the collection and assembly of pre-existing material, facts, or data; (2) the selection, coordination, or arrangement of those materials; and (3) the creation, by virtue of the particular selection, coordination, or arrangement, of an “original” work of authorship. “[T]his tripartite conjunctive structure is self-evident, and should be assumed to ‘accurately express the legislative purpose.’ ” Patry 51, quoting *Mills Music*, 469 U.S., at 164, 105 S.Ct., at 645.

At first glance, the first requirement does not seem to tell us much. It merely describes what one normally thinks of as a compilation – a collection of pre-existing material, facts, or data. What makes it significant is that it is not the *sole* requirement. It is not enough for copyright purposes that an author collects and assembles facts. To satisfy the statutory definition, the work must get over two additional hurdles. In this way, the plain language indicates that not every collection of facts receives copyright protection. Otherwise, there would be a period after “data.”

The third requirement is also illuminating. It emphasizes that a compilation, like any other work, is copyrightable only if it satisfies the originality requirement (“an *original* work of authorship”). Although § 102 states plainly that the originality requirement applies to all works, the point was emphasized with regard to compilations to ensure that courts would not repeat the mistake of the “sweat of the brow” courts by concluding that fact-based works are treated differently and measured by some other standard. As Congress explained it, the goal was to “make plain that the criteria of copyrightable subject matter stated in section 102 apply with full force to works ... containing preexisting material.” H.R.Rep., at 57; S.Rep., at 55, U.S.Code Cong. & Admin.News 1976, p. 5670.

The key to the statutory definition is the second requirement. It instructs courts that, in determining whether a fact-based work is an original work of authorship, they should focus on the manner in which the collected facts have been selected, coordinated, and arranged. This is a straightforward application of the originality requirement. Facts are never original, so the compilation author can claim originality, if at all, only in the way the facts are presented. To that end, the statute dictates that the principal focus should be on whether the selection, coordination, and arrangement are sufficiently original to merit protection.

Not every selection, coordination, or arrangement will pass muster. This is plain from the statute. It states that, to merit protection, the facts must be selected, coordinated, or arranged “in such a way” as to render the work as a whole original. This implies that some “ways” will trigger copyright, but that others will not. See Patry 57, and n. 76. Otherwise, the phrase “in such a way” is meaningless and Congress should have defined “compilation” simply as “a work formed by the collection and assembly of preexisting materials or data that are selected, coordinated, or arranged.” That Congress did not do so is dispositive. In accordance with “the established principle that a court should give effect, if possible, to every clause and word of a statute,” *Moskal v. United States*, 498 U.S. 103, 109-110, 111 S.Ct. 461, 466, 112 L.Ed.2d 449 (1990) (internal quotation marks omitted), we conclude that the statute envisions that there will be some fact-based works in which the selection, coordination, and arrangement are not sufficiently original to trigger copyright protection.

As discussed earlier, however, the originality requirement is not particularly stringent. A compiler may settle upon a selection or arrangement that others have used; novelty is not required. Originality requires only that the author make the selection or arrangement independently (*i.e.*, without copying that selection or arrangement from another work), and that it display some minimal level of creativity. Presumably, the vast majority of compilations will pass this test, but not all will. There remains a narrow category of works in which the creative spark is utterly lacking or so trivial as to be virtually nonexistent. See generally *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251, 23 S.Ct. 298, 300, 47 L.Ed. 460 (1903) (referring to “the narrowest and most obvious limits”). Such works are incapable of sustaining a valid copyright. Nimmer § 2.01[B].

Even if a work qualifies as a copyrightable compilation, it receives only limited protection. This is the point of § 103

of the Act. Section 103 explains that “[t]he subject matter of copyright ... includes compilations,” § 103(a), but that copyright protects only the author’s original contributions – not the facts or information conveyed:

The copyright in a compilation ... extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material.

§ 103(b).

As § 103 makes clear, copyright is not a tool by which a compilation author may keep others from using the facts or data he or she has collected. “The most important point here is one that is commonly misunderstood today: copyright ... has no effect one way or the other on the copyright or public domain status of the preexisting material.” H.R.Rep., at 57; S.Rep., at 55, U.S.Code Cong. & Admin. News 1976, p. 5670. The 1909 Act did not require, as “sweat of the brow” courts mistakenly assumed, that each subsequent compiler must start from scratch and is precluded from relying on research undertaken by another. See, e.g., *Jeweler’s Circular Publishing Co.*, 281 F., at 88-89. Rather, the facts contained in existing works may be freely copied because copyright protects only the elements that owe their origin to the compiler – the selection, coordination, and arrangement of facts.

In summary, the 1976 revisions to the Copyright Act leave no doubt that originality, not “sweat of the brow,” is the touchstone of copyright protection in directories and other fact-based works. Nor is there any doubt that the same was true under the 1909 Act. The 1976 revisions were a direct response to the Copyright Office’s concern that many

lower courts had misconstrued this basic principle, and Congress emphasized repeatedly that the purpose of the revisions was to clarify, not change, existing law. The revisions explain with painstaking clarity that copyright requires originality, § 102(a); that facts are never original, § 102(b); that the copyright in a compilation does not extend to the facts it contains, § 103(b); and that a compilation is copyrightable only to the extent that it features an original selection, coordination, or arrangement, § 101.

The 1976 revisions have proven largely successful in steering courts in the right direction. A good example is *Miller v. Universal City Studios, Inc.*, 650 F.2d, at 1369-1370: “A copyright in a directory ... is properly viewed as resting on the originality of the selection and arrangement of the factual material, rather than on the industriousness of the efforts to develop the information. Copyright protection does not extend to the facts themselves, and the mere use of information contained in a directory without a substantial copying of the format does not constitute infringement” (citation omitted). Additionally, the Second Circuit, which almost 70 years ago issued the classic formulation of the “sweat of the brow” doctrine in *Jeweler’s Circular Publishing Co.*, has now fully repudiated the reasoning of that decision. See, e.g., *Financial Information, Inc. v. Moody’s Investors Service, Inc.*, 808 F.2d 204, 207 (CA2 1986), cert. denied, 484 U.S. 820, 108 S.Ct. 79, 98 L.Ed.2d 42 (1987); *Financial Information, Inc. v. Moody’s Investors Service, Inc.*, 751 F.2d 501, 510 (CA2 1984) (Newman, J., concurring); *Hoebliing v. Universal City Studios, Inc.*, 618 F.2d 972, 979 (CA2 1980). Even those scholars who believe that “industrious collection” should be rewarded seem to recognize that this is beyond the scope of existing copyright law. See Denicola 516 (“[T]he very vocabulary of copyright is ill suited to analyzing property rights in works of nonfiction”); *id.*, at 520-521, 525; Ginsburg 1867, 1870.

### III

There is no doubt that Feist took from the white pages of Rural's directory a substantial amount of factual information. At a minimum, Feist copied the names, towns, and telephone numbers of 1,309 of Rural's subscribers. Not all copying, however, is copyright infringement. To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original. See *Harper & Row*, 471 U.S., at 548, 105 S.Ct., at 2224. The first element is not at issue here; Feist appears to concede that Rural's directory, considered as a whole, is subject to a valid copyright because it contains some foreword text, as well as original material in its yellow pages advertisements. See Brief for Petitioner 18; Pet. for Cert. 9.

The question is whether Rural has proved the second element. In other words, did Feist, by taking 1,309 names, towns, and telephone numbers from Rural's white pages, copy anything that was "original" to Rural? Certainly, the raw data does not satisfy the originality requirement. Rural may have been the first to discover and report the names, towns, and telephone numbers of its subscribers, but this data does not " 'ow[e] its origin' " to Rural. *Burrow-Giles*, 111 U.S., at 58, 4 S.Ct., at 281. Rather, these bits of information are uncopyrightable facts; they existed before Rural reported them and would have continued to exist if Rural had never published a telephone directory. The originality requirement "rule[s] out protecting ... names, addresses, and telephone numbers of which the plaintiff by no stretch of the imagination could be called the author." *Patterson & Joyce* 776.

Rural essentially concedes the point by referring to the names, towns, and telephone numbers as "preexisting material." Brief for Respondent 17. Section 103(b) states explicitly that the copyright in a compilation does not extend to "the preexisting material employed in the work."

The question that remains is whether Rural selected, coordinated, or arranged these uncopyrightable facts in an original way. As mentioned, originality is not a stringent standard; it does not require that facts be presented in an innovative or surprising way. It is equally true, however, that the selection and arrangement of facts cannot be so mechanical or routine as to require no creativity whatsoever. The standard of originality is low, but it does exist. See Patterson & Joyce 760, n. 144 (“While this requirement is sometimes characterized as modest, or a low threshold, it is not without effect”) (internal quotation marks omitted; citations omitted). As this Court has explained, the Constitution mandates some minimal degree of creativity, see *The Trade-Mark Cases*, 100 U.S., at 94; and an author who claims infringement must prove “the existence of ... intellectual production, of thought, and conception.” *Burrow-Giles*, *supra*, 111 U.S., at 59-60, 4 S.Ct., at 281-282.

The selection, coordination, and arrangement of Rural’s white pages do not satisfy the minimum constitutional standards for copyright protection. As mentioned at the outset, Rural’s white pages are entirely typical. Persons desiring telephone service in Rural’s service area fill out an application and Rural issues them a telephone number. In preparing its white pages, Rural simply takes the data provided by its subscribers and lists it alphabetically by surname. The end product is a garden-variety white pages directory, devoid of even the slightest trace of creativity.

Rural’s selection of listings could not be more obvious: It publishes the most basic information – name, town, and telephone number – about each person who applies to it for telephone service. This is “selection” of a sort, but it lacks the modicum of creativity necessary to transform mere selection into copyrightable expression. Rural expended sufficient effort to make the white pages

directory useful, but insufficient creativity to make it original.

We note in passing that the selection featured in Rural's white pages may also fail the originality requirement for another reason. Feist points out that Rural did not truly "select" to publish the names and telephone numbers of its subscribers; rather, it was required to do so by the Kansas Corporation Commission as part of its monopoly franchise. See 737 F.Supp., at 612. Accordingly, one could plausibly conclude that this selection was dictated by state law, not by Rural.

Nor can Rural claim originality in its coordination and arrangement of facts. The white pages do nothing more than list Rural's subscribers in alphabetical order. This arrangement may, technically speaking, owe its origin to Rural; no one disputes that Rural undertook the task of alphabetizing the names itself. But there is nothing remotely creative about arranging names alphabetically in a white pages directory. It is an age-old practice, firmly rooted in tradition and so commonplace that it has come to be expected as a matter of course. See Brief for Information Industry Association et al. as *Amici Curiae* 10 (alphabetical arrangement "is universally observed in directories published by local exchange telephone companies"). It is not only unoriginal, it is practically inevitable. This time-honored tradition does not possess the minimal creative spark required by the Copyright Act and the Constitution.

We conclude that the names, towns, and telephone numbers copied by Feist were not original to Rural and therefore were not protected by the copyright in Rural's combined white and yellow pages directory. As a constitutional matter, copyright protects only those constituent elements of a work that possess more than a *de minimis* quantum of creativity. Rural's white pages, limited to basic subscriber information and arranged alphabetically,



fall short of the mark. As a statutory matter, 17 U.S.C. § 101 does not afford protection from copying to a collection of facts that are selected, coordinated, and arranged in a way that utterly lacks originality. Given that some works must fail, we cannot imagine a more likely candidate. Indeed, were we to hold that Rural's white pages pass muster, it is hard to believe that any collection of facts could fail.

Because Rural's white pages lack the requisite originality, Feist's use of the listings cannot constitute infringement. This decision should not be construed as demeaning Rural's efforts in compiling its directory, but rather as making clear that copyright rewards originality, not effort. As this Court noted more than a century ago, "great praise may be due to the plaintiffs for their industry and enterprise in publishing this paper, yet the law does not contemplate their being rewarded in this way." *Baker v. Selden*, 101 U.S., at 105.

The judgment of the Court of Appeals is

*Reversed.*

Justice BLACKMUN concurs in the judgment.

**3.4.2. Calibration: Scope of Exclusion, a.k.a. Fair Use**  
**Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257**  
**(11th Cir. 2001)**

Joseph M. Beck, Miles J. Alexander, Jerry Bailey Swann, Kilpatrick Stockton & Cody, Atlanta, Georgia, for Appellant.

Richard Kurnit, New York City, William B. Smith, Ralph R. Morrison, Anne Moody Johnson, Jones, Day, Reavis & Pogue, Atlanta, Georgia, for Appellee.

Leon Friedman, New York City, for Pen American Ctr., American Booksellers Foundation for Freedom of Exp., Freedom to Read Foundation, Washington Lawyers' for

the Arts, The First Amendment Project and National Coalition Against Censorship, Amicus Curiae.

E. Edward Bruce, Covington & Burling, Washington, DC, for Microsoft Corp., Amicus Curiae.

Hollie Manheimer, Decatur, Georgia, for Amicus Curiae.

Before BIRCH, MARCUS and WOOD<sup>1</sup>, Circuit Judges.

BIRCH, Circuit Judge:

In this opinion, we decide whether publication of *The Wind Done Gone* (“TWDG”), a fictional work admittedly based on Margaret Mitchell’s *Gone With the Wind* (“GWTW”), should be enjoined from publication based on alleged copyright violations. The district court granted a preliminary injunction against publication of TWDG because it found that Plaintiff-Appellee SunTrust Bank (“SunTrust”) met the four-part test governing preliminary injunctions. We VACATE the injunction and REMAND for consideration of the remaining claims.

## I. BACKGROUND

### A. Procedural History

SunTrust is the trustee of the Mitchell Trust, which holds the copyright in GWTW. Since its publication in 1936, GWTW has become one of the best-selling books in the world, second in sales only to the Bible. The Mitchell Trust has actively managed the copyright, authorizing derivative works and a variety of commercial items. It has entered into a contract authorizing, under specified conditions, a second sequel to GWTW to be published by St. Martin’s

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<sup>1</sup> Honorable Harlington Wood, Jr., U.S. Circuit Judge for the Seventh Circuit, sitting by designation.

Press. The Mitchell Trust maintains the copyright in all of the derivative works as well. See 17 U.S.C. § 103.<sup>2</sup>

Alice Randall, the author of TWDG, persuasively claims that her novel is a critique of GWTW's depiction of slavery and the Civil-War era American South. To this end, she appropriated the characters, plot and major scenes from GWTW into the first half of TWDG. According to SunTrust, TWDG "(1) explicitly refers to [GWTW] in its foreword; (2) copies core characters, character traits, and relationships from [GWTW]; (3) copies and summarizes famous scenes and other elements of the plot from [GWTW]; and (4) copies verbatim dialogues and descriptions from [GWTW]." *SunTrust Bank v. Houghton Mifflin Co.*, 136 F. Supp. 2d 1357, 1364 (N.D.Ga. 2001), vacated, 252 F.3d 1165 (11th Cir. 2001). Defendant-Appellant Houghton Mifflin, the publisher of TWDG, does not contest the first three allegations,<sup>3</sup> but nonetheless argues that there is no substantial similarity between the two works or, in the alternative, that the doctrine of fair use protects TWDG because it is primarily a parody of GWTW.

After discovering the similarities between the books, SunTrust asked Houghton Mifflin to refrain from publication or distribution of TWDG, but Houghton Mifflin refused the request. Subsequently, SunTrust filed an action alleging copyright infringement, violation of the Lanham Act, and deceptive trade practices, and immediately filed a motion for a temporary restraining order and a preliminary injunction.

After a hearing, the district court granted the motion, preliminarily enjoining Houghton Mifflin from "further

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<sup>2</sup> Hereafter, the Copyright Act of 1976 shall be referred to by only the section number of the Act.

<sup>3</sup> Houghton Mifflin denies that there are passages from GWTW copied verbatim in TWDG.

production, display, distribution, advertising, sale, or offer for sale of” TWDG. SunTrust Bank, 136 F. Supp. 2d at 1386. In a thorough opinion, the court found that “the defendant’s publication and sale of [TWDG would] infringe the plaintiff’s copyright interests as protected under the copyright laws.” Id. Houghton Mifflin appealed. At oral argument, we issued an order vacating the injunction on the grounds that it was an unconstitutional prior restraint. SunTrust Bank v. Houghton Mifflin Co., 252 F. 3d 1165 (11th Cir. 2001). We now vacate that order and issue this more comprehensive opinion.

### B. Standard of Review

“We review the district court’s grant of a preliminary injunction for abuse of discretion.” Warren Pub., Inc. v. Microdos Data Corp., 115 F.3d 1509, 1516 (11th Cir. 1997) (en banc). We review decisions of law de novo and findings of fact for clear error. Mitek Holdings, Inc. v. Arce Eng’g Co., Inc., 89 F.3d 1548, 1554 (11th Cir. 1996).

## II. DISCUSSION

Our primary focus at this stage of the case is on the appropriateness of the injunctive relief granted by the district court. In our analysis, we must evaluate the merits of SunTrust’s copyright infringement claim, including Houghton Mifflin’s affirmative defense of fair use.<sup>4</sup> As we assess the fair-use defense, we examine to what extent a

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<sup>4</sup> I believe that fair use should be considered an affirmative right under the 1976 Act, rather than merely an affirmative defense, as it is defined in the Act as a use that is not a violation of copyright. See *Bateman v. Mneumonics, Inc.*, 79 F.3d 1532, 1542 n.22 (11th Cir. 1996). However, fair use is commonly referred to an affirmative defense, see *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590, 114 S. Ct. 1164, 1177 (1994), and, as we are bound by Supreme Court precedent, we will apply it as such. See also David Nimmer, *A Riff on Fair Use in the Digital Millennium Copyright Act*, 148 U. Pa. L. Rev. 673, 714 n. 227 (2000) (citing *Bateman*). Nevertheless, the fact that the fair use right must be procedurally asserted as an affirmative defense does not detract from its constitutional significance as a guarantor to access and use for First Amendment purposes.

critic may use a work to communicate her criticism of the work without infringing the copyright in that work. To approach these issues in the proper framework, we should initially review the history of the Constitution's Copyright Clause and understand its relationship to the First Amendment.

#### A. History and Development of the Copyright Clause

The Copyright Clause finds its roots in England, where, in 1710, the Statute of Anne “was designed to destroy the booksellers’ monopoly of the booktrade and to prevent its recurrence.” L. Ray Patterson, *Understanding the Copyright Clause*, 47 *J. Copyright Soc’y USA* 365, 379 (2000). This Parliamentary statute assigned copyright in books to authors, added a requirement that only a new work could be copyrighted, and limited the duration, which had been perpetual, to two fourteen-year terms. It is clear that the goal of the Statute of Anne was to encourage creativity and ensure that the public would have free access to information by putting an end to “the continued use of copyright as a device of censorship.” Patterson at 379.<sup>5</sup> The Framers of the U.S. Constitution relied on this statute when drafting the Copyright Clause of our Constitution, which reads,

The Congress shall have Power ... to promote the Progress of Science ... by securing for limited Times to Authors ... the exclusive Right to their respective Writings ... .

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<sup>5</sup> The Statute of Anne providing for copyright is introduced as “[a]n act for the encouragement of learning,” and has a preamble that states one of the purposes as “the encouragement of learned men to compose and write useful books.” 8 Anne, C.19 (1710), reprinted in 8 *Nimmer* § 7-5.

U.S. Const. art. 1, § 8, cl. 8. Congress directly transferred the principles from the Statute of Anne into the copyright law of the United States in 1783, first through a recommendation to the states to enact similar copyright laws, and then in 1790, with the passage of the first American federal copyright statute.

The Copyright Clause was intended “to be the engine of free expression.” *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985). To that end, copyright laws have been enacted achieve the three main goals: the promotion of learning, the protection of the public domain, and the granting of an exclusive right to the author.

### 1. *Promotion of Learning*

In the United States, copyright has always been used to promote learning by guarding against censorship. Throughout the nineteenth century, the copyright in literature was limited to the right “to publish and vend books.” *Patterson*, at 383. The term “copy” was interpreted literally; an author had the right only to prevent others from copying and selling her particular literary work. See *Stowe v. Thomas*, 23 F. Cas. 201 (C.C.E.D. Pa. 1853) (holding that a translation of *Uncle Tom’s Cabin* into German was not a copyright infringement because it was not a copy of the work as it was published).<sup>6</sup> This limited right ensured that a maximum number of new works would be created and published. It was not until the 1909 Act, which codified the concept of a derivative work, that an author’s right to protect his original work against imitation was established. This change more closely represents

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<sup>6</sup> Under modern copyright, such a right to translate would enjoy protection as a “derivative work.” §§ 101 and 106. In *Folsom v. Marsh*, 9 F.Cas. 342 (C.C.Mass. 1841), Justice Story created the concept of “fair use,” which actually expanded the copyright monopoly, since until that time a translation or abridgement was not considered an infringement.

current statutory copyright law and is consistent with copyright's constitutional mandate.

As a further protection of the public interest, until 1976, statutory copyright law required that a work be published before an author was entitled to a copyright in that work. Therefore, in order to have the sole right of publication for the statutory period, the author was first required to make the work available to the public. In 1976, copyright was extended to include any work "fixed in any tangible medium of expression" in order to adapt the law to technological advances. § 102(a). Thus, the publication requirement was removed, but the fair use right was codified to maintain the constitutionally mandated balance to ensure that the public has access to knowledge.

The Copyright Act promotes public access to knowledge because it provides an economic incentive for authors to publish books and disseminate ideas to the public. *Harper & Row*, 471 U.S. at 558 ("By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create and disseminate ideas."). The Supreme Court has recognized that "[t]he monopoly created by copyright thus rewards the individual author in order to benefit the public." *Id.* at 546. Without the limited monopoly, authors would have little economic incentive to create and publish their work. Therefore, by providing this incentive, the copyright law promotes the public access to new ideas and concepts.

## *2. Protection of the Public Domain*

The second goal of the Copyright Clause is to ensure that works enter the public domain after an author's rights, exclusive, but limited, have expired. Parallel to the patent regime, the limited time period of the copyright serves the dual purpose of ensuring that the work will enter the public domain and ensuring that the author has received "a fair

return for [her] labors.” Harper & Row, 471 U.S. at 546. This limited grant “is intended to motivate the creative activity of authors ... by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.” Sony, 464 U.S. at 429. The public is protected in two ways: the grant of a copyright encourages authors to create new works, as discussed in section II.A.1., and the limitation ensures that the works will eventually enter the public domain, which protects the public’s right of access and use.

### *3. Exclusive Rights of the Author*

Finally, the Copyright Clause grants the author limited exclusive rights in order to encourage the creation of original works. Before our copyright jurisprudence developed, there were two separate theories of copyright in England - the natural law copyright, which was the right of first publication, and the statutory copyright, which was the right of continued publication. The natural law copyright, which is not a part of our system, implied an ownership in the work itself, and thus was preferred by the booksellers and publishers striving to maintain their monopoly over literature as well as by the Crown to silence “seditious” writings. Even after passage of the Statute of Anne, the publishers and booksellers resisted the loss of their monopoly in the courts for more than sixty years. Finally, in 1774, the House of Lords ruled that the natural law copyright, that is, the ownership of the work itself, expires upon publication of the book, when the statutory copyright attaches. Patterson at 382.

This bifurcated system was carried over into our copyright law. As of the 1909 Act, an author had “state common law protection [that] persisted until the moment of general publication.” Estate of Martin Luther King, Jr. v. CBS, Inc., 194 F.3d 1211, 1214 (11th Cir. 1999). After the work was



published, the author was entitled to federal statutory copyright protection if she had complied with certain federal requirements (i.e. publication with notice). If not, the work was released into the public domain. *Id.* The system illustrates that the author's ownership is in the copyright, and not in the work itself, for if the author had an ownership interest in the work itself, she would not lose that right if she published the book without complying with federal statutory copyright requirements. Compliance with the copyright law results in the guarantee of copyright to the author for a limited time, but the author never owns the work itself. § 202 ("Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied.").

This has an important impact on modern interpretation of copyright, as it emphasizes the distinction between ownership of the work, which an author does not possess, and ownership of the copyright, which an author enjoys for a limited time. In a society oriented toward property ownership, it is not surprising to find many that erroneously equate the work with the copyright in the work and conclude that if one owns the copyright, they must also own the work. However, the fallacy of that understanding is exposed by the simple fact that the work continues to exist after the term of copyright associated with the work has expired. "The copyright is not a natural right inherent in authorship. If it were, the impact on market values would be irrelevant; any unauthorized taking would be obnoxious." Pierre Leval, *Towards a Fair Use Standard*, 105 *Harv. L. Rev.* 1105, 1124 (1990).

#### B. The Union of Copyright and the First Amendment

The Copyright Clause and the First Amendment, while intuitively in conflict,<sup>7</sup> were drafted to work together to prevent censorship; copyright laws were enacted in part to prevent private censorship and the First Amendment was enacted to prevent public censorship. There are “[c]onflicting interests that must be accommodated in drawing a definitional balance” between the Copyright Clause and the First Amendment. 1 Nimmer § 1.10[B][1]. In establishing this balance “[o]n the copyright side, economic encouragement for creators must be preserved and the privacy of unpublished works recognized. Freedom of speech[, on the other hand,] requires the preservation of a meaningful public or democratic dialogue, as well as the uses of speech as a safety valve against violent acts, and as an end in itself.” Id.

In copyright law, the balance between the First Amendment and copyright is preserved, in part, by the idea/expression dichotomy and the doctrine of fair use.

### 1. *The Idea/Expression Dichotomy*

Copyright cannot protect an idea, only the expression of that idea. The result is that “copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by the work.” Feist, 499 U.S. at 349-50. It is partly through this idea/expression dichotomy that copyright law embodies the First Amendment’s underlying goal of encouraging open debate and the free exchange of ideas. Holding an infringer liable in copyright for copying the expression of another author’s ideas does not impede First Amendment goals because the public purpose has been served - the public already has access to the idea or the

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<sup>7</sup> While the First Amendment disallows laws that abridge the freedom of speech, the Copyright Clause calls specifically for such a law.

concepts. A new author may use or discuss the idea, but must do so using her own original expression.

## 2. *Fair Use*

First Amendment privileges are also preserved through the doctrine of fair use. Until codification of the fair-use doctrine in the 1976 Act, fair use was a judge-made right developed to preserve the constitutionality of copyright legislation by protecting First Amendment values. Had fair use not been recognized as a right under the 1976 Act, the statutory abandonment of publication as a condition of copyright that had existed for over 200 years would have jeopardized the constitutionality of the new Act because there would be no statutory guarantee that new ideas, or new expressions of old ideas, would be accessible to the public. Included in the definition of fair use are “purposes such as criticism, comment, news reporting, teaching ..., scholarship, or research.” § 107. The exceptions carved out for these purposes are at the heart of fair use’s protection of the First Amendment, as they allow later authors to use a previous author’s copyright to introduce new ideas or concepts to the public. Therefore, within the limits of the fair-use test, any use of a copyright is permitted to fulfill one of the important purposes listed in the statute.

Because of the First Amendment principles built into copyright law through the idea/expression dichotomy and the doctrine of fair use, courts often need not entertain related First Amendment arguments in a copyright case. [citations omitted]

The case before us calls for an analysis of whether a preliminary injunction was properly granted against an alleged infringer who, relying largely on the doctrine of fair use, made use of another’s copyright for comment and criticism. As discussed herein, copyright does not immunize a work from comment and criticism. Therefore,

the narrower question in this case is to what extent a critic may use the protected elements of an original work of authorship to communicate her criticism without infringing the copyright in that work. As will be discussed below, this becomes essentially an analysis of the fair use factors. As we turn to the analysis required in this case, we must remain cognizant of the First Amendment protections interwoven into copyright law.

### C. Appropriateness of Injunctive Relief

“The chief function of a preliminary injunction is to preserve the status quo until the merits of the controversy can be fully and fairly adjudicated.” The Copyright Act specifically vests the federal courts with power to grant injunctions “to prevent or restrain infringement of a copyright.” § 502(a). While injunctive relief may be particularly appropriate in cases involving simple copying or “piracy” of a copyrighted work, the Supreme Court has cautioned that such relief may not be consistent with the goals of copyright law in cases in which the alleged infringer of the copyright has a colorable fair-use defense.

The basic framework for our analysis remains, however, the standard test governing the issuance of preliminary injunctions. SunTrust is not entitled to relief in the form of a preliminary injunction unless it has proved each of the following four elements: “(1) a substantial likelihood of success on the merits, (2) a substantial threat of irreparable injury if the injunction were not granted, (3) that the threatened injury to the plaintiff outweighs the harm an injunction may cause the defendant, and (4) that granting the injunction would not disserve the public interest.”

## 1. *Substantial Likelihood of Success on the Merits*

### a. Prima Facie Copyright Infringement

The first step in evaluating the likelihood that SunTrust will succeed on the merits is to determine whether it has established the prima facie elements of a copyright infringement claim: (1) that SunTrust owns a valid copyright in GWTW and (2) that Randall copied original elements of GWTW in TWDG. The district court found that SunTrust had carried its burden on both of these elements.

The first element, SunTrust's ownership of a valid copyright in GWTW, is not disputed. Houghton Mifflin does assert, however, that SunTrust did not establish the second element of infringement, that TWDG appropriates copyright-protected expression from GWTW. In order to prove copying, SunTrust was required to show a "substantial similarity" between the two works such that "an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work." Not all copying of a work is actionable, however, for, as discussed in section II.B.1., "no author may copyright facts or ideas. The copyright is limited to those aspects of the work—termed 'expression'—that display the stamp of the author's originality." Thus, we are concerned with substantial similarities between TWDG and GWTW only to the extent that they involve the copying of original, protected expression.<sup>8</sup>

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<sup>8</sup> Originally the word "copie" was a noun, indicating the manuscript. Ownership of the "copie" thus meant ownership of the manuscript for the purposes of publishing it. Today, "copy" has become a verb, meaning the act of reproduction of a work. But in the development of copyright law it was intended to be a term of art, indicating a reproduction of a work for publication. Failure to understand and apply this distinction has confused many courts (assisted by overzealous advocates) into too expansive a view of the scope of the copyright monopoly.

There is no bright line that separates the protectable expression from the nonprotectable idea in a work of fiction. While often referred to as a test for distinguishing the idea from the expression, Judge Learned Hand's famous statement in *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930), is actually nothing more than a concise restatement of the problem facing the courts:

Upon any work, and especially upon a play, a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and at time might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his 'ideas,' to which, apart from their expression, his property is never extended.

*Id.* at 121. At one end of the spectrum, scenes a faire – the stock scenes and hackneyed character types that “naturally flow from a common theme” – are considered “ideas,” and therefore are not copyrightable. *Beal v. Paramount Pictures Corp.*, 20 F.3d 454, 459-60 (11th Cir. 1994). But as plots become more intricately detailed and characters become more idiosyncratic, they at some point cross the line into “expression” and are protected by copyright.

After conducting a thorough comparison of the two works, the district court found that TWDG copied far more than unprotected scenes a faire from GWTW: “[TWDG] uses fifteen fictional characters from [GWTW], incorporating their physical attributes, mannerisms, and the distinct features that Ms. Mitchell used to describe them, as well as their complex relationships with each other. Moreover, the various [fictional] locales, ... settings, characters, themes, and plot of [TWDG] closely mirror those contained in [GWTW].” *SunTrust*, 136 F.Supp.2d at 1367.

Our own review of the two works reveals substantial use of GWTW. TWDG appropriates numerous characters, settings, and plot twists from GWTW. For example, Scarlett O'Hara, Rhett Butler, Bonnie Butler, Melanie Wilkes, Ashley Wilkes, Gerald O'Hara, Ellen O'Hara, Mammy, Pork, Dilcey, Prissy, Belle Watling, Carreen O'Hara, Stuart and Brenton Tarleton, Jeems, Philippe, and Aunt Pittypat, all characters in GWTW, appear in TWDG. Many of these characters are renamed in TWDG: Scarlett becomes "Other," Rhett Butler becomes "R.B.," Pork becomes "Garlic," Prissy becomes "Miss Priss," Philippe becomes "Feleepe," Aunt Pittypat becomes "Aunt Pattytit," etc. In several instances, Randall renamed characters using Mitchell's descriptions of those characters in GWTW: Ashley becomes "Dreamy Gentleman," Melanie becomes "Mealy Mouth," Gerald becomes "Planter." The fictional settings from GWTW receive a similarly transparent renaming in TWDG: Tara becomes "Tata," Twelve Oaks Plantation becomes "Twelve Slaves Strong as Trees." TWDG copies, often in wholesale fashion, the descriptions and histories of these fictional characters and places from GWTW, as well as their relationships and interactions with one another. TWDG appropriates or otherwise explicitly references many aspects of GWTW's plot as well, such as the scenes in which Scarlett kills a Union soldier and the scene in which Rhett stays in the room with his dead daughter Bonnie, burning candles. After carefully comparing the two works, we agree with the district court that, particularly in its first half, TWDG is largely "an encapsulation of [GWTW] [that] exploit[s] its copyrighted characters, story lines, and settings as the palette for the new story." SunTrust, 136 F.Supp.2d at 1367.

Houghton Mifflin argues that there is no substantial similarity between TWDG and GWTW because the retelling of the story is an inversion of GWTW: the

characters, places, and events lifted from GWTW are often cast in a different light, strong characters from the original are depicted as weak (and vice-versa) in the new work, the institutions and values romanticized in GWTW are exposed as corrupt in TWDG. While we agree with Houghton Mifflin that the characters, settings, and plot taken from GWTW are vested with a new significance when viewed through the character of Cynara<sup>9</sup> in TWDG, it does not change the fact that they are the very same copyrighted characters, settings, and plot.

b. Fair Use

Randall's appropriation of elements of GWTW in TWDG may nevertheless not constitute infringement of SunTrust's copyright if the taking is protected as a "fair use." The codification of the fair-use doctrine in the Copyright Act provides:

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work ... for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

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<sup>9</sup> "Cynara" is the name of the poem by Ernest Dowson, from which GWTW's title is derived ("I have forgot much, Cynara! gone with the wind, ...").



(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

§ 107. In assessing whether a use of a copyright is a fair use under the statute, we bear in mind that the examples of possible fair uses given are illustrative rather than exclusive, and that “[a]ll [of the four factors] are to be explored, and the results weighed together in light of the purposes of copyright.” *Campbell*, 510 U.S. at 577-78. In light of the discussion in §§ IIA and B, one of the most important purposes to consider is the free flow of ideas - particularly criticism and commentary.

Houghton Mifflin argues that TWDG is entitled to fair-use protection as a parody of GWTW. In *Campbell*, the Supreme Court held that parody, although not specifically listed in § 107, is a form of comment and criticism that may constitute a fair use of the copyrighted work being parodied. *Id.* at 579. Parody, which is directed toward a particular literary or artistic work, is distinguishable from satire, which more broadly addresses the institutions and mores of a slice of society. *Id.* at 580-81, 581 n.15. Thus, “[p]arody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s ... imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.” *Id.* at 580-81.

The fact that parody by definition must borrow elements from an existing work, however, does not mean that every

parody is shielded from a claim of copyright infringement as a fair use. “The [Copyright] Act has no hint of an evidentiary preference for parodists over their victims, and no workable presumption for parody could take account of the fact that parody often shades into satire when society is lampooned through its creative artifacts, or that a work may contain both parodic and nonparodic elements.” *Id.* at 581. Therefore, Houghton Mifflin’s fair-use defense of parody, like any other claim of fair use, must be evaluated in light of the factors set out in § 107 and the constitutional purposes of copyright law. *Id.*

Before considering a claimed fair-use defense based on parody, however, the Supreme Court has required that we ensure that “a parodic character may reasonably be perceived” in the allegedly infringing work. *Id.* at 582. The Supreme Court’s definition of parody in *Campbell*, however, is somewhat vague. On the one hand, the Court suggests that the aim of parody is “comic effect or ridicule,” but it then proceeds to discuss parody more expansively in terms of its “commentary” on the original. *Id.* at 580. In light of the admonition in *Campbell* that courts should not judge the quality of the work or the success of the attempted humor in discerning its parodic character, we choose to take the broader view. For purposes of our fair-use analysis, we will treat a work as a parody if its aim is to comment upon or criticize a prior work by appropriating elements of the original in creating a new artistic, as opposed to scholarly or journalistic, work. Under this definition, the parodic character of *TWDG* is clear. *TWDG* is not a general commentary upon the Civil-War-era American South, but a specific criticism of and rejoinder to the depiction of slavery and the relationships between blacks and whites in *GWTW*. The fact that Randall chose to convey her criticisms of *GWTW* through a work of fiction, which she contends is a more powerful vehicle for her message than a scholarly article, does not, in

and of itself, deprive TWDG of fair-use protection. We therefore proceed to an analysis of the four fair-use factors.

i. Purpose and Character of the Work

The first factor in the fair-use analysis, the purpose and character of the allegedly infringing work, has several facets. The first is whether TWDG serves a commercial purpose or nonprofit educational purpose. § 107(1). Despite whatever educational function TWDG may be able to lay claim to, it is undoubtedly a commercial product. As the Supreme Court has stated, “[t]he crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price.” *Harper & Row*, 471 U.S. at 562. The fact that TWDG was published for profit is the first factor weighing against a finding of fair use. However, TWDG’s for-profit status is strongly overshadowed and outweighed in view of its highly transformative use of GWTC’s copyrighted elements. “[T]he more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.” *Campbell*, 510 U.S. at 579. “[T]he goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works.” *Id.* A work’s transformative value is of special import in the realm of parody, since a parody’s aim is, by nature, to transform an earlier work.

The second factor in the “purpose and character” analysis relevant to this case is to what extent TWDG’s use of copyrighted elements of GWTW can be said to be “transformative.” The inquiry is “whether the new work merely supersedes the objects of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.” *Campbell*, 510 U.S. at 579. The issue

of transformation is a double-edged sword in this case. On the one hand, the story of Cynara and her perception of the events in TWDG certainly adds new “expression, meaning, [and] message” to GWTW. From another perspective, however, TWDG’s success as a pure work of fiction depends heavily on copyrighted elements appropriated from GWTW to carry its own plot forward.

However, as noted above, TWDG is more than an abstract, pure fictional work. It is principally and purposefully a critical statement that seeks to rebut and destroy the perspective, judgments, and mythology of GWTW. Randall’s literary goal is to explode the romantic, idealized portrait of the antebellum South during and after the Civil War. In the world of GWTW, the white characters comprise a noble aristocracy whose idyllic existence is upset only by the intrusion of Yankee soldiers, and, eventually, by the liberation of the black slaves. Through her characters as well as through direct narration, Mitchell describes how both blacks and whites were purportedly better off in the days of slavery: “The more I see of emancipation the more criminal I think it is. It’s just ruined the darkies,” says Scarlett O’Hara. GWTW at 639. Free blacks are described as “creatures of small intelligence ... [l]ike monkeys or small children turned loose among treasured objects whose value is beyond their comprehension, they ran wild - either from perverse pleasure in destruction or simply because of their ignorance.” Id. at 654. Blacks elected to the legislature are described as spending “most of their time eating goobers and easing their unaccustomed feet into and out of new shoes.” Id. at 904.

As the district court noted: “The earlier work is a third-person epic, whereas the new work is told in the first-person as an intimate diary of the life of Cynara. Thematically, the new work provides a different viewpoint of the antebellum world.” 136 F. Supp. 2d at 1367. While told from a different perspective, more critically, the story

is transformed into a very different tale, albeit much more abbreviated. Cynara's very language is a departure from Mitchell's original prose; she acts as the voice of Randall's inversion of *GWTW*. She is the vehicle of parody; she is its means - not its end. It is clear within the first fifty pages of Cynara's fictional diary that Randall's work flips *GWTW*'s traditional race roles, portrays powerful whites as stupid or feckless, and generally sets out to demystify *GWTW* and strip the romanticism from Mitchell's specific account of this period of our history. Approximately the last half of *TWDG* tells a completely new story that, although involving characters based on *GWTW* characters, features plot elements found nowhere within the covers of *GWTW*.

Where Randall refers directly to Mitchell's plot and characters, she does so in service of her general attack on *GWTW*. In *GWTW*, Scarlett O'Hara often expresses disgust with and condescension towards blacks; in *TWDG*, Other, Scarlett's counterpart, is herself of mixed descent. In *GWTW*, Ashley Wilkes is the initial object of Scarlett's affection; in *TWDG*, he is homosexual. In *GWTW*, Rhett Butler does not consort with black female characters and is portrayed as the captain of his own destiny. In *TWDG*, Cynara ends her affair with Rhett's counterpart, R., to begin a relationship with a black Congressman; R. ends up a washed out former cad. In *TWDG*, nearly every black character is given some redeeming quality - whether depth, wit, cunning, beauty, strength, or courage - that their *GWTW* analogues lacked.

In light of this, we find it difficult to conclude that Randall simply tried to "avoid the drudgery in working up something fresh." Campbell, 510 U.S. at 580. It is hard to imagine how Randall could have specifically criticized *GWTW* without depending heavily upon copyrighted elements of that book. A parody is a work that seeks to comment upon or criticize another work by appropriating elements of the original. "Parody needs to mimic an

original to make its point, and so has some claim to use the creation of its victim's (or collective victims') imagination." Campbell, 510 U.S. at 580-81. Thus, Randall has fully employed those conscripted elements from GWTW to make war against it. Her work, TWDG, reflects transformative value because it "can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one." Campbell, 510 U.S. at 579.

While "transformative use is not absolutely necessary for a finding of fair use, ... the more transformative the new work, the less will be the significance of other factors." *Id.* In the case of TWDG, consideration of this factor certainly militates in favor of a finding of fair use, and, informs our analysis of the other factors, particularly the fourth, as discussed below.

#### ii. Nature of the Copyrighted Work

The second factor, the nature of the copyrighted work, recognizes that there is a hierarchy of copyright protection in which original, creative works are afforded greater protection than derivative works or factual compilations. *Id.* at 586. GWTW is undoubtedly entitled to the greatest degree of protection as an original work of fiction. This factor is given little weight in parody cases, however, "since parodies almost invariably copy publicly known, expressive works." Campbell, 510 U.S. at 586.

#### iii. Amount and Substantiality of the Portion Used

The third fair-use factor is "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." § 107(3). It is at this point that parody presents uniquely difficult problems for courts in the fair-use context, for "[p]arody's humor, or in any event its comment, necessarily springs from recognizable allusion to

its object through distorted imitation... . When parody takes aim at a particular original work, the parody must be able to ‘conjure up’ at least enough of that original to make the object of its critical wit recognizable.” Campbell, 510 U.S. at 588. Once enough has been taken to “conjure up” the original in the minds of the readership, any further taking must specifically serve the new work’s parodic aims.

GWTW is one of the most famous, popular, and enduring American novels ever written. Given the fame of the work and its primary characters, SunTrust argues that very little reference is required to conjure up GWTW. As we have already indicated in our discussion of substantial similarity, TWDG appropriates a substantial portion of the protected elements of GWTW. Houghton Mifflin argues that TWDG takes nothing from GWTW that does not serve a parodic purpose, the crux of the argument being that a large number of characters had to be taken from GWTW because each represents a different ideal or stereotype that requires commentary, and that the work as a whole could not be adequately commented upon without revisiting substantial portions of the plot, including its most famous scenes. Houghton Mifflin’s argument is similar to that made by the defendants in *Harper & Row*, who argued for “expanding the doctrine of fair use to create what amounts to a public figure exception to copyright.” 471 U.S. at 560. To the extent Houghton Mifflin argues for extra latitude in copying from GWTW because of its fame, the Supreme Court has squarely foreclosed any such privilege:

It is fundamentally at odds with the scheme of copyright to accord lesser rights in those works that are of greatest importance to the public... . To propose that fair use be imposed whenever the social value of dissemination outweighs any detriment to the artist, would be to propose

depriving copyright owners of their right in the property precisely when they encounter those users who could afford to pay for it.

Id. at 559, 105 S. Ct. at 2229-30 (internal quotations and punctuation omitted). Notably, however, the Court did not go so far as to grant well-known works a special, higher copyright status either.

There are numerous instances in which TWDG appropriates elements of GWTW and then transforms them for the purpose of commentary. TWDG uses several of GWTW's most famous lines, but vests them with a completely new significance... .

On the other hand, however, we are told that not all of TWDG's takings from GWTW are clearly justified as commentary. We have already determined that TWDG is a parody, but not every parody is a fair use. SunTrust contends that TWDG, at least at the margins, takes more of the protected elements of GWTW than was necessary to serve a parodic function.

For example, in a sworn declaration to the district court, Randall stated that she needed to reference the scene from GWTW in which Jeems is given to the Tarleton twins as a birthday present because she considers it "perhaps the single most repellent paragraph in Margaret Mitchell's novel: a black child given to two white children as a birthday present ... as if the buying and selling of children thus had no moral significance." Clearly, such a scene is fair game for criticism. However, in this instance, SunTrust argues that TWDG goes beyond commentary on the occurrence itself, appropriating such nonrelevant details as the fact that the twins had red hair and were killed at Gettysburg. There are several other scenes from GWTW ... that are retold or alluded to without serving any apparent parodic purpose. Similar taking of the descriptions



of characters and the minor details of their histories and interactions that arguably are not essential to the parodic purpose of the work recur throughout... .

The Supreme Court in *Campbell* did not require that parodists take the bare minimum amount of copyright material necessary to conjure up the original work. Parody “must be able to conjure up at least enough of [the] original to make the object of its critical wit recognizable.” *Campbell*, 510 U.S. at 588 (emphasis added; quotations omitted). “Parody frequently needs to be more than a fleeting evocation of an original in order to make its humorous point... . [E]ven more extensive use [than necessary to conjure up the original] would still be fair use, provided the parody builds upon the original, using the original as a known element of modern culture and contributing something new for humorous effect or commentary.” *Elsmere Music, Inc. v. National Broad’g Co.*, 623 F.2d 252, 253 n. 1 (2d Cir. 1980).

A use does not necessarily become infringing the moment it does more than simply conjure up another work. Rather, “[o]nce enough has been taken to assure identification, how much more is reasonable will depend, say, [1] on the extent to which the [work’s] overriding purpose and character is to parody the original or, in contrast, [2] the likelihood that the parody may serve as a market substitute for the original.” *Campbell*, 510 U.S. at 588. As to the first point, it is manifest that TWDG’s *raison d’être* is to parody GWTW. The second point indicates that any material we suspect is “extraneous” to the parody is unlawful only if it negatively effects the potential market for or value of the original copyright. Based upon this record at this juncture, we cannot determine in any conclusive way whether “the quantity and value of the materials used” are reasonable in relation to the purpose of the copying.” *Id.*, 510 U.S. at 586.

iv. Effect on the Market Value of the Original

The final fair-use factor requires us to consider the effect that the publication of TWDG will have on the market for or value of SunTrust's copyright in GWTW, including the potential harm it may cause to the market for derivative works based on GWTW. *Campbell*, 510 U.S. at 590. In addressing this factor, we must "consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also whether unrestricted and widespread conduct of the sort engaged in by the defendant [] would result in a substantially adverse impact on the potential market." *Id.*, 114 S. Ct. at 1177 (quotations omitted). More specifically, the *Campbell* Court continued: "[T]he only harm to derivatives that need concern us ... is the harm of market substitution. The fact that a parody may impair the market for derivative uses by the very effectiveness of its critical commentary is no more relevant under copyright than the like threat to the original market." *Id.*, 510 U.S. at 593.

As for the potential market, SunTrust proffered evidence in the district court of the value of its copyright in GWTW. Several derivative works of GWTW have been authorized, including the famous movie of the same name and a book titled *Scarlett: The Sequel*. GWTW and the derivative works based upon it have generated millions of dollars for the copyright holders. SunTrust has negotiated an agreement with St. Martin's Press permitting it to produce another derivative work based on GWTW, a privilege for which St. Martin's paid "well into seven figures." Part of this agreement was that SunTrust would not authorize any other derivative works prior to the publication of St. Martin's book.

An examination of the record, with its limited development as to relevant market harm due to the preliminary

injunction status of the case, discloses that SunTrust focuses on the value of GWTW and its derivatives, but fails to address and offers little evidence or argument to demonstrate that TWDG would supplant demand for SunTrust’s licensed derivatives. However, the Supreme Court and other appeals courts have made clear that, particularly in cases of parody, evidence of harm to the potential market for or value of the original copyright is crucial to a fair use determination. “[E]vidence about relevant markets” is also crucial to the fair use analysis. *Campbell*, 510 U.S. at 590. “Evidence of substantial harm to [a derivative market] would weigh against a finding of fair use.” *Id.* at 593. “What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists.” *Sony*, 464 U.S. at 451. . . .

In contrast, the evidence proffered in support of the fair use defense specifically and correctly focused on market substitution and demonstrates why Randall’s book is unlikely to displace sales of GWTW. Thus, we conclude, based on the current record, that SunTrust’s evidence falls far short of establishing that TWDG or others like it will act as market substitutes for GWTW or will significantly harm its derivatives. Accordingly, the fourth fair use factor weighs in favor of TWDG.

c. Summary of the Merits

We reject the district court’s conclusion that SunTrust has established its likelihood of success on the merits. To the contrary, based upon our analysis of the fair use factors we find, at this juncture, TWDG is entitled to a fair-use defense.

*2. Irreparable Injury*

. . . .

[A] lack of irreparable injury to SunTrust, together with the First Amendment concerns regarding comment and criticism and the likelihood that a fair use defense will prevail, make injunctive relief improper and we need not address the remaining factors, except to stress that the public interest is always served in promoting First Amendment values and in preserving the public domain from encroachment. Accordingly, we vacate the district court's injunction.

### III. CONCLUSION

In this case, we have found that to the extent SunTrust suffers injury from TWDG's putative infringement of its copyright in GWTW, such harm can adequately be remedied through an award of monetary damages. Moreover, under the present state of the record, it appears that a viable fair use defense is available. Thus, the issuance of the injunction was at odds with the shared principles of the First Amendment and the copyright law, acting as a prior restraint on speech because the public had not had access to Randall's ideas or viewpoint in the form of expression that she chose.

We REVERSE the judgment of the district court and REMAND the case for further proceedings consistent with this opinion.

MARCUS, Circuit Judge, specially concurring:

I concur in Judge Birch's thoughtful and thorough opinion but write separately to emphasize that, on this limited record, SunTrust has fallen well short of establishing a likelihood of success on its copyright infringement claim. I stress three points. First, the district court erred by finding that the critical or parodic element of *The Wind Done Gone* is anything but clear-cut. Far from amounting to "unabated piracy," 136 F.Supp.2d 1357, 1369 (N.D. Ga. 2001), *The Wind Done Gone* is unequivocally parody, as both Judge Birch and the Supreme Court in *Campbell v.*

Acuff-Rose Music, Inc., 510 U.S. 569 (1994), define that term... . Moreover, the Mitchell estate seems to have made a specific practice of refusing to license just the sort of derivative use Randall has undertaken – a factor that further undermines SunTrust’s copyright claim.

... .

Finally, I wish to highlight a factor significant to the market harm inquiry: SunTrust’s apparent practice of placing certain editorial restrictions on the authors of its licensed derivatives. Pat Conroy, the author of *The Prince of Tides* and *Beach Music*, among other novels, attested to the sorts of constraints the Mitchell estate sought to place on him as a potential author of a sequel to *Gone With the Wind*:

I wrote an introduction to the sixtieth anniversary edition of [*Gone With the Wind*] ... After the appearance of my introduction[,] which included my own deep appreciation for the artistry of *GWTW*, the estate of Margaret Mitchell contacted my agent, Julian Bach, in New York and asked if I would be interested in doing a sequel to *GWTW*... . When Julian Bach called me, he issued a strange decree from the estate that Julian said was non-negotiable... . He said, “You’re not going to like this, but the estate will require you to sign a pledge that says you will under no circumstances write anything about miscegenation or homosexuality.”<sup>10</sup>

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<sup>10</sup> In a piece of documentary evidence submitted by SunTrust (Thomas Hal Clarke, attorney and member of the committee established by the trust instruments to direct the plaintiff SunTrust Bank), Conroy again indicates that the Mitchell Estate was loath to license a derivative work that contained such elements:

In light of this, the *The Wind Done Gone*'s transformation of Ashley Wilkes into a homosexual, its depiction of interracial sex, and its multiple mulatto characters take on additional relevance. The Supreme Court in *Campbell* explained how a copyright holder's reluctance to license certain kinds of derivatives affects the market harm analysis:

The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market.

510 U.S. at 592.

Other courts have echoed the principle that “only traditional, reasonable, or likely to be developed markets” ought to be considered when assessing the effect of a challenged use upon a potential market. [citations omitted] “In the cases where we have found the fourth factor to favor a defendant, the defendant’s work filled a market niche that the plaintiff simply had no interest in occupying.” *Twin Peaks Prods., Inc. v. Publications Int’l, Ltd.*, 996 F.2d 1366, 1377 (2d Cir. 1993).

The preliminary record does not indicate why SunTrust sought to impose editorial restrictions on Conroy. To the extent that SunTrust may have done so to preserve *Gone*

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All my resistance to your restrictions – all of them, and I include miscegenation, homosexuality, the rights of review and approval – I do because they begin inching toward the precincts of censorship.

Fax to Owen Laster from Pat Conroy, Nov. 10, 1998.

With the Wind's reputation, or protect its story from "taint," however, it may not now invoke copyright to further that goal. Of course, SunTrust can choose to license its derivatives however it wishes and insist that those derivatives remain free of content it deems disreputable. SunTrust may be vigilant of *Gone With the Wind's* public image – but it may not use copyright to shield *Gone With the Wind* from unwelcome comment, a policy that would extend intellectual property protection "into the precincts of censorship," in Pat Conroy's words. "Because the social good is served by increasing the supply of criticism – and thus, potentially, of truth – creators of original works cannot be given the power to block the dissemination of critical derivative works." Leibovitz, 137 F.3d at 115 n.3. "Copyright law is not designed to stifle critics. Destructive parodies play an important role in social and literary criticism and thus merit protection even though they may discourage or discredit an original author." Fisher, 794 F.2d at 438 (citation and internal quotation marks omitted).

The law grants copyright holders a powerful monopoly in their expressive works. It should not also afford them windfall damages for the publication of the sorts of works that they themselves would never publish, or worse, grant them a power of indirect censorship.

Finally, Appellee warns that our decision in this case will prompt an endless parade of litigants to test the boundaries of the rule we establish here. This is at least possible, but such a phenomenon is not exactly alien to our common law tradition. And to the extent authors and publishers will be encouraged to experiment with new and different forms of storytelling, copyright's fundamental purpose, "[t]o promote the Progress of Science and useful Arts," will have been served. U.S. Const. Art. 1, § 8, cl. 8.

## Problem

Suppose that Rural's compilation of phone numbers had been determined to be copyrightable in Feist. In other words, suppose Feist had come out the other way. Go through the factors to argue whether Feist's use was a fair use.

### 3.4.3. Calibration: Length of Term

#### **Eldred v. Ashcroft, 537 U.S. 186 (2003)**

*Lawrence Lessig* argued the cause for petitioners. With him on the briefs were *Kathleen M. Sullivan, Alan B. Morrison, Edward Lee, Charles Fried, Geoffrey S. Stewart, Donald B. Ayer, Robert P. Ducatman, Daniel H. Bromberg, Charles R. Nesson, and Jonathan L. Zittrain.*

*Solicitor General Olson* argued the cause for respondent. With him on the brief were *Assistant Attorney General McCallum, Deputy Solicitor General Wallace, Jeffrey A. Lamken, William Kanter, and John S. Koppel.*<sup>1</sup>

JUSTICE GINSBURG delivered the opinion of the Court.

This case concerns the authority the Constitution assigns to Congress to prescribe the duration of copyrights. The Copyright and Patent Clause of the Constitution, Art. I, § 8, cl. 8, provides as to copyrights: "Congress shall have Power ... [t]o promote the Progress of Science ... by securing [to Authors] for limited Times ... the exclusive Right to their ... Writings." In 1998, in the measure here under

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<sup>1</sup> [The court listed the amici in this case. Among those for reversal were the American Association of Law Libraries, the College Art Association, the Eagle Forum Education & Legal Defense Fund, the Free Software Foundation, groups of intellectual property and constitutional law professors, and the Internet Archive. Among those writing in support of affirmance were the American Intellectual Property Law Association, the American Society of Composers, Authors and Publishers (ASCAP), Amsong, Inc., AOL Time Warner, the Association of American Publishers, the Bureau of National Affairs, the Directors Guild of America, Dr. Seuss Enterprises, the Motion Picture Association of America, the Recording Artists Coalition, the Recording Industry Association of America (RIAA), the Songwriters Guild of America, Senator Orrin G. Hatch, and Representative F. James Sensenbrenner, Jr.]



inspection, Congress enlarged the duration of copyrights by 20 years. Copyright Term Extension Act (CTEA), Pub. L. 105-298, §§ 102(b) and (d), 112 Stat. 2827-2828 (amending 17 U.S.C. §§ 302, 304). As in the case of prior extensions, principally in 1831, 1909, and 1976, Congress provided for application of the enlarged terms to existing and future copyrights alike.

Petitioners are individuals and businesses whose products or services build on copyrighted works that have gone into the public domain. They seek a determination that the CTEA fails constitutional review under both the Copyright Clause's "limited Times" prescription and the First Amendment's free speech guarantee. Under the 1976 Copyright Act, copyright protection generally lasted from the work's creation until 50 years after the author's death. Under the CTEA, most copyrights now run from creation until 70 years after the author's death. Petitioners do not challenge the "life-plus-70-years" timespan itself. "Whether 50 years is enough, or 70 years too much," they acknowledge, "is not a judgment meet for this Court."<sup>2</sup> Congress went awry, petitioners maintain, not with respect to newly created works, but in enlarging the term for published works with existing copyrights. The "limited Tim[e]" in effect when a copyright is secured, petitioners urge, becomes the constitutional boundary, a clear line beyond the power of Congress to extend. As to the First Amendment, petitioners contend that the CTEA is a content-neutral regulation of speech that fails inspection under the heightened judicial scrutiny appropriate for such regulations.

In accord with the District Court and the Court of Appeals, we reject petitioners' challenges to the CTEA. In that 1998

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<sup>2</sup> JUSTICE BREYER's dissent is not similarly restrained. He makes no effort meaningfully to distinguish existing copyrights from future grants. Under his reasoning, the CTEA's 20-year extension is globally unconstitutional.

legislation, as in all previous copyright term extensions, Congress placed existing and future copyrights in parity. In prescribing that alignment, we hold, Congress acted within its authority and did not transgress constitutional limitations.

## I

### A.

We evaluate petitioners' challenge to the constitutionality of the CTEA against the backdrop of Congress' previous exercises of its authority under the Copyright Clause. The Nation's first copyright statute, enacted in 1790, provided a federal copyright term of 14 years from the date of publication, renewable for an additional 14 years if the author survived the first term. The 1790 Act's renewable 14-year term applied to existing works (*i. e.*, works already published and works created but not yet published) and future works alike. Congress expanded the federal copyright term to 42 years in 1831 (28 years from publication, renewable for an additional 14 years), and to 56 years in 1909 (28 years from publication, renewable for an additional 28 years). Both times, Congress applied the new copyright term to existing and future works; to qualify for the 1831 extension, an existing work had to be in its initial copyright term at the time the Act became effective.

In 1976, Congress altered the method for computing federal copyright terms. For works created by identified natural persons, the 1976 Act provided that federal copyright protection would run from the work's creation, not – as in the 1790, 1831, and 1909 Acts – its publication; protection would last until 50 years after the author's death. In these respects, the 1976 Act aligned United States copyright terms with the then-dominant international standard adopted under the Berne Convention for the Protection of Literary and Artistic Works. For anonymous

works, pseudonymous works, and works made for hire, the 1976 Act provided a term of 75 years from publication or 100 years from creation, whichever expired first.

These new copyright terms, the 1976 Act instructed, governed all works not published by its effective date of January 1, 1978, regardless of when the works were created. For published works with existing copyrights as of that date, the 1976 Act granted a copyright term of 75 years from the date of publication, a 19-year increase over the 56-year term applicable under the 1909 Act.

The measure at issue here, the CTEA, installed the fourth major duration extension of federal copyrights.<sup>3</sup> Retaining the general structure of the 1976 Act, the CTEA enlarges the terms of all existing and future copyrights by 20 years. For works created by identified natural persons, the term now lasts from creation until 70 years after the author's death. This standard harmonizes the baseline United States copyright term with the term adopted by the European Union in 1993. For anonymous works, pseudonymous works, and works made for hire, the term is 95 years from publication or 120 years from creation, whichever expires first.

Paralleling the 1976 Act, the CTEA applies these new terms to all works not published by January 1, 1978. For works published before 1978 with existing copyrights as of the CTEA's effective date, the CTEA extends the term to 95 years from publication. Thus, in common with the 1831,

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<sup>3</sup> Asserting that the last several decades have seen a proliferation of copyright legislation in departure from Congress' traditional pace of legislative amendment in this area, petitioners cite nine statutes passed between 1962 and 1974, each of which incrementally extended existing copyrights for brief periods. As respondent (Attorney General Ashcroft) points out, however, these statutes were all temporary placeholders subsumed into the systemic changes effected by the 1976 Act.

1909, and 1976 Acts, the CTEA’s new terms apply to both future and existing copyrights.<sup>4</sup>

B.

The [District] court held that the CTEA does not violate the “limited Times” restriction of the Copyright Clause because the CTEA’s terms, though longer than the 1976 Act’s terms, are still limited, not perpetual, and therefore fit within Congress’ discretion. The court also held that “there are no First Amendment rights to use the copyrighted works of others.”

The Court of Appeals for the District of Columbia Circuit affirmed. . . .

We granted certiorari to address two questions: whether the CTEA’s extension of existing copyrights exceeds Congress’ power under the Copyright Clause; and whether the CTEA’s extension of existing and future copyrights violates the First Amendment. 534 U.S. 1126 and 1160 (2002). We now answer those two questions in the negative and affirm.

II

A.

We address first the determination of the courts below that Congress has authority under the Copyright Clause to extend the terms of existing copyrights. Text, history, and precedent, we conclude, confirm that the Copyright Clause empowers Congress to prescribe “limited Times” for

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<sup>4</sup> Petitioners argue that the 1790 Act must be distinguished from the later Acts on the ground that it covered existing *works* but did not extend existing *copyrights*. The parties disagree on the question whether the 1790 Act’s copyright term should be regarded in part as compensation for the loss of any then existing state- or common-law copyright protections. Without resolving that dispute, we underscore that the First Congress clearly did confer copyright protection on works that had already been created.

copyright protection and to secure the same level and duration of protection for all copyright holders, present and future.

The CTEA's baseline term of life plus 70 years, petitioners concede, qualifies as a "limited Tim[e]" as applied to future copyrights.<sup>5</sup> Petitioners contend, however, that existing copyrights extended to endure for that same term are not "limited." . . . .

To comprehend the scope of Congress' power under the Copyright Clause, "a page of history is worth a volume of logic." *New York Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921) (Holmes, J.). History reveals an unbroken congressional practice of granting to authors of works with existing copyrights the benefit of term extensions so that all under copyright protection will be governed evenhandedly under the same regime. As earlier recounted, the First Congress accorded the protections of the Nation's first federal copyright statute to existing and future works alike. Since then, Congress has regularly applied duration extensions to both existing and future copyrights.<sup>6</sup>

. . . .

The CTEA reflects judgments of a kind Congress typically makes, judgments we cannot dismiss as outside the Legislature's domain. As respondent describes, a key factor

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<sup>5</sup> We note again that JUSTICE BREYER makes no such concession. He does not train his fire, as petitioners do, on Congress' choice to place existing and future copyrights in parity. Moving beyond the bounds of the parties' presentations, and with abundant policy arguments but precious little support from precedent, he would condemn Congress' entire product as irrational.

<sup>6</sup> Moreover, the precise duration of a federal copyright has never been fixed at the time of the initial grant. The 1790 Act provided a federal copyright term of 14 years from the work's publication, renewable for an additional 14 years *if* the author survived and applied for an additional term. § 1. Congress retained that approach in subsequent statutes. Similarly, under the method for measuring copyright terms established by the 1976 Act and retained by the CTEA, the baseline copyright term is measured in part by the life of the author, rendering its duration indeterminate at the time of the grant.

in the CTEA's passage was a 1993 European Union (EU) directive instructing EU members to establish a copyright term of life plus 70 years. Consistent with the Berne Convention, the EU directed its members to deny this longer term to the works of any non-EU country whose laws did not secure the same extended term. By extending the baseline United States copyright term to life plus 70 years, Congress sought to ensure that American authors would receive the same copyright protection in Europe as their European counterparts.<sup>7</sup> The CTEA may also provide greater incentive for American and other authors to create and disseminate their work in the United States.<sup>8</sup>

In addition to international concerns,<sup>9</sup> Congress passed the CTEA in light of demographic, economic, and technological changes,<sup>10</sup> and rationally credited projections that longer terms would encourage copyright holders to

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<sup>7</sup> Responding to an inquiry whether copyrights could be extended "forever," Register of Copyrights Marybeth Peters emphasized the dominant reason for the CTEA: "There certainly are proponents of perpetual copyright: We heard that in our proceeding on term extension. The Songwriters Guild suggested a perpetual term. However, our Constitution says limited times, but there really isn't a very good indication on what limited times is. The reason why you're going to life-plus-70 today is because Europe has gone that way ... ."

<sup>8</sup> The author of the law review article cited in text, Shira Perlmutter, currently a vice president of AOL Time Warner, was at the time of the CTEA's enactment Associate Register for Policy and International Affairs, United States Copyright Office.

<sup>9</sup> See also Austin, *Does the Copyright Clause Mandate Isolationism?*, 26 Colum. J. L. & Arts 17, 59 (2002) (cautioning against "an isolationist reading of the Copyright Clause that is in tension with ... America's international copyright relations over the last hundred or so years")

<sup>10</sup> Members of Congress expressed the view that, as a result of increases in human longevity and in parents' average age when their children are born, the pre-CTEA term did not adequately secure "the right to profit from licensing one's work during one's lifetime and to take pride and comfort in knowing that one's children – and perhaps their children – might also benefit from one's posthumous popularity." Also cited was "the failure of the U.S. copyright term to keep pace with the substantially increased commercial life of copyrighted works resulting from the rapid growth in communications media."

invest in the restoration and public distribution of their works.<sup>11</sup>

In sum, we find that the CTEA is a rational enactment; we are not at liberty to second-guess congressional determinations and policy judgments of this order, however debatable or arguably unwise they may be. Accordingly, we cannot conclude that the CTEA – which continues the unbroken congressional practice of treating future and existing copyrights in parity for term extension purposes – is an impermissible exercise of Congress’ power under the Copyright Clause.

## B.

Petitioners’ Copyright Clause arguments rely on several novel readings of the Clause. We next address these arguments and explain why we find them unpersuasive.

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<sup>11</sup> JUSTICE BREYER urges that the economic incentives accompanying copyright term extension are too insignificant to “mov[e]” any author with a “rational economic perspective.” Calibrating rational economic incentives, however, like “fashion[ing] ... new rules [in light of] new technology,” is a task primarily for Congress, not the courts. Congress heard testimony from a number of prominent artists; each expressed the belief that the copyright system’s assurance of fair compensation for themselves and their heirs was an incentive to create. See, *e. g.*, House Hearings 233-239 (statement of Quincy Jones); Copyright Term Extension Act of 1995: Hearing before the Senate Committee on the Judiciary, 104th Cong., 1st Sess., 55-56 (1995) (statement of Bob Dylan); *id.*, at 56-57 (statement of Don Henley); *id.*, at 57 (statement of Carlos Santana). We would not take Congress to task for crediting this evidence which, as JUSTICE BREYER acknowledges, reflects general “propositions about the value of incentives” that are “undeniably true.”

Congress also heard testimony from Register of Copyrights Marybeth Peters and others regarding the economic incentives created by the CTEA. According to the Register, extending the copyright for existing works “could ... provide additional income that would finance the production and publication of new works.” House Hearings 158. “Authors would not be able to continue to create,” the Register explained, “unless they earned income on their finished works. The public benefits not only from an author’s original work but also from his or her further creations. Although this truism may be illustrated in many ways, one of the best examples is Noah Webster[,] who supported his entire family from the earnings on his speller and grammar during the twenty years he took to complete his dictionary.” *Id.*, at 165.

Petitioners contend that even if the CTEA’s 20-year term extension is literally a “limited Tim[e],” permitting Congress to extend existing copyrights allows it to evade the “limited Times” constraint by creating effectively perpetual copyrights through repeated extensions. We disagree.

As the Court of Appeals observed, a regime of perpetual copyrights “clearly is not the situation before us.” Nothing before this Court warrants construction of the CTEA’s 20-year term extension as a congressional attempt to evade or override the “limited Times” constraint.<sup>12</sup> Critically, we

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<sup>12</sup> JUSTICE BREYER agrees that “Congress did not intend to act unconstitutionally” when it enacted the CTEA, yet in his very next breath, he seems to make just that accusation. What else is one to glean from his selection of scattered statements from individual Members of Congress? He does not identify any statement in the statutory text that installs a perpetual copyright, for there is none. But even if the statutory text were sufficiently ambiguous to warrant recourse to legislative history, JUSTICE BREYER’S selections are not the sort to which this Court accords high value: “In surveying legislative history we have repeatedly stated that the authoritative source for finding the Legislature’s intent lies in the Committee Reports on the bill, which ‘represent[ ] the considered and collective understanding of those [Members of Congress] involved in drafting and studying proposed legislation.’” The House and Senate Reports accompanying the CTEA reflect no purpose to make copyright a forever thing. Notably, the Senate Report expressly acknowledged that the Constitution “clearly precludes Congress from granting unlimited protection for copyrighted works,” and disclaimed any intent to contravene that prohibition. Members of Congress instrumental in the CTEA’s passage spoke to similar effect.

JUSTICE BREYER nevertheless insists that the “economic effect” of the CTEA is to make the copyright term “virtually perpetual.” Relying on formulas and assumptions provided in an *amicus* brief supporting petitioners, he stresses that the CTEA creates a copyright term worth 99.8% of the value of a perpetual copyright. If JUSTICE BREYER’S calculations were a basis for holding the CTEA unconstitutional, then the 1976 Act would surely fall as well, for – under the same assumptions he indulges – the term set by that Act secures 99.4% of the value of a perpetual term. Indeed, on that analysis even the “limited” character of the 1909 (97.7%) and 1831 (94.1%) Acts might be suspect. JUSTICE BREYER several times places the Founding Fathers on his side. It is doubtful, however, that those architects of our Nation, in framing the “limited Times” prescription, thought in terms of the calculator rather than the calendar.



again emphasize, petitioners fail to show how the CTEA crosses a constitutionally significant threshold with respect to “limited Times” that the 1831, 1909, and 1976 Acts did not. Those earlier Acts did not create perpetual copyrights, and neither does the CTEA.<sup>13</sup>

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... . Petitioners contend that the CTEA’s extension of existing copyrights (1) overlooks the requirement of “originality,” (2) fails to “promote the Progress of Science,” and (3) ignores copyright’s *quid pro quo*. Petitioners’ “originality” argument draws on *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991). [The Court turned aside the argument that existing works are not original and therefore not eligible for further protection, arguing that the originality requirement is not relevant to interpreting the “limited Times” language.]

... .

More forcibly, petitioners contend that [t]he CTEA’s extension of existing copyrights categorically fails to “promote the Progress of Science” ..., because it does not stimulate the creation of new works but merely adds value to works already created.

... .

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<sup>13</sup> Respondent notes that the CTEA’s life-plus-70-years baseline term is expected to produce an average copyright duration of 95 years, and that this term “resembles some other long-accepted durational practices in the law, such as 99-year leases of real property and bequests within the rule against perpetuities.” Whether such referents mark the outer boundary of “limited Times” is not before us today. JUSTICE BREYER suggests that the CTEA’s baseline term extends beyond that typically permitted by the traditional rule against perpetuities. The traditional common-law rule looks to lives in being plus 21 years. Under that rule, the period before a bequest vests could easily equal or exceed the anticipated average copyright term under the CTEA. If, for example, the vesting period on a deed were defined with reference to the life of an infant, the sum of the measuring life plus 21 years could commonly add up to 95 years.

We have ... stressed, however, that it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives. The justifications we earlier set out for Congress' enactment of the CTEA provide a rational basis for the conclusion that the CTEA "promote[s] the Progress of Science."

On the issue of copyright duration, Congress, from the start, has routinely applied new definitions or adjustments of the copyright term to both future works and existing works not yet in the public domain.<sup>14</sup> Such consistent congressional practice is entitled to "very great weight, and when it is remembered that the rights thus established have not been disputed during a period of [over two] centur[ies], it is almost conclusive." Indeed, "[t]his Court has repeatedly laid down the principle that a contemporaneous legislative exposition of the Constitution when the founders of our Government and framers of our Constitution were actively participating in public affairs, acquiesced in for a long term of years, fixes the construction to be given [the Constitution's] provisions." Congress' unbroken practice since the founding generation thus overwhelms petitioners' argument that the CTEA's extension of existing copyrights fails *per se* to "promote the Progress of Science."

Closely related to petitioners' preambular argument, or a variant of it, is their assertion that the Copyright Clause "imbeds a quid pro quo." They contend, in this regard, that Congress may grant to an "Autho[r]" an "exclusive Right"

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<sup>14</sup> As we have noted, petitioners seek to distinguish the 1790 Act from those that followed. They argue that by requiring authors seeking its protection to surrender whatever rights they had under state law, the 1790 Act enhanced uniformity and certainty and thus "promote[d] ... Progress." This account of the 1790 Act simply confirms, however, that the First Congress understood it could "promote ... Progress" by extending copyright protection to existing works. Every subsequent adjustment of copyright's duration, including the CTEA, reflects a similar understanding.

for a “limited Tim[e],” but only in exchange for a “Writin[g].” Congress’ power to confer copyright protection, petitioners argue, is thus contingent upon an exchange: The author of an original work receives an “exclusive Right” for a “limited Tim[e]” in exchange for a dedication to the public thereafter. Extending an existing copyright without demanding additional consideration, petitioners maintain, bestows an unpaid-for benefit on copyright holders and their heirs, in violation of the *quid pro quo* requirement.

We can demur to petitioners’ description of the Copyright Clause as a grant of legislative authority empowering Congress “to secure a bargain – this for that.” But the legislative evolution earlier recalled demonstrates what the bargain entails. Given the consistent placement of existing copyright holders in parity with future holders, the author of a work created in the last 170 years would reasonably comprehend, as the “this” offered her, a copyright not only for the time in place when protection is gained, but also for any renewal or extension legislated during that time. Congress could rationally seek to “promote ... Progress” by including in every copyright statute an express guarantee that authors would receive the benefit of any later legislative extension of the copyright term. Nothing in the Copyright Clause bars Congress from creating the same incentive by adopting the same position as a matter of unbroken practice.

We note, furthermore, that patents and copyrights do not entail the same exchange, and that our references to a *quid pro quo* typically appear in the patent context. This is understandable, given that immediate disclosure is not the objective of, but is *exacted from*, the patentee. It is the price paid for the exclusivity secured. For the author seeking copyright protection, in contrast, disclosure is the desired objective, not something exacted from the author in

exchange for the copyright. Indeed, since the 1976 Act, copyright has run from creation, not publication.

Further distinguishing the two kinds of intellectual property, copyright gives the holder no monopoly on any knowledge. A reader of an author's writing may make full use of any fact or idea she acquires from her reading. The grant of a patent, on the other hand, does prevent full use by others of the inventor's knowledge. In light of these distinctions, one cannot extract from language in our patent decisions – language not trained on a grant's duration – genuine support for petitioners' bold view. Accordingly, we reject the proposition that a *quid pro quo* requirement stops Congress from expanding copyright's term in a manner that puts existing and future copyrights in parity.<sup>15</sup>

...

### III

Petitioners separately argue that the CTEA is a content-neutral regulation of speech that fails heightened judicial review under the First Amendment. We reject petitioners' plea for imposition of uncommonly strict scrutiny on a copyright scheme that incorporates its own speech-protective purposes and safeguards. ...

### IV

If petitioners' vision of the Copyright Clause held sway, it would do more than render the CTEA's duration extensions unconstitutional as to existing works. Indeed, petitioners' assertion that the provisions of the CTEA are

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<sup>15</sup> The fact that patent and copyright involve different exchanges does not, of course, mean that we may not be guided in our "limited Times" analysis by Congress' repeated extensions of existing patents. If patent's *quid pro quo* is more exacting than copyright's, then Congress' repeated extension of existing patents without constitutional objection suggests even more strongly that similar legislation with respect to copyrights is constitutionally permissible.

not severable would make the CTEA's enlarged terms invalid even as to tomorrow's work. The 1976 Act's time extensions, which set the pattern that the CTEA followed, would be vulnerable as well.

As we read the Framers' instruction, the Copyright Clause empowers Congress to determine the intellectual property regimes that, overall, in that body's judgment, will serve the ends of the Clause. Beneath the facade of their inventive constitutional interpretation, petitioners forcefully urge that Congress pursued very bad policy in prescribing the CTEA's long terms. The wisdom of Congress' action, however, is not within our province to second-guess. Satisfied that the legislation before us remains inside the domain the Constitution assigns to the First Branch, we affirm the judgment of the Court of Appeals.

*It is so ordered.*

JUSTICE STEVENS, dissenting.

... . [I]nsofar as the 1998 Sonny Bono Copyright Term Extension Act, 112 Stat. 2827, purported to extend the life of unexpired copyrights, it is invalid. Because the majority's contrary conclusion rests on the mistaken premise that this Court has virtually no role in reviewing congressional grants of monopoly privileges to authors, inventors, and their successors, I respectfully dissent.

I

The authority to issue copyrights stems from the same Clause in the Constitution that created the patent power. It provides:

Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the

exclusive Right to their respective  
Writings and Discoveries.

Art. I, § 8, cl. 8.

It is well settled that the Clause is “both a grant of power and a limitation” and that Congress “may not overreach the restraints imposed by the stated constitutional purpose.” As we have made clear in the patent context, that purpose has two dimensions. Most obviously the grant of exclusive rights to their respective writings and discoveries is intended to encourage the creativity of “Authors and Inventors.” But the requirement that those exclusive grants be for “limited Times” serves the ultimate purpose of promoting the “Progress of Science and useful Arts” by guaranteeing that those innovations will enter the public domain as soon as the period of exclusivity expires:

Once the patent issues, it is strictly construed, it cannot be used to secure any monopoly beyond that contained in the patent, ... and especially relevant here, when the patent expires the monopoly created by it expires, too, and the right to make the article – including the right to make it in precisely the shape it carried when patented – passes to the public.

*Sears, Roebuck & Co. v. Stiffel Co.*, 376 U. S. 230 (1964).

It is that ultimate purpose that explains why a patent may not issue unless it discloses the invention in such detail that one skilled in the art may copy it. Complete disclosure as a precondition to the issuance of a patent is part of the *quid pro quo* that justifies the limited monopoly for the inventor as consideration for full and immediate access by the public when the limited time expires.

Almost two centuries ago the Court plainly stated that public access to inventions at the earliest possible date was the essential purpose of the Clause:

While one great object was, by holding out a reasonable reward to inventors and giving them an exclusive right to their inventions for a limited period, to stimulate the efforts of genius; the main object was 'to promote the progress of science and useful arts;' and this could be done best, by giving the public at large a right to make, construct, use, and vend the thing invented, at as early a period as possible, having a due regard to the rights of the inventor. If an inventor should be permitted to hold back from the knowledge of the public the secrets of his invention; if he should for a long period of years retain the monopoly, and make, and sell his invention publicly, and thus gather the whole profits of it, relying upon his superior skill and knowledge of the structure; and then, and then only, when the danger of competition should force him to secure the exclusive right, he should be allowed to take out a patent, and thus exclude the public from any farther use than what should be derived under it during his fourteen years; it would materially retard the progress of science and the useful arts, and give a premium to those, who should be least prompt to communicate their discoveries.

*Pennock v. Dialogue*, 2 Pet. 1, 18 (1829).

*Pennock* held that an inventor could not extend the period of patent protection by postponing his application for the patent while exploiting the invention commercially. As we recently explained, “implicit in the Patent Clause itself” is the understanding “that free exploitation of ideas will be the rule, to which the protection of a federal patent is the exception. Moreover, the ultimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure.”

Neither the purpose of encouraging new inventions nor the overriding interest in advancing progress by adding knowledge to the public domain is served by retroactively increasing the inventor’s compensation for a completed invention and frustrating the legitimate expectations of members of the public who want to make use of it in a free market. Because those twin purposes provide the only avenue for congressional action under the Copyright/Patent Clause of the Constitution, any other action is manifestly unconstitutional.

## II

We have recognized that these twin purposes of encouraging new works and adding to the public domain apply to copyrights as well as patents. Thus, with regard to copyrights on motion pictures, we have clearly identified the overriding interest in the “release to the public of the products of [the author’s] creative genius.” *United States v. Paramount Pictures, Inc.*, 334 U. S. 131, 158 (1948). And, as with patents, we have emphasized that the overriding purpose of providing a reward for authors’ creative activity is to motivate that activity and “to allow the public access to the products of their genius after the limited period of exclusive control has expired.” *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U. S. 417, 429 (1984). *Ex post facto* extensions of copyrights result in a gratuitous transfer of wealth from the public to authors, publishers, and their



successors in interest. Such retroactive extensions do not even arguably serve either of the purposes of the Copyright/Patent Clause. The reasons why such extensions of the patent monopoly are unconstitutional apply to copyrights as well.

Respondent, however, advances four arguments in support of the constitutionality of such retroactive extensions: (1) The first Copyright Act enacted shortly after the Constitution was ratified applied to works that had already been produced; (2) later Congresses have repeatedly authorized extensions of copyrights and patents; (3) such extensions promote the useful arts by giving copyright holders an incentive to preserve and restore certain valuable motion pictures; and (4) as a matter of equity, whenever Congress provides a longer term as an incentive to the creation of new works by authors, it should provide an equivalent reward to the owners of all unexpired copyrights. None of these arguments is persuasive. [Justice Stevens argues that both reason and the history of Copyright and Patent statutes contradict these arguments.]

## VII

The express grant of a perpetual copyright would unquestionably violate the textual requirement that the authors' exclusive rights be only "for limited Times." Whether the extraordinary length of the grants authorized by the 1998 Act are invalid because they are the functional equivalent of perpetual copyrights is a question that need not be answered in this case because the question presented by the certiorari petition merely challenges Congress' power to extend retroactively the terms of existing copyrights. Accordingly, there is no need to determine whether the deference that is normally given to congressional policy judgments may save from judicial review its decision respecting the appropriate length of the term. It is important to note, however, that a categorical rule

prohibiting retroactive extensions would effectively preclude perpetual copyrights. More importantly, as the House of Lords recognized when it refused to amend the Statute of Anne in 1735, unless the Clause is construed to embody such a categorical rule, Congress may extend existing monopoly privileges *ad infinitum* under the majority's analysis.

By failing to protect the public interest in free access to the products of inventive and artistic genius – indeed, by virtually ignoring the central purpose of the Copyright/Patent Clause – the Court has quitclaimed to Congress its principal responsibility in this area of the law. Fairly read, the Court has stated that Congress' actions under the Copyright/Patent Clause are, for all intents and purposes, judicially unreviewable. That result cannot be squared with the basic tenets of our constitutional structure. It is not hyperbole to recall the trenchant words of Chief Justice John Marshall: “It is emphatically the province and duty of the judicial department to say what the law is.” *Marbury v. Madison*, 1 Cranch 137, 177 (1803). We should discharge that responsibility as we did in *Chadha*.

I respectfully dissent.

JUSTICE BREYER, dissenting.

The Constitution's Copyright Clause grants Congress the power to “*promote the Progress of Science ... by securing for limited Times to Authors ... the exclusive Right to their respective Writings.*” Art. I, § 8, cl. 8 (emphasis added). The statute before us, the 1998 Sonny Bono Copyright Term Extension Act, extends the term of most existing copyrights to 95 years and that of many new copyrights to 70 years after the author's death. The economic effect of this 20-year extension – the longest blanket extension since the Nation's founding – is to make the copyright term not limited, but virtually perpetual. Its primary legal effect is to grant the extended term not to authors, but to their heirs,

estates, or corporate successors. And most importantly, its practical effect is not to promote, but to inhibit, the progress of “Science” – by which word the Framers meant learning or knowledge.

The majority believes these conclusions rest upon practical judgments that at most suggest the statute is unwise, not that it is unconstitutional. Legal distinctions, however, are often matters of degree. And in this case the failings of degree are so serious that they amount to failings of constitutional kind. Although the Copyright Clause grants broad legislative power to Congress, that grant has limits. And in my view this statute falls outside them.

## I

The “monopoly privileges” that the Copyright Clause confers “are neither unlimited nor primarily designed to provide a special private benefit.” *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U. S. 417, 429 (1984); cf. *Graham v. John Deere Co. of Kansas City*, 383 U. S. 1, 5 (1966). This Court has made clear that the Clause’s limitations are judicially enforceable. *E. g.*, *Trade-Mark Cases*, 100 U. S. 82, 93-94 (1879). And, in assessing this statute for that purpose, I would take into account the fact that the Constitution is a single document, that it contains both a Copyright Clause and a First Amendment, and that the two are related.

The Copyright Clause and the First Amendment seek related objectives – the creation and dissemination of information. When working in tandem, these provisions mutually reinforce each other, the first serving as an “engine of free expression,” *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U. S. 539, 558 (1985), the second assuring that government throws up no obstacle to its dissemination. At the same time, a particular statute that exceeds proper Copyright Clause bounds may set Clause

and Amendment at cross-purposes, thereby depriving the public of the speech-related benefits that the Founders, through both, have promised.

Consequently, I would review plausible claims that a copyright statute seriously, and unjustifiably, restricts the dissemination of speech somewhat more carefully than reference to this Court's traditional Copyright Clause jurisprudence might suggest. There is no need in this case to characterize that review as a search for "congruence and proportionality," or as some other variation of what this Court has called "intermediate scrutiny." Rather, it is necessary only to recognize that this statute involves not pure economic regulation, but regulation of expression, and what may count as rational where economic regulation is at issue is not necessarily rational where we focus on expression – in a Nation constitutionally dedicated to the free dissemination of speech, information, learning, and culture. In this sense only, and where line-drawing among constitutional interests is at issue, I would look harder than does the majority at the statute's rationality – though less hard than precedent might justify.

Thus, I would find that the statute lacks the constitutionally necessary rational support (1) if the significant benefits that it bestows are private, not public; (2) if it threatens seriously to undermine the expressive values that the Copyright Clause embodies; and (3) if it cannot find justification in any significant Clause-related objective. Where, after examination of the statute, it becomes difficult, if not impossible, even to dispute these characterizations, Congress' "choice is clearly wrong."

## II

### A.

Because we must examine the relevant statutory effects in light of the Copyright Clause's own purposes, we should

begin by reviewing the basic objectives of that Clause. The Clause authorizes a “tax on readers for the purpose of giving a bounty to writers.” Why? What constitutional purposes does the “bounty” serve?

The Constitution itself describes the basic Clause objective as one of “promot[ing] the Progress of Science,” *i. e.*, knowledge and learning. The Clause exists not to “provide a special private benefit,” *Sony, supra*, at 429, but “to stimulate artistic creativity for the general public good.” It does so by “motiv[at]ing the creative activity of authors” through “the provision of a special reward.” *Sony, supra*, at 429. The “reward” is a means, not an end. And that is why the copyright term is limited. It is limited so that its beneficiaries – the public – “will not be permanently deprived of the fruits of an artist’s labors.”

That is how the Court previously has described the Clause’s objectives. And, in doing so, the Court simply has reiterated the views of the Founders.

Madison, like Jefferson and others in the founding generation, warned against the dangers of monopolies. Madison noted that the Constitution had “limited them to two cases, the authors of Books, and of useful inventions.” *Madison on Monopolies* 756. He thought that in those two cases monopoly is justified because it amounts to “compensation for” an actual community “benefit” and because the monopoly is “temporary” – the term originally being 14 years (once renewable). Madison concluded that “under that limitation a sufficient recompence and encouragement may be given.” But he warned in general that monopolies must be “guarded with strictness agst abuse.”

Many Members of the Legislative Branch have expressed themselves similarly. Those who wrote the House Report on the landmark Copyright Act of 1909, for example, said that copyright was not designed “primarily” to “benefit”

the “author” or “any particular class of citizens, however worthy.” Rather, under the Constitution, copyright was designed “primarily for the benefit of the public,” for “the benefit of the great body of people, in that it will stimulate writing and invention.” And were a copyright statute not “believed, in fact, to accomplish” the basic constitutional objective of advancing learning, that statute “would be beyond the power of Congress” to enact. Similarly, those who wrote the House Report on legislation that implemented the Berne Convention for the Protection of Literary and Artistic Works said that “[t]he constitutional purpose of copyright is to facilitate the flow of ideas in the interest of learning.” H. R. Rep. No. 100-609, p. 22 (1988) (internal quotation marks omitted). They added:

Under the U. S. Constitution, the primary objective of copyright law is not to reward the author, but rather to secure for the public the benefits derived from the authors’ labors. By giving authors an incentive to create, the public benefits in two ways: when the original expression is created and ... when the limited term ... expires and the creation is added to the public domain.

*Id.*, at 17.

For present purposes, then, we should take the following as well established: that copyright statutes must serve public, not private, ends; that they must seek “to promote the Progress” of knowledge and learning; and that they must do so both by creating incentives for authors to produce and by removing the related restrictions on dissemination after expiration of a copyright’s “limited Tim[e]” – a time that (like “a *limited* monarch”) is “restrain[ed]” and “circumscribe[d],” “not [left] at large,” 2 S. Johnson, *A Dictionary of the English Language* 1151 (4th rev. ed. 1773). I

would examine the statute's effects in light of these well-established constitutional purposes.

B.

This statute, like virtually every copyright statute, imposes upon the public certain expression-related costs in the form of (1) royalties that may be higher than necessary to evoke creation of the relevant work, and (2) a requirement that one seeking to reproduce a copyrighted work must obtain the copyright holder's permission. The first of these costs translates into higher prices that will potentially restrict a work's dissemination. The second means search costs that themselves may prevent reproduction even where the author has no objection. Although these costs are, in a sense, inevitable concomitants of copyright protection, there are special reasons for thinking them especially serious here.

First, the present statute primarily benefits the holders of existing copyrights, *i. e.*, copyrights on works already created. And a Congressional Research Service (CRS) study prepared for Congress indicates that the added royalty-related sum that the law will transfer to existing copyright holders is large. E. Rappaport, CRS Report for Congress, Copyright Term Extension: Estimating the Economic Values (1998) (hereinafter CRS Report). In conjunction with official figures on copyright renewals, the CRS Report indicates that only about 2% of copyrights between 55 and 75 years old retain commercial value – *i. e.*, still generate royalties after that time. But books, songs, and movies of that vintage still earn about \$400 million per year in royalties. Hence, (despite declining consumer interest in any given work over time) one might conservatively estimate that 20 extra years of copyright protection will mean the transfer of several billion extra royalty dollars to holders of existing copyrights – copyrights that, together, already will have earned many billions of dollars in royalty “reward.”

The extra royalty payments will not come from thin air. Rather, they ultimately come from those who wish to read or see or hear those classic books or films or recordings that have survived. Even the \$500,000 that United Airlines has had to pay for the right to play George Gershwin's 1924 classic *Rhapsody in Blue* represents a cost of doing business, potentially reflected in the ticket prices of those who fly. See Ganzel, *Copyright or Copywrong?*, 39 Training 36, 42 (Dec. 2002). Further, the likely amounts of extra royalty payments are large enough to suggest that unnecessarily high prices will unnecessarily restrict distribution of classic works (or lead to disobedience of the law) – not just in theory but in practice. Cf. CRS Report 3 (“[N]ew, cheaper editions can be expected when works come out of copyright”); Brief for College Art Association et al. as *Amici Curiae* 24 (One year after expiration of copyright on Willa Cather's *My Antonia*, seven new editions appeared at prices ranging from \$2 to \$24); Ganzel, *supra*, at 40-41, 44 (describing later abandoned plans to charge individual Girl Scout camps \$257 to \$1,439 annually for a license to sing songs such as *God Bless America* around a campfire).

A second, equally important, cause for concern arises out of the fact that copyright extension imposes a “permissions” requirement – not only upon potential users of “classic” works that still retain commercial value, but also upon potential users of *any other work* still in copyright. Again using CRS estimates, one can estimate that, by 2018, the number of such works 75 years of age or older will be about 350,000. See Brief for Petitioners 7. Because the Copyright Act of 1976 abolished the requirement that an owner must renew a copyright, such still-in-copyright works (of little or no commercial value) will eventually number in the millions.

The potential users of such works include not only movie buffs and aging jazz fans, but also historians, scholars, teachers, writers, artists, database operators, and researchers



of all kinds – those who want to make the past accessible for their own use or for that of others. The permissions requirement can inhibit their ability to accomplish that task. Indeed, in an age where computer-accessible databases promise to facilitate research and learning, the permissions requirement can stand as a significant obstacle to realization of that technological hope.

The reason is that the permissions requirement can inhibit or prevent the use of old works (particularly those without commercial value): (1) because it may prove expensive to track down or to contract with the copyright holder, (2) because the holder may prove impossible to find, or (3) because the holder when found may deny permission either outright or through misinformed efforts to bargain. The CRS, for example, has found that the cost of seeking permission “can be prohibitive.” CRS Report 4. And *amici*, along with petitioners, provide examples of the kinds of significant harm at issue.

Thus, the American Association of Law Libraries points out that the clearance process associated with creating an electronic archive, *Documenting the American South*, “consumed approximately a dozen man-hours” *per work*. The College Art Association says that the costs of obtaining permission for use of single images, short excerpts, and other short works can become prohibitively high; it describes the abandonment of efforts to include, *e. g.*, campaign songs, film excerpts, and documents exposing “horrors of the chain gang” in historical works or archives; and it points to examples in which copyright holders in effect have used their control of copyright to try to control the content of historical or cultural works. . . . Petitioners point to music fees that may prevent youth or community orchestras, or church choirs, from performing early 20th-century music. Brief for Petitioners 3-5; see also App. 16-17 (Copyright extension caused abandonment of plans to sell sheet music of Maurice Ravel’s *Alborada Del Gracioso*).

*Amici* for petitioners describe how electronic databases tend to avoid adding to their collections works whose copyright holders may prove difficult to contact, see, *e. g.*, Arms, *Getting the Picture: Observations from the Library of Congress on Providing Online Access to Pictorial Images*, 48 *Library Trends* 379, 405 (1999) (describing how this tendency applies to the Library of Congress' own digital archives).

As I have said, to some extent costs of this kind accompany any copyright law, regardless of the length of the copyright term. But to extend that term, preventing works from the 1920's and 1930's from falling into the public domain, will dramatically increase the size of the costs just as – perversely – the likely benefits from protection diminish. The older the work, the less likely it retains commercial value, and the harder it will likely prove to find the current copyright holder. The older the work, the more likely it will prove useful to the historian, artist, or teacher. The older the work, the less likely it is that a sense of authors' rights can justify a copyright holder's decision not to permit reproduction, for the more likely it is that the copyright holder making the decision is not the work's creator, but, say, a corporation or a great-grandchild whom the work's creator never knew. Similarly, the costs of obtaining permission, now perhaps ranging in the millions of dollars, will multiply as the number of holders of affected copyrights increases from several hundred thousand to several million. The costs to the users of nonprofit databases, now numbering in the low millions, will multiply as the use of those computer-assisted databases becomes more prevalent. See, *e. g.*, Brief for Internet Archive et al. as *Amici Curiae* 2, 21, and n. 37 (describing nonprofit Project Gutenberg). And the qualitative costs to education, learning, and research will multiply as our children become ever more dependent for the content of their knowledge upon computer-accessible databases – thereby condemning that which is not so accessible, say, the cultural content of

early 20th-century history, to a kind of intellectual purgatory from which it will not easily emerge.

The majority ... invokes the “fair use” exception, and it notes that copyright law itself is restricted to protection of a work’s expression, not its substantive content. Neither the exception nor the restriction, however, would necessarily help those who wish to obtain from electronic databases material that is not there – say, teachers wishing their students to see albums of Depression Era photographs, to read the recorded words of those who actually lived under slavery, or to contrast, say, Gary Cooper’s heroic portrayal of Sergeant York with filmed reality from the battlefield of Verdun. Such harm, and more will occur despite the 1998 Act’s exemptions and despite the other “First Amendment safeguards” in which the majority places its trust.

I should add that the Motion Picture Association of America also finds my concerns overstated, at least with respect to films, because the extension will sometimes make it profitable to reissue old films, saving them from extinction. Other film preservationists note, however, that only a small minority of the many films, particularly silent films, from the 1920’s and 1930’s have been preserved. 1 Report of the Librarian of Congress, *Film Preservation* 1993, pp. 3-4 (Half of all pre-1950 feature films and more than 80% of all such pre-1929 films have already been lost); cf. Brief for Hal Roach Studios et al. as *Amici Curiae* 18 (Out of 1,200 Twenties Era silent films still under copyright, 63 are now available on digital video disc). They seek to preserve the remainder. See, e. g., Brief for Internet Archive et al. as *Amici Curiae* 22 (Nonprofit database digitized 1,001 public-domain films, releasing them online without charge); 1 *Film Preservation* 1993, *supra*, at 23 (reporting well over 200,000 titles held in public archives). And they tell us that copyright extension will impede preservation by forbidding the reproduction of films within their own or within other public collections.

Because this subsection concerns only costs, not countervailing benefits, I shall simply note here that, with respect to films as with respect to other works, extension does cause substantial harm to efforts to preserve and to disseminate works that were created long ago. And I shall turn to the second half of the equation: Could Congress reasonably have found that the extension's toll-related and permissions-related harms are justified by extension's countervailing preservationist incentives or in other ways?

### C.

What copyright-related benefits might justify the statute's extension of copyright protection? First, no one could reasonably conclude that copyright's traditional economic rationale applies here. The extension will not act as an economic spur encouraging authors to create new works. See *Mazer*, 347 U. S., at 219 (The "economic philosophy" of the Copyright Clause is to "advance public welfare" by "encourag[ing] individual effort" through "personal gain"). No potential author can reasonably believe that he has more than a tiny chance of writing a classic that will survive commercially long enough for the copyright extension to matter. After all, if, after 55 to 75 years, only 2% of all copyrights retain commercial value, the percentage surviving after 75 years or more (a typical pre-extension copyright term) – must be far smaller. See CRS Report 7 (estimating that, even after copyright renewal, about 3.8% of copyrighted books go out of print each year). And any remaining monetary incentive is diminished dramatically by the fact that the relevant royalties will not arrive until 75 years or more into the future, when, not the author, but distant heirs, or shareholders in a successor corporation, will receive them. Using assumptions about the time value of money provided us by a group of economists (including five Nobel prize winners), it seems fair to say that, for example, a 1% likelihood of earning \$100 annually for 20

years, starting *75 years into the future*, is worth less than seven cents today.

What potential Shakespeare, Wharton, or Hemingway would be moved by such a sum? What monetarily motivated Melville would not realize that he could do better for his grandchildren by putting a few dollars into an interest-bearing bank account? The Court itself finds no evidence to the contrary. It refers to testimony before Congress (1) that the copyright system's incentives encourage creation, and (2) (referring to Noah Webster) that income earned from one work can help support an artist who "continue[s] to create." But the first of these amounts to no more than a set of undeniably true propositions about the value of incentives *in general*. And the applicability of the second to *this* Act is mysterious. How will extension help today's Noah Webster create new works 50 years after his death? Or is that hypothetical Webster supposed to support himself with the extension's present discounted value, *i. e.*, a few pennies? Or (to change the metaphor) is the argument that Dumas *filis* would have written more books had Dumas *pere's* *Three Musketeers* earned more royalties?

Regardless, even if this cited testimony were meant more specifically to tell Congress that somehow, somewhere, some potential author might be moved by the thought of great-grandchildren receiving copyright royalties a century hence, so might some potential author also be moved by the thought of royalties being paid for two centuries, five centuries, 1,000 years, "til the End of Time." And from a rational economic perspective the time difference among these periods *makes no real difference*. The present extension will produce a copyright period of protection that, even under conservative assumptions, is worth more than 99.8% of protection *in perpetuity* (more than 99.99% for a songwriter like Irving Berlin and a song like Alexander's Ragtime Band). The lack of a practically meaningful

distinction from an author's *ex ante* perspective between (a) the statute's extended terms and (b) an infinite term makes this latest extension difficult to square with the Constitution's insistence on "limited Times."

I am not certain why the Court considers it relevant in this respect that "[n]othing ... warrants construction of the [1998 Act's] 20-year term extension as a congressional attempt to evade or override the 'limited Times' constraint." Of course Congress did not intend to act unconstitutionally. But it may have sought to test the Constitution's limits. After all, the statute was named after a Member of Congress, who, the legislative history records, "wanted the term of copyright protection to last forever." 144 Cong. Rec. H9952 (daily ed. Oct. 7, 1998) (statement of Rep. Mary Bono). See also Copyright Term, Film Labeling, and Film Preservation Legislation: Hearings on H. R. 989 et al. before the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee, 104th Cong., 1st Sess., 94 (1995) (hereinafter House Hearings) (statement of Rep. Sonny Bono) (questioning why copyrights should ever expire); *ibid.* (statement of Rep. Berman) ("I guess we could ... just make a permanent moratorium on the expiration of copyrights"); *id.*, at 230 (statement of Rep. Hoke) ("Why 70 years? Why not forever? Why not 150 years?"); cf. *ibid.* (statement of the Register of Copyrights) (In Copyright Office proceedings, "[t]he Songwriters Guild suggested a perpetual term"); *id.*, at 234 (statement of Quincy Jones) ("I'm particularly fascinated with Representative Hoke's statement... . [W]hy not forever?"); *id.*, at 277 (statement of Quincy Jones) ("If we can start with 70, add 20, it would be a good start"). And the statute ended up creating a term so long that (were the vesting of 19th-century real property at issue) it would typically violate the traditional rule against perpetuities. See 10 R. Powell, Real Property §§ 71.02[2]-[3], p. 71-11 (M. Wolf ed. 2002) (traditional rule that estate must vest, if at

all, within lives in being plus 21 years); cf. *id.*, § 71.03, at 71-15 (modern statutory perpetuity term of 90 years, 5 years shorter than 95-year copyright terms).

In any event, the incentive-related numbers are far too small for Congress to have concluded rationally, even with respect to new works, that the extension's economic-incentive effect could justify the serious expression-related harms earlier described. See Part II-B, *supra*. And, of course, in respect to works already created – the source of many of the harms previously described – *the statute creates no economic incentive at all.*

Second, the Court relies heavily for justification upon international uniformity of terms. *Ante*, at 196, 205-206. Although it can be helpful to look to international norms and legal experience in understanding American law, in this case the justification based upon foreign rules is surprisingly weak. Those who claim that significant copyright-related benefits flow from greater international uniformity of terms point to the fact that the nations of the European Union have adopted a system of copyright terms uniform among themselves. And the extension before this Court implements a term of life plus 70 years that appears to conform with the European standard. But how does “uniformity” help to justify this statute?

Despite appearances, the statute does *not* create a uniform American-European term with respect to the lion's share of the economically significant works that it affects – *all* works made “for hire” and *all* existing works created prior to 1978. . . .

What benefit, then, might this partial future uniformity achieve? The majority refers to “greater incentive for American and other authors to create and disseminate their work in the United States,” and cites a law review article suggesting a need to “avoid competitive disadvantages.” The Solicitor General elaborates on this theme, postulating

that because uncorrected disuniformity would permit Europe, not the United States, to hold out the prospect of protection lasting for “life plus 70 years” (instead of “life plus 50 years”), a potential author might decide to publish initially in Europe, delaying American publication. And the statute, by creating a uniformly longer term, corrects for the disincentive that this disuniformity might otherwise produce.

That disincentive, however, could not possibly bring about serious harm of the sort that the Court, the Solicitor General, or the law review author fears. . . . As we have seen, the present commercial value of any such difference amounts at most to comparative pennies. And a commercial decision that turned upon such a difference would have had to have rested previously upon a knife edge so fine as to be invisible. A rational legislature could not give major weight to an invisible, likely nonexistent incentive-related effect.

But if there is no incentive-related benefit, what is the benefit of the future uniformity that the statute only partially achieves? Unlike the Copyright Act of 1976, this statute does not constitute part of an American effort to conform to an important international treaty like the Berne Convention. . . .

In sum, the partial, future uniformity that the 1998 Act promises cannot reasonably be said to justify extension of the copyright term for new works. And concerns with uniformity cannot possibly justify the extension of the new term to older works, for the statute there creates no uniformity at all.

Third, several publishers and filmmakers argue that the statute provides incentives to *those who act as publishers* to republish and to redistribute older copyrighted works. This claim cannot justify this statute, however, because the rationale is inconsistent with the basic purpose of the



Copyright Clause – as understood by the Framers and by this Court. The Clause assumes an initial grant of monopoly, designed primarily to encourage creation, followed by termination of the monopoly grant in order to promote dissemination of already-created works. It assumes that it is the *disappearance* of the monopoly grant, not its *perpetuation*, that will, on balance, promote the dissemination of works already in existence. This view of the Clause does not deny the empirical possibility that grant of a copyright monopoly to the heirs or successors of a long-dead author could *on occasion* help publishers resurrect the work, say, of a long-lost Shakespeare. But it does deny Congress the Copyright Clause power to base its actions primarily upon that empirical possibility – lest copyright grants become perpetual, lest on balance they restrict dissemination, lest too often they seek to bestow benefits that are solely retroactive.

[Justice Breyer reviews the history and text of the clause to buttress this view of the Clause.]

[This view] finds empirical support in sources that underscore the wisdom of the Framers’ judgment. See CRS Report 3 (“[N]ew, cheaper editions can be expected when works come out of copyright”); see also Part II-B, *supra*. And it draws logical support from the endlessly self-perpetuating nature of the publishers’ claim and the difficulty of finding any kind of logical stopping place were this Court to accept such a uniquely publisher-related rationale. (Would it justify continuing to extend copyrights indefinitely, say, for those granted to F. Scott Fitzgerald or his lesser known contemporaries? Would it not, in principle, justify continued protection of the works of Shakespeare, Melville, Mozart, or perhaps Salieri, Mozart’s currently less popular contemporary? Could it justify yet further extension of the copyright on the song Happy Birthday to You (melody first published in 1893, song copyrighted after litigation in 1935), *still in effect* and

currently owned by a subsidiary of AOL Time Warner? See Profitable “Happy Birthday,” *Times of London*, Aug. 5, 2000, p. 6.)

Given this support, it is difficult to accept the conflicting rationale that the publishers advance, namely, that extension, rather than limitation, of the grant will, by rewarding publishers with a form of monopoly, promote, rather than retard, the dissemination of works already in existence. Indeed, given these considerations, this rationale seems constitutionally perverse – unable, constitutionally speaking, to justify the blanket extension here at issue.

Fourth, the statute’s legislative history suggests another possible justification. That history refers frequently to the financial assistance the statute will bring the entertainment industry, particularly through the promotion of exports. . . . I can find nothing in the Copyright Clause that would authorize Congress to enhance the copyright grant’s monopoly power, likely leading to higher prices both at home and abroad, *solely* in order to produce higher foreign earnings. That objective is not a *copyright* objective. Nor, standing alone, is it related to any other objective more closely tied to the Clause itself. Neither can higher corporate profits alone justify the grant’s enhancement. The Clause seeks public, not private, benefits.

Finally, the Court mentions as possible justifications “demographic, economic, and technological changes” – by which the Court apparently means the facts that today people communicate with the help of modern technology, live longer, and have children at a later age. The first fact seems to argue not for, but instead against, extension. See Part II-B, *supra*. The second fact seems already corrected for by the 1976 Act’s life-plus-50 term, which automatically grows with lifespans. And the third fact – that adults are having children later in life – is a makeweight at best, providing no explanation of why the 1976 Act’s term of 50 years after an author’s death – a longer term than was

available to authors themselves for most of our Nation's history – is an insufficient potential bequest. The weakness of these final rationales simply underscores the conclusion that emerges from consideration of earlier attempts at justification: There is no legitimate, serious copyright-related justification for this statute.

### III

The Court is concerned that our holding in this case not inhibit the broad decisionmaking leeway that the Copyright Clause grants Congress. It is concerned about the implications of today's decision for the Copyright Act of 1976 – an Act that changed copyright's basic term from 56 years (assuming renewal) to life of the author plus 50 years. It is concerned about having to determine just how many years of copyright is too many – a determination that it fears would require it to find the “right” constitutional number, a task for which the Court is not well suited.

I share the Court's initial concern, about intrusion upon the decisionmaking authority of Congress. But I do not believe it intrudes upon that authority to find the statute unconstitutional on the basis of (1) a legal analysis of the Copyright Clause's objectives; (2) the total implausibility of any incentive effect; and (3) the statute's apparent failure to provide significant international uniformity. Nor does it intrude upon congressional authority to consider rationality in light of the expressive values underlying the Copyright Clause, related as it is to the First Amendment, and given the constitutional importance of correctly drawing the relevant Clause/Amendment boundary. We cannot avoid the need to examine the statute carefully by saying that “Congress has not altered the traditional contours of copyright protection,” for the sentence points to the question, rather than the answer. Nor should we avoid that examination here. That degree of judicial vigilance – at the far outer boundaries of the Clause – is warranted if we are

to avoid the monopolies and consequent restrictions of expression that the Clause, read consistently with the First Amendment, seeks to preclude. And that vigilance is all the more necessary in a new century that will see intellectual property rights and the forms of expression that underlie them play an ever more important role in the Nation's economy and the lives of its citizens.

I do not share the Court's concern that my view of the 1998 Act could automatically doom the 1976 Act. Unlike the present statute, the 1976 Act thoroughly revised copyright law and enabled the United States to join the Berne Convention – an international treaty that requires the 1976 Act's basic life-plus-50 term as a condition for substantive protections from a copyright's very inception, Berne Conv. Art. 7(1). Consequently, the balance of copyright-related harms and benefits there is far less one sided. The same is true of the 1909 and 1831 Acts, which, in any event, provided for maximum terms of 56 years or 42 years while requiring renewal after 28 years, with most copyrighted works falling into the public domain after that 28-year period, well before the putative maximum terms had elapsed. Regardless, the law provides means to protect those who have reasonably relied upon prior copyright statutes. And, in any event, we are not here considering, and we need not consider, the constitutionality of other copyright statutes.

Neither do I share the Court's aversion to line-drawing in this case. Even if it is difficult to draw a single clear bright line, the Court could easily decide (as I would decide) that this particular statute simply goes too far. And such examples – of what goes too far – sometimes offer better constitutional guidance than more absolute-sounding rules. In any event, "this Court sits" in part to decide when a statute exceeds a constitutional boundary. In my view, "[t]ext, history, and precedent," support both the need to

draw lines in general and the need to draw the line here short of this statute.

Finally, the Court complains that I have not “restrained” my argument or “train[ed my] fire, as petitioners do, on Congress’ choice to place existing and future copyrights in parity.” The reason that I have not so limited my argument is my willingness to accept, for purposes of this opinion, the Court’s understanding that, for reasons of “[j]ustice, policy, and equity” – as well as established historical practice – it is not “categorically beyond Congress’ authority” to “exten[d] the duration of existing copyrights” to achieve such parity. I have accepted this view, however, only for argument’s sake – putting to the side, for the present, JUSTICE STEVENS’ persuasive arguments to the contrary. And I make this assumption only to emphasize the lack of rational justification for the present statute. A desire for “parity” between *A* (old copyrights) and *B* (new copyrights) cannot justify extending *A* when there is no rational justification for extending *B*. At the very least (if I put aside my rationality characterization), to ask *B* to support *A* here is like asking Tom Thumb to support Paul Bunyan’s ox. Where the case for extending new copyrights is itself so weak, what “justice,” what “policy,” what “equity” can warrant the tolls and barriers that extension of existing copyrights imposes?

#### IV

This statute will cause serious expression-related harm. It will likely restrict traditional dissemination of copyrighted works. It will likely inhibit new forms of dissemination through the use of new technology. It threatens to interfere with efforts to preserve our Nation’s historical and cultural heritage and efforts to use that heritage, say, to educate our Nation’s children. It is easy to understand how the statute might benefit the private financial interests of corporations or heirs who own existing copyrights. But I cannot find any

constitutionally legitimate, copyright-related way in which the statute will benefit the public. Indeed, in respect to existing works, the serious public harm and the virtually nonexistent public benefit could not be more clear.

I have set forth the analysis upon which I rest these judgments. This analysis leads inexorably to the conclusion that the statute cannot be understood rationally to advance a constitutionally legitimate interest. The statute falls outside the scope of legislative power that the Copyright Clause, read in light of the First Amendment, grants to Congress. I would hold the statute unconstitutional.

I respectfully dissent.

APPENDIX TO OPINION OF BREYER, J.

A

The text's estimates of the economic value of 1998 Act copyrights relative to the economic value of a perpetual copyright as well as the incremental value of a 20-year extension of a 75-year term rest upon the conservative future value and discount rate assumptions set forth in the brief of economist *amici*. Brief for George A. Akerlof et al. as *Amici Curiae* 5-7. Under these assumptions, if an author expects to live 30 years after writing a book, the copyright extension (by increasing the copyright term from "life of the author plus 50 years" to "life of the author plus 70 years") increases the author's expected income from that book – *i. e.*, the economic incentive to write – by no more than about 0.33%.

The text assumes that the extension creates a term of 95 years (the term corresponding to works made for hire and for all existing pre-1978 copyrights). Under the economists' conservative assumptions, the value of a 95-year copyright is slightly more than 99.8% of the value of a perpetual copyright. If a "life plus 70" term applies, and if an author lives 78 years after creation of a work (as with Irving Berlin

and Alexander's Ragtime Band), the same assumptions yield a figure of 99.996%.

The most unrealistically conservative aspect of these assumptions, *i. e.*, the aspect most unrealistically favorable to the majority, is the assumption of a constant future income stream. In fact, as noted in the text, uncontested data indicate that no author could rationally expect that a stream of copyright royalties will be constant forever. Indeed, only about 2% of copyrights can be expected to retain commercial value at the end of 55 to 75 years. Thus, in the overwhelming majority of cases, the ultimate value of the extension to copyright holders will be zero, and the economic difference between the extended copyright and a perpetual copyright will be zero.

Nonetheless, there remains a small 2% or so chance that a given work will remain profitable. The CRS Report suggests a way to take account of both that likelihood and the related "decay" in a work's commercial viability: Find the annual decay rate that corresponds to the percentage of works that become commercially unavailable in any given year, and then discount the revenue for each successive year accordingly. See CRS Report 7. Following this approach, if one estimates, conservatively, that a full 2% of all works survives at the end of 75 years, the corresponding annual decay rate is about 5%. I instead (and again conservatively) use the 3.8% decay rate the CRS has applied in the case of books whose copyrights were renewed between 1950 and 1970. Using this 3.8% decay rate and the economist *amicus*'s proposed 7% discount rate, the value of a 95-year copyright is more realistically estimated not as 99.8%, but as 99.996% of the value of a perpetual copyright. The comparable "Irving Berlin" figure is 99.99999%. (With a 5% decay rate, the figures are 99.999% and 99.999998%, respectively.) Even these figures seem likely to be underestimates in the sense that they assume

that, if a work is still commercially available, it earns as much as it did in a year shortly after its creation.

## B

Conclusions regarding the economic significance of “works made for hire” are judgmental because statistical information about the ratio of “for hire” works to all works is scarce. But we know that, as of 1955, copyrights on “for hire” works accounted for 40% of newly registered copyrights. We also know that copyrights on works typically made for hire – feature-length movies – were renewed, and since the 1930’s apparently have remained commercially viable, at a higher than average rate. Further, we know that “harmonization” looks to benefit United States exports and that films and sound recordings account for the dominant share of export revenues earned by new copyrighted works of potential lasting commercial value (*i. e.*, works other than computer software). It also appears generally accepted that, in these categories, “for hire” works predominate. Taken together, these circumstances support the conclusion in the text that the extension fails to create uniformity where it would appear to be most important – pre-1978 copyrighted works nearing the end of their pre-extension terms, and works made for hire.

### 3.4.4. Secondary Liability

#### **Sony Corp. of America v. Universal City Studios, 464 U.S. 417 (1983)**

Dean C. Dunlavey, Los Angeles, Cal., for petitioners.

Stephen A. Kroft, Beverly Hills, Cal., for respondents.

JUSTICE STEVENS delivered the opinion of the Court.

Petitioners manufacture and sell home video tape recorders. Respondents own the copyrights on some of the television programs that are broadcast on the public airwaves. Some members of the general public use video



tape recorders sold by petitioners to record some of these broadcasts, as well as a large number of other broadcasts. The question presented is whether the sale of petitioners' copying equipment to the general public violates any of the rights conferred upon respondents by the Copyright Act.

Respondents commenced this copyright infringement action against petitioners in the United States District Court for the Central District of California in 1976. Respondents alleged that some individuals had used Betamax video tape recorders (VTR's) to record some of respondents' copyrighted works which had been exhibited on commercially sponsored television and contended that these individuals had thereby infringed respondents' copyrights. Respondents further maintained that petitioners were liable for the copyright infringement allegedly committed by Betamax consumers because of petitioners' marketing of the Betamax VTR's. Respondents sought no relief against any Betamax consumer. Instead, they sought money damages and an equitable accounting of profits from petitioners, as well as an injunction against the manufacture and marketing of Betamax VTR's.

After a lengthy trial, the District Court denied respondents all the relief they sought and entered judgment for petitioners. 480 F.Supp. 429 (1979). The United States Court of Appeals for the Ninth Circuit reversed the District Court's judgment on respondent's copyright claim, holding petitioners liable for contributory infringement and ordering the District Court to fashion appropriate relief. 659 F.2d 963 (1981). We granted certiorari; since we had not completed our study of the case last Term, we ordered reargument. We now reverse.

An explanation of our rejection of respondents' unprecedented attempt to impose copyright liability upon the distributors of copying equipment requires a quite detailed recitation of the findings of the District Court. In summary, those findings reveal that the average member of

the public uses a VTR principally to record a program he cannot view as it is being televised and then to watch it once at a later time. This practice, known as “time-shifting,” enlarges the television viewing audience. For that reason, a significant amount of television programming may be used in this manner without objection from the owners of the copyrights on the programs. For the same reason, even the two respondents in this case, who do assert objections to time-shifting in this litigation, were unable to prove that the practice has impaired the commercial value of their copyrights or has created any likelihood of future harm. Given these findings, there is no basis in the Copyright Act upon which respondents can hold petitioners liable for distributing VTR’s to the general public. The Court of Appeals’ holding that respondents are entitled to enjoin the distribution of VTR’s, to collect royalties on the sale of such equipment, or to obtain other relief, if affirmed, would enlarge the scope of respondents’ statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection. Such an expansion of the copyright privilege is beyond the limits of the grants authorized by Congress.

## I

The two respondents in this action, Universal Studios, Inc. and Walt Disney Productions, produce and hold the copyrights on a substantial number of motion pictures and other audiovisual works. In the current marketplace, they can exploit their rights in these works in a number of ways: by authorizing theatrical exhibitions, by licensing limited showings on cable and network television, by selling syndication rights for repeated airings on local television stations, and by marketing programs on prerecorded videotapes or videodiscs. Some works are suitable for exploitation through all of these avenues, while the market for other works is more limited.

Petitioner Sony manufactures millions of Betamax video tape recorders and markets these devices through numerous retail establishments, some of which are also petitioners in this action. Sony's Betamax VTR is a mechanism consisting of three basic components: (1) a tuner, which receives electromagnetic signals transmitted over the television band of the public airwaves and separates them into audio and visual signals; (2) a recorder, which records such signals on a magnetic tape; and (3) an adapter, which converts the audio and visual signals on the tape into a composite signal that can be received by a television set.

Several capabilities of the machine are noteworthy. The separate tuner in the Betamax enables it to record a broadcast off one station while the television set is tuned to another channel, permitting the viewer, for example, to watch two simultaneous news broadcasts by watching one "live" and recording the other for later viewing. Tapes may be reused, and programs that have been recorded may be erased either before or after viewing. A timer in the Betamax can be used to activate and deactivate the equipment at predetermined times, enabling an intended viewer to record programs that are transmitted when he or she is not at home. Thus a person may watch a program at home in the evening even though it was broadcast while the viewer was at work during the afternoon. The Betamax is also equipped with a pause button and a fast-forward control. The pause button, when depressed, deactivates the recorder until it is released, thus enabling a viewer to omit a commercial advertisement from the recording, provided, of course, that the viewer is present when the program is recorded. The fast forward control enables the viewer of a previously recorded program to run the tape rapidly when a segment he or she does not desire to see is being played back on the television screen.

The respondents and Sony both conducted surveys of the way the Betamax machine was used by several hundred owners during a sample period in 1978. Although there were some differences in the surveys, they both showed that the primary use of the machine for most owners was “time-shifting,” – the practice of recording a program to view it once at a later time, and thereafter erasing it. Time-shifting enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch. Both surveys also showed, however, that a substantial number of interviewees had accumulated libraries of tapes.<sup>1</sup> Sony’s survey indicated that over 80% of the interviewees watched at least as much regular television as they had before owning a Betamax.<sup>2</sup> Respondents offered no

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<sup>1</sup> As evidence of how a VTR may be used, respondents offered the testimony of William Griffiths. Griffiths, although named as an individual defendant, was a client of plaintiffs’ law firm. The District Court summarized his testimony as follows:

He owns approximately 100 tapes. When Griffiths bought his Betamax, he intended not only to time-shift (record, play-back and then erase) but also to build a library of cassettes. Maintaining a library, however, proved too expensive, and he is now erasing some earlier tapes and reusing them. Griffiths copied about 20 minutes of a Universal motion picture called ‘Never Give An Inch,’ and two episodes from Universal television series entitled ‘Baa Baa Black Sheep’ and ‘Holmes and Yo Yo.’ He would have erased each of these but for the request of plaintiffs’ counsel that it be kept. Griffiths also testified that he had copied but already erased Universal films called ‘Alpha Caper’ (erased before anyone saw it) and ‘Amelia Earhart.’ At the time of his deposition Griffiths did not intend to keep any Universal film in his library. Griffiths has also recorded documentaries, news broadcasts, sporting events and political programs such as a rerun of the Nixon/Kennedy debate.

480 F.Supp., at 436-437. Four other witnesses testified to having engaged in similar activity.

<sup>2</sup> The District Court summarized some of the findings in these surveys as follows:

evidence of decreased television viewing by Betamax owners.<sup>3</sup>

Sony introduced considerable evidence describing television programs that could be copied without objection from any copyright holder, with special emphasis on sports, religious, and educational programming. For example, their survey indicated that 7.3% of all Betamax use is to record sports events, and representatives of professional baseball, football, basketball, and hockey testified that they had no objection to the recording of their televised events for home use.

Respondents offered opinion evidence concerning the future impact of the unrestricted sale of VTR's on the commercial value of their copyrights. The District Court found, however, that they had failed to prove any likelihood of future harm from the use of VTR's for time-shifting. *Id.*, at 469.

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### III

The Copyright Act does not expressly render anyone liable for infringement committed by another. In contrast, the

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According to plaintiffs' survey, 75.4% of the VTR owners use their machines to record for time-shifting purposes half or most of the time. Defendants' survey showed that 96% of the Betamax owners had used the machine to record programs they otherwise would have missed. When plaintiffs asked interviewees how many cassettes were in their library, 55.8% said there were 10 or fewer. In defendants' survey, of the total programs viewed by interviewees in the past month, 70.4% had been viewed only that one time and for 57.9%, there were no plans for further viewing.

480 F.Supp., at 438.

<sup>3</sup> "81.9% of the defendants' interviewees watched the same amount or more of regular television as they did before owning a Betamax. 83.2% reported their frequency of movie going was unaffected by Betamax." 480 F.Supp., at 439.

Patent Act expressly brands anyone who “actively induces infringement of a patent” as an infringer, 35 U.S.C. § 271(b), and further imposes liability on certain individuals labeled “contributory” infringers, *id.*, § 271(c). The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.

... .

When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent, the public interest in access to that article of commerce is necessarily implicated. A finding of contributory infringement does not, of course, remove the article from the market altogether; it does, however, give the patentee effective control over the sale of that item. Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.<sup>4</sup>

For that reason, in contributory infringement cases arising under the patent laws the Court has always recognized the

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<sup>4</sup> It seems extraordinary to suggest that the Copyright Act confers upon all copyright owners collectively, much less the two respondents in this case, the exclusive right to distribute VTR's simply because they may be used to infringe copyrights. That, however, is the logical implication of their claim. The request for an injunction below indicates that respondents seek, in effect, to declare VTR's contraband. Their suggestion in this Court that a continuing royalty pursuant to a judicially created compulsory license would be an acceptable remedy merely indicates that respondents, for their part, would be willing to license their claimed monopoly interest in VTR's to petitioners in return for a royalty.

critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant. These cases deny the patentee any right to control the distribution of unpatented articles unless they are “unsuited for any commercial noninfringing use.” *Dawson Chemical Co. v. Rohm & Hass Co.*, 448 U.S. 176, 198 (1980). Unless a commodity “has no use except through practice of the patented method,” *ibid*, the patentee has no right to claim that its distribution constitutes contributory infringement. “To form the basis for contributory infringement the item must almost be uniquely suited as a component of the patented invention.” P. Rosenberg, *Patent Law Fundamentals* § 17.02[2] (1982). “[A] sale of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce.” *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912).

We recognize there are substantial differences between the patent and copyright laws. But in both areas the contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible. The staple article of commerce doctrine must strike a balance between a copyright holder’s legitimate demand for effective – not merely symbolic – protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.

#### IV

The question is thus whether the Betamax is capable of commercially significant noninfringing uses. In order to resolve that question, we need not explore *all* the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether on the basis of the facts as found by the district court a significant number of them would be non-infringing. Moreover, in order to resolve this case we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, noncommercial time-shifting in the home. It does so both (A) because respondents have no right to prevent other copyright holders from authorizing it for their programs, and (B) because the District Court's factual findings reveal that even the unauthorized home time-shifting of respondents' programs is legitimate fair use.

#### *A. Authorized Time Shifting*

Each of the respondents owns a large inventory of valuable copyrights, but in the total spectrum of television programming their combined market share is small. The exact percentage is not specified, but it is well below 10%.<sup>5</sup> If they were to prevail, the outcome of this litigation would have a significant impact on both the producers and the viewers of the remaining 90% of the programming in the Nation. No doubt, many other producers share respondents' concern about the possible consequences of unrestricted copying. Nevertheless the findings of the District Court make it clear that time-shifting may enlarge the total viewing audience and that many producers are

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<sup>5</sup> The record suggests that Disney's programs at the time of trial consisted of approximately one hour a week of network television and one syndicated series. Universal's percentage in the Los Angeles market on commercial television stations was under 5%. See Tr. 532-533, 549-550.



willing to allow private time-shifting to continue, at least for an experimental time period.

The District Court found:

Even if it were deemed that home-use recording of copyrighted material constituted infringement, the Betamax could still legally be used to record noncopyrighted material or material whose owners consented to the copying. An injunction would deprive the public of the ability to use the Betamax for this noninfringing off-the-air recording. \* \* \* Defendants introduced considerable testimony at trial about the potential for such copying of sports, religious, educational and other programming. This included testimony from representatives of the Offices of the Commissioners of the National Football, Basketball, Baseball and Hockey Leagues and Associations, the Executive Director of National Religious Broadcasters and various educational communications agencies. Plaintiffs attack the weight of the testimony offered and also contend that an injunction is warranted because infringing uses outweigh noninfringing uses. Whatever the future percentage of legal versus illegal home-use recording might be, an injunction which seeks to deprive the public of the very tool or article of commerce capable of some noninfringing use would be an extremely harsh remedy, as well as one unprecedented in copyright law.

480 F.Supp., at 468.

Although the District Court made these statements in the context of considering the propriety of injunctive relief, the statements constitute a finding that the evidence concerning “sports, religious, educational, and other programming” was sufficient to establish a significant quantity of broadcasting whose copying is now authorized, and a significant potential for future authorized copying. That finding is amply supported by the record. In addition to the religious and sports officials identified explicitly by the District Court, two items in the record deserve specific mention.

First is the testimony of John Kenaston, the station manager of Channel 58, an educational station in Los Angeles affiliated with the Public Broadcasting Service. He explained and authenticated the station’s published guide to its programs. For each program, the guide tells whether unlimited home taping is authorized, home taping is authorized subject to certain restrictions (such as erasure within seven days), or home taping is not authorized at all. The Spring 1978 edition of the guide described 107 programs. Sixty-two of those programs or 58% authorize some home taping. Twenty-one of them or almost 20% authorize unrestricted home taping.

Second is the testimony of Fred Rogers, president of the corporation that produces and owns the copyright on *Mr. Rogers’ Neighborhood*. The program is carried by more public television stations than any other program. Its audience numbers over 3,000,000 families a day. He testified that he had absolutely no objection to home taping for noncommercial use and expressed the opinion that it is a

real service to families to be able to record children's programs and to show them at appropriate times.<sup>6</sup>

If there are millions of owners of VTR's who make copies of televised sports events, religious broadcasts, and educational programs such as *Mister Rogers' Neighborhood*, and if the proprietors of those programs welcome the practice, the business of supplying the equipment that makes such copying feasible should not be stifled simply because the equipment is used by some individuals to make unauthorized reproductions of respondents' works. The respondents do not represent a class composed of all copyright holders. Yet a finding of contributory infringement would inevitably frustrate the interests of broadcasters in reaching the portion of their audience that is available only through time-shifting.

Of course, the fact that other copyright holders may welcome the practice of time-shifting does not mean that respondents should be deemed to have granted a license to copy their programs. Third party conduct would be wholly irrelevant in an action for direct infringement of respondents' copyrights. But in an action for *contributory* infringement against the seller of copying equipment, the copyright holder may not prevail unless the relief that he seeks affects only his programs, or unless he speaks for virtually all copyright holders with an interest in the

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<sup>6</sup> "Some public stations, as well as commercial stations, program the 'Neighborhood' at hours when some children cannot use it. I think that it's a real service to families to be able to record such programs and show them at appropriate times. I have always felt that with the advent of all of this new technology that allows people to tape the 'Neighborhood' off-the-air, and I'm speaking for the 'Neighborhood' because that's what I produce, that they then become much more active in the programming of their family's television life. Very frankly, I am opposed to people being programmed by others. My whole approach in broadcasting has always been 'You are an important person just the way you are. You can make healthy decisions.' Maybe I'm going on too long, but I just feel that anything that allows a person to be more active in the control of his or her life, in a healthy way, is important." T.R. 2920-2921. See also Def. Exh. PI, p. 85.

outcome. In this case, the record makes it perfectly clear that there are many important producers of national and local television programs who find nothing objectionable about the enlargement in the size of the television audience that results from the practice of time-shifting for private home use. The seller of the equipment that expands those producers' audiences cannot be a contributory infringer if, as is true in this case, it has had no direct involvement with any infringing activity.

### B. *Unauthorized Time Shifting*

Even unauthorized uses of a copyrighted work are not necessarily infringing. An unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 154-155, 95 S.Ct. 2040, 2043, 45 L.Ed.2d 84. Moreover, the definition of exclusive rights in § 106 of the present Act is prefaced by the words "subject to sections 107 through 118." Those sections describe a variety of uses of copyrighted material that "are not infringements of copyright notwithstanding the provisions of § 106." The most pertinent in this case is § 107, the legislative endorsement of the doctrine of "fair use."

That section identifies various factors<sup>7</sup> that enable a Court to apply an "equitable rule of reason" analysis to particular

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<sup>7</sup> Section 107 provides:

claims of infringement. Although not conclusive, the first factor requires that “the commercial or nonprofit character of an activity” be weighed in any fair use decision. If the Betamax were used to make copies for a commercial or profit-making purpose, such use would presumptively be unfair. The contrary presumption is appropriate here, however, because the District Court’s findings plainly establish that time-shifting for private home use must be characterized as a noncommercial, nonprofit activity. Moreover, when one considers the nature of a televised copyrighted audiovisual work, see 17 U.S.C. § 107(2), and that timeshifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced, see *id.*, at § 107(3), does not have its ordinary effect of militating against a finding of fair use.

This is not, however, the end of the inquiry because Congress has also directed us to consider “the effect of the use upon the potential market for or value of the copyrighted work.” *Id.*, at § 107(4). The purpose of copyright is to create incentives for creative effort. Even copying for noncommercial purposes may impair the copyright holder’s ability to obtain the rewards that Congress intended him to have. But a use that has no

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Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107.

demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author's incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.

Thus, although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.

In this case, respondents failed to carry their burden with regard to home time-shifting. The District Court described respondents' evidence as follows:

Plaintiffs' experts admitted at several points in the trial that the time-shifting without librarying would result in 'not a great deal of harm.' Plaintiffs' greatest concern about time-shifting is with 'a point of important philosophy that transcends even commercial judgment.' They fear that with any Betamax usage, 'invisible boundaries' are passed: 'the copyright owner has lost control over his program.'

480 F.Supp., at 467.

Later in its opinion, the District Court observed:

Most of plaintiffs' predictions of harm hinge on speculation about audience viewing patterns and ratings, a measurement system which Sidney Sheinberg, MCA's president, calls a 'black art' because of the significant level of imprecision involved in the calculations.

*Id.*, at 469.

There was no need for the District Court to say much about past harm. "Plaintiffs have admitted that no actual harm to their copyrights has occurred to date." *Id.*, at 451.

On the question of potential future harm from time-shifting, the District Court offered a more detailed analysis of the evidence. It rejected respondents' "fear that persons 'watching' the original telecast of a program will not be measured in the live audience and the ratings and revenues will decrease," by observing that current measurement technology allows the Betamax audience to be reflected. *Id.*, at 466. It rejected respondents' prediction "that live television or movie audiences will decrease as more people watch Betamax tapes as an alternative," with the observation that "[t]here is no factual basis for [the underlying] assumption." *Ibid.* It rejected respondents' "fear that time-shifting will reduce audiences for telecast reruns," and concluded instead that "given current market practices, this should aid plaintiffs rather than harm them." *Ibid.* And it declared that respondents' suggestion "that theater or film rental exhibition of a program will suffer because of time-shift recording of that program" "lacks merit." 480 F.Supp., at 467.

After completing that review, the District Court restated its overall conclusion several times, in several different ways. “Harm from time-shifting is speculative and, at best, minimal.” *Ibid.* “The audience benefits from the time-shifting capability have already been discussed. It is not implausible that benefits could also accrue to plaintiffs, broadcasters, and advertisers, as the Betamax makes it possible for more persons to view their broadcasts.” *Ibid.* “No likelihood of harm was shown at trial, and plaintiffs admitted that there had been no actual harm to date.” *Id.*, at 468-469. “Testimony at trial suggested that Betamax may require adjustments in marketing strategy, but it did not establish even a likelihood of harm.” *Id.*, at 469. “Television production by plaintiffs today is more profitable than it has ever been, and, in five weeks of trial, there was no concrete evidence to suggest that the Betamax will change the studios’ financial picture.” *Ibid.*

The District Court’s conclusions are buttressed by the fact that to the extent time-shifting expands public access to freely broadcast television programs, it yields societal benefits. Earlier this year, in *Community Television of Southern California v. Gottfried*, — U.S. —, — - —, n. 12, 103 S.Ct. 885, 891-892, 74 L.Ed.2d 705 (1983), we acknowledged the public interest in making television broadcasting more available. Concededly, that interest is not unlimited. But it supports an interpretation of the concept of “fair use” that requires the copyright holder to demonstrate some likelihood of harm before he may condemn a private act of time-shifting as a violation of federal law.

When these factors are all weighed in the “equitable rule of reason” balance, we must conclude that this record amply supports the District Court’s conclusion that home time-shifting is fair use. In light of the findings of the District Court regarding the state of the empirical data, it is clear that the Court of Appeals erred in holding that the statute as presently written bars such conduct.



In summary, the record and findings of the District Court lead us to two conclusions. First, Sony demonstrated a significant likelihood that substantial numbers of copyright holders who license their works for broadcast on free television would not object to having their broadcasts time-shifted by private viewers. And second, respondents failed to demonstrate that time-shifting would cause any likelihood of nonminimal harm to the potential market for, or the value of, their copyrighted works. The Betamax is, therefore, capable of substantial noninfringing uses. Sony's sale of such equipment to the general public does not constitute contributory infringement of respondent's copyrights.

## V

“The direction of Art. I is that *Congress* shall have the power to promote the progress of science and the useful arts. When, as here, the Constitution is permissive, the sign of how far Congress has chosen to go can come only from Congress.” *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530, 92 S.Ct. 1700, 1707, 32 L.Ed.2d 273 (1972).

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible.

It may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past. But it is not our job to apply laws that have not yet been written. Applying the copyright statute, as it now reads, to the facts as they have been developed in this case, the judgment of the Court of Appeals must be reversed.

*It is so ordered.*

JUSTICE BLACKMUN, with whom JUSTICE MARSHALL, JUSTICE POWELL, AND JUSTICE REHNQUIST join, dissenting.

....

The fair use doctrine must strike a balance between the dual risks created by the copyright system: on the one hand, that depriving authors of their monopoly will reduce their incentive to create, and, on the other, that granting authors a complete monopoly will reduce the creative ability of others. The inquiry is necessarily a flexible one, and the endless variety of situations that may arise precludes the formulation of exact rules. But when a user reproduces an entire work and uses it for its original purpose, with no added benefit to the public, the doctrine of fair use usually does not apply. There is then no need whatsoever to provide the ordinary user with a fair use subsidy at the author's expense.

The making of a videotape recording for home viewing is an ordinary rather than a productive use of the Studios' copyrighted works. The District Court found that "Betamax owners use the copy for the same purpose as the original. They add nothing of their own." 480 F.Supp., at 453. Although applying the fair use doctrine to home VTR recording, as Sony argues, may increase public access to material broadcast free over the public airwaves, I think Sony's argument misconceives the nature of copyright. Copyright gives the author a right to limit or even to cut off access to his work. *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127, 52 S.Ct. 546, 547, 76 L.Ed. 1010 (1932). A VTR recording creates no public benefit sufficient to justify limiting this right. Nor is this right extinguished by the copyright owner's choice to make the work available over the airwaves. Section 106 of the 1976 Act grants the copyright owner the exclusive right to control the performance and the reproduction of his work, and the fact that he has licensed a single television performance is really irrelevant to the existence of his right to control its

reproduction. Although a television broadcast may be free to the viewer, this fact is equally irrelevant; a book borrowed from the public library may not be copied any more freely than a book that is purchased.

It may be tempting, as, in my view, the Court today is tempted, to stretch the doctrine of fair use so as to permit unfettered use of this new technology in order to increase access to television programming. But such an extension risks eroding the very basis of copyright law, by depriving authors of control over their works and consequently of their incentive to create. Even in the context of highly productive educational uses, Congress has avoided this temptation; in passing the 1976 Act, Congress made it clear that off-the-air videotaping was to be permitted only in very limited situations. See 1976 House Report 71; 1975 Senate Report 64. And, the Senate report adds, “[t]he committee does not intend to suggest ... that off-the-air recording for convenience would under any circumstances, be considered ‘fair use.’” *Id.*, at 66. I cannot disregard these admonitions.

... .

I recognize, nevertheless, that there are situations where permitting even an unproductive use would have no effect on the author’s incentive to create, that is, where the use would not affect the value of, or the market for, the author’s work. Photocopying an old newspaper clipping to send to a friend may be an example; pinning a quotation on one’s bulletin board may be another. In each of these cases, the effect on the author is truly *de minimis*. Thus, even though these uses provide no benefit to the public at large, no purpose is served by preserving the author’s monopoly, and the use may be regarded as fair.

Courts should move with caution, however, in depriving authors of protection from unproductive “ordinary” uses. As has been noted above, even in the case of a productive

use, § 107(4) requires consideration of “the effect of the use upon the *potential* market for or value of the copyrighted work” (emphasis added). “[A] particular use which may seem to have little or no economic impact on the author’s rights today can assume tremendous importance in times to come.” Register’s Supplementary Report 14. Although such a use may seem harmless when viewed in isolation, “[i]solated instances of minor infringements, when multiplied many times, become in the aggregate a major inroad on copyright that must be prevented.” 1975 Senate Report 65.

I therefore conclude that, at least when the proposed use is an unproductive one, a copyright owner need prove only a *potential* for harm to the market for or the value of the copyrighted work. See 3 M. Nimmer, Copyright § 13.05[E][4][c], p. 13-84 (1982). Proof of actual harm, or even probable harm, may be impossible in an area where the effect of a new technology is speculative, and requiring such proof would present the “real danger ... of confining the scope of an author’s rights on the basis of the present technology so that, as the years go by, his copyright loses much of its value because of unforeseen technical advances.” Register’s Supplementary Report 14. Infringement thus would be found if the copyright owner demonstrates a reasonable possibility that harm will result from the proposed use. When the use is one that creates no benefit to the public at large, copyright protection should not be denied on the basis that a new technology that may result in harm has not yet done so.

The Studios have identified a number of ways in which VTR recording could damage their copyrights. VTR recording could reduce their ability to market their works in movie theaters and through the rental or sale of pre-recorded videotapes or videodiscs; it also could reduce their rerun audience, and consequently the license fees available to them for repeated showings. Moreover, advertisers may

be willing to pay for only “live” viewing audiences, if they believe VTR viewers will delete commercials or if rating services are unable to measure VTR use; if this is the case, VTR recording could reduce the license fees the Studios are able to charge even for first-run showings. Library-building may raise the potential for each of the types of harm identified by the Studios, and time-shifting may raise the potential for substantial harm as well.<sup>8</sup>

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<sup>8</sup> A VTR owner who has taped a favorite movie for repeated viewing will be less likely to rent or buy a tape containing the same movie, watch a televised rerun, or pay to see the movie at a theater. Although time-shifting may not replace theater or rerun viewing or the purchase of prerecorded tapes or discs, it may well replace rental usage; a VTR user who has recorded a first-run movie for later viewing will have no need to rent a copy when he wants to see it. Both library-builders and time-shifters may avoid commercials; the library builder may use the pause control to record without them, and all users may fast-forward through commercials on playback. The Studios introduced expert testimony that both time-shifting and librarying would tend to decrease their revenue from copyrighted works. See 480 F.Supp., at 440. The District Court’s findings also show substantial library-building and avoidance of commercials. Both sides submitted surveys showing that the average Betamax user owns between 25 and 32 tapes. The Studios’ survey showed that at least 40% of users had more than 10 tapes in a “library”; Sony’s survey showed that more than 40% of users planned to view their tapes more than once; and both sides’ surveys showed that commercials were avoided at least 25% of the time. *Id.*, at 438-439.

**Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.,  
545 U.S. 913 (2005)**

JUSTICE SOUTER delivered the opinion of the Court.

The question is under what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties using the product. We hold that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.

I

A

Respondents, Grokster, Ltd., and StreamCast Networks, Inc., defendants in the trial court, distribute free software products that allow computer users to share electronic files through peer-to-peer networks, so called because users' computers communicate directly with each other, not through central servers. The advantage of peer-to-peer networks over information networks of other types shows up in their substantial and growing popularity. Because they need no central computer server to mediate the exchange of information or files among users, the high-bandwidth communications capacity for a server may be dispensed with, and the need for costly server storage space is eliminated. Since copies of a file (particularly a popular one) are available on many users' computers, file requests and retrievals may be faster than on other types of networks, and since file exchanges do not travel through a server, communications can take place between any computers that remain connected to the network without risk that a glitch in the server will disable the network in its entirety. Given these benefits in security, cost, and efficiency, peer-to-peer networks are employed to store and distribute

electronic files by universities, government agencies, corporations, and libraries, among others.<sup>1</sup>

Other users of peer-to-peer networks include individual recipients of Grokster's and StreamCast's software, and although the networks that they enjoy through using the software can be used to share any type of digital file, they have prominently employed those networks in sharing copyrighted music and video files without authorization. A group of copyright holders (MGM for short, but including motion picture studios, recording companies, songwriters, and music publishers) sued Grokster and StreamCast for their users' copyright infringements, alleging that they knowingly and intentionally distributed their software to enable users to reproduce and distribute the copyrighted works in violation of the Copyright Act, 17 U.S.C. § 101 et seq. MGM sought damages and an injunction.

Discovery during the litigation revealed the way the software worked, the business aims of each defendant company, and the predilections of the users. Grokster's eponymous software employs what is known as FastTrack technology, a protocol developed by others and licensed to Grokster. StreamCast distributes a very similar product except that its software, called Morpheus, relies on what is known as Gnutella technology. A user who downloads and installs either software possesses the protocol to send requests for files directly to the computers of others using software compatible with FastTrack or Gnutella. On the FastTrack network opened by the Grokster software, the user's request goes to a computer given an indexing

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<sup>1</sup> Peer-to-peer networks have disadvantages as well. Searches on peer-to-peer networks may not reach and uncover all available files because search requests may not be transmitted to every computer on the network. There may be redundant copies of popular files. The creator of the software has no incentive to minimize storage or bandwidth consumption, the costs of which are borne by every user of the network. Most relevant here, it is more difficult to control the content of files available for retrieval and the behavior of users.

capacity by the software and designated a supernode, or to some other computer with comparable power and capacity to collect temporary indexes of the files available on the computers of users connected to it. The supernode (or indexing computer) searches its own index and may communicate the search request to other supernodes. If the file is found, the supernode discloses its location to the computer requesting it, and the requesting user can download the file directly from the computer located. The copied file is placed in a designated sharing folder on the requesting user's computer, where it is available for other users to download in turn, along with any other file in that folder.

In the Gnutella network made available by Morpheus, the process is mostly the same, except that in some versions of the Gnutella protocol there are no supernodes... .

Although Grokster and StreamCast do not therefore know when particular files are copied, a few searches using their software would show what is available on the networks the software reaches. MGM commissioned a statistician to conduct a systematic search, and his study showed that nearly 90% of the files available for download on the FastTrack system were copyrighted works.<sup>2</sup> Grokster and StreamCast dispute this figure, raising methodological problems and arguing that free copying even of copyrighted works may be authorized by the rightholders. They also argue that potential noninfringing uses of their software are significant in kind, even if infrequent in practice. Some musical performers, for example, have gained new audiences by distributing their copyrighted works for free across peer-to-peer networks, and some distributors of unprotected content have used peer-to-peer

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<sup>2</sup> By comparison, evidence introduced by the plaintiffs in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (C.A.9 2001), showed that 87% of files available on the Napster file-sharing network were copyrighted, *id.*, at 1013.



networks to disseminate files, Shakespeare being an example. Indeed, StreamCast has given Morpheus users the opportunity to download the briefs in this very case, though their popularity has not been quantified.

As for quantification, the parties' anecdotal and statistical evidence entered thus far to show the content available on the FastTrack and Gnutella networks does not say much about which files are actually downloaded by users, and no one can say how often the software is used to obtain copies of unprotected material. But MGM's evidence gives reason to think that the vast majority of users' downloads are acts of infringement, and because well over 100 million copies of the software in question are known to have been downloaded, and billions of files are shared across the FastTrack and Gnutella networks each month, the probable scope of copyright infringement is staggering.

Grokster and StreamCast concede the infringement in most downloads, and it is uncontested that they are aware that users employ their software primarily to download copyrighted files, even if the decentralized FastTrack and Gnutella networks fail to reveal which files are being copied, and when. From time to time, moreover, the companies have learned about their users' infringement directly, as from users who have sent e-mail to each company with questions about playing copyrighted movies they had downloaded, to whom the companies have responded with guidance. And MGM notified the companies of 8 million copyrighted files that could be obtained using their software.

Grokster and StreamCast are not, however, merely passive recipients of information about infringing use. The record is replete with evidence that from the moment Grokster and StreamCast began to distribute their free software, each one clearly voiced the objective that recipients use it to download copyrighted works, and each took active steps to encourage infringement.

After the notorious file-sharing service, Napster, was sued by copyright holders for facilitation of copyright infringement, *A&M Records, Inc. v. Napster, Inc.*, 114 F.Supp.2d 896 (N.D.Cal.2000), *aff'd in part, rev'd in part*, 239 F.3d 1004 (C.A.9 2001), StreamCast gave away a software program of a kind known as OpenNap, designed as compatible with the Napster program and open to Napster users for downloading files from other Napster and OpenNap users' computers. Evidence indicates that "[i]t was always [StreamCast's] intent to use [its OpenNap network] to be able to capture email addresses of [its] initial target market so that [it] could promote [its] StreamCast Morpheus interface to them," App. 861; indeed, the OpenNap program was engineered "to leverage Napster's 50 million user base."

StreamCast monitored both the number of users downloading its OpenNap program and the number of music files they downloaded. It also used the resulting OpenNap network to distribute copies of the Morpheus software and to encourage users to adopt it. Internal company documents indicate that StreamCast hoped to attract large numbers of former Napster users if that company was shut down by court order or otherwise, and that StreamCast planned to be the next Napster. A kit developed by StreamCast to be delivered to advertisers, for example, contained press articles about StreamCast's potential to capture former Napster users, and it introduced itself to some potential advertisers as a company "which is similar to what Napster was." It broadcast banner advertisements to users of other Napster-compatible software, urging them to adopt its OpenNap. An internal e-mail from a company executive stated: "We have put this network in place so that when Napster pulls the plug on their free service ... or if the Court orders them shut down prior to that ... we will be positioned to capture the flood of their 32 million users that will be actively looking for an alternative."

Thus, StreamCast developed promotional materials to market its service as the best Napster alternative. One proposed advertisement read: “Napster Inc. has announced that it will soon begin charging you a fee. That’s if the courts don’t order it shut down first. What will you do to get around it?” Another proposed ad touted StreamCast’s software as the “# 1 alternative to Napster” and asked “[w]hen the lights went off at Napster ... where did the users go?”<sup>3</sup> StreamCast even planned to flaunt the illegal uses of its software; when it launched the OpenNap network, the chief technology officer of the company averred that “[t]he goal is to get in trouble with the law and get sued. It’s the best way to get in the new[s].”

The evidence that Grokster sought to capture the market of former Napster users is sparser but revealing, for Grokster launched its own OpenNap system called Swaptor and inserted digital codes into its Web site so that computer users using Web search engines to look for “Napster” or “[f]ree filesharing” would be directed to the Grokster Web site, where they could download the Grokster software. And Grokster’s name is an apparent derivative of Napster.

StreamCast’s executives monitored the number of songs by certain commercial artists available on their networks, and an internal communication indicates they aimed to have a larger number of copyrighted songs available on their networks than other file-sharing networks. The point, of course, would be to attract users of a mind to infringe, just as it would be with their promotional materials developed showing copyrighted songs as examples of the kinds of files available through Morpheus. Morpheus in fact allowed

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<sup>3</sup> The record makes clear that StreamCast developed these promotional materials but not whether it released them to the public. Even if these advertisements were not released to the public and do not show encouragement to infringe, they illuminate StreamCast’s purposes.

users to search specifically for “Top 40” songs, which were inevitably copyrighted. Similarly, Grokster sent users a newsletter promoting its ability to provide particular, popular copyrighted materials.

In addition to this evidence of express promotion, marketing, and intent to promote further, the business models employed by Grokster and StreamCast confirm that their principal object was use of their software to download copyrighted works. Grokster and StreamCast receive no revenue from users, who obtain the software itself for nothing. Instead, both companies generate income by selling advertising space, and they stream the advertising to Grokster and Morpheus users while they are employing the programs. As the number of users of each program increases, advertising opportunities become worth more. While there is doubtless some demand for free Shakespeare, the evidence shows that substantive volume is a function of free access to copyrighted work. Users seeking Top 40 songs, for example, or the latest release by Modest Mouse, are certain to be far more numerous than those seeking a free Decameron, and Grokster and StreamCast translated that demand into dollars.

Finally, there is no evidence that either company made an effort to filter copyrighted material from users’ downloads or otherwise impede the sharing of copyrighted files. Although Grokster appears to have sent e-mails warning users about infringing content when it received threatening notice from the copyright holders, it never blocked anyone from continuing to use its software to share copyrighted files. StreamCast not only rejected another company’s offer of help to monitor infringement, but blocked the Internet Protocol addresses of entities it believed were trying to engage in such monitoring on its networks.

... .

II

A

MGM and many of the amici fault the Court of Appeals's holding for upsetting a sound balance between the respective values of supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement. The more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the trade-off. See *Sony Corp. v. Universal City Studios*, *supra*, at 442, 104 S.Ct. 774; see generally Ginsburg, *Copyright and Control Over New Technologies of Dissemination*, 101 *Colum. L.Rev.* 1613 (2001); Lichtman & Landes, *Indirect Liability for Copyright Infringement: An Economic Perspective*, 16 *Harv. J.L. & Tech.* 395 (2003).

The tension between the two values is the subject of this case, with its claim that digital distribution of copyrighted material threatens copyright holders as never before, because every copy is identical to the original, copying is easy, and many people (especially the young) use file-sharing software to download copyrighted works. This very breadth of the software's use may well draw the public directly into the debate over copyright policy, Peters, *Brace Memorial Lecture: Copyright Enters the Public Domain*, 51 *J. Copyright Soc.* 701, 705-717 (2004) (address by Register of Copyrights), and the indications are that the ease of copying songs or movies using software like Grokster's and Napster's is fostering disdain for copyright protection, Wu, *When Code Isn't Law*, 89 *Va. L.Rev.* 679, 724-726 (2003). As the case has been presented to us, these fears are said to be offset by the different concern that imposing liability, not only on infringers but on distributors of software based on its potential for unlawful use, could limit further development of beneficial technologies. See, e.g., Lemley & Reese, *Reducing Digital Copyright Infringement Without*

Restricting Innovation, 56 Stan. L.Rev. 1345, 1386-1390 (2004).

The argument for imposing indirect liability in this case is, however, a powerful one, given the number of infringing downloads that occur every day using StreamCast's and Grokster's software. When a widely shared service or product is used to commit infringement, it may be impossible to enforce rights in the protected work effectively against all direct infringers, the only practical alternative being to go against the distributor of the copying device for secondary liability on a theory of contributory or vicarious infringement.

One infringes contributorily by intentionally inducing or encouraging direct infringement, see *Gershwin Pub. Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (C.A.2 1971), and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it, *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (C.A.2 1963).<sup>4</sup> Although “[t]he Copyright Act does not expressly render anyone liable for infringement committed by another,” *Sony Corp. v. Universal City Studios*, 464 U.S., at 434, these doctrines of secondary liability emerged from common law principles and are well established in the law, *id.*, at 486 (Blackmun, J., dissenting).

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<sup>4</sup> We stated in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), that “the lines between direct infringement, contributory infringement and vicarious liability are not clearly drawn’...[R]easoned analysis of [the Sony plaintiffs’ contributory infringement claim] necessarily entails consideration of arguments and case law which may also be forwarded under the other labels, and indeed the parties ... rely upon such arguments and authority in support of their respective positions on the issue of contributory infringement,” *id.*, at 435, n. 17. In the present case MGM has argued a vicarious liability theory, which allows imposition of liability when the defendant profits directly from the infringement and has a right and ability to supervise the direct infringer, even if the defendant initially lacks knowledge of the infringement. Because we resolve the case based on an inducement theory, there is no need to analyze separately MGM’s vicarious liability theory.

... .

The parties and many of the amici in this case think the key to resolving it is the Sony rule and, in particular, what it means for a product to be “capable of commercially significant noninfringing uses.” *Sony Corp. v. Universal City Studios*, supra, at 442. MGM advances the argument that granting summary judgment to Grokster and StreamCast as to their current activities gave too much weight to the value of innovative technology, and too little to the copyrights infringed by users of their software, given that 90% of works available on one of the networks was shown to be copyrighted. Assuming the remaining 10% to be its noninfringing use, MGM says this should not qualify as “substantial,” and the Court should quantify Sony to the extent of holding that a product used “principally” for infringement does not qualify. As mentioned before, Grokster and StreamCast reply by citing evidence that their software can be used to reproduce public domain works, and they point to copyright holders who actually encourage copying. Even if infringement is the principal practice with their software today, they argue, the noninfringing uses are significant and will grow.

We agree with MGM that the Court of Appeals misapplied Sony, which it read as limiting secondary liability quite beyond the circumstances to which the case applied. Sony barred secondary liability based on presuming or imputing intent to cause infringement solely from the design or distribution of a product capable of substantial lawful use, which the distributor knows is in fact used for infringement. The Ninth Circuit has read Sony’s limitation to mean that whenever a product is capable of substantial lawful use, the producer can never be held contributorily liable for third parties’ infringing use of it; it read the rule as being this broad, even when an actual purpose to cause infringing use is shown by evidence independent of design and distribution of the product, unless the distributors had

“specific knowledge of infringement at a time at which they contributed to the infringement, and failed to act upon that information.” 380 F.3d, at 1162 (internal quotation marks and alterations omitted). Because the Circuit found the StreamCast and Grokster software capable of substantial lawful use, it concluded on the basis of its reading of Sony that neither company could be held liable, since there was no showing that their software, being without any central server, afforded them knowledge of specific unlawful uses.

This view of Sony, however, was error, converting the case from one about liability resting on imputed intent to one about liability on any theory. Because Sony did not displace other theories of secondary liability, and because we find below that it was error to grant summary judgment to the companies on MGM’s inducement claim, we do not revisit Sony further, as MGM requests, to add a more quantified description of the point of balance between protection and commerce when liability rests solely on distribution with knowledge that unlawful use will occur. It is enough to note that the Ninth Circuit’s judgment rested on an erroneous understanding of Sony and to leave further consideration of the Sony rule for a day when that may be required.

### C

Sony’s rule limits imputing culpable intent as a matter of law from the characteristics or uses of a distributed product. But nothing in Sony requires courts to ignore evidence of intent if there is such evidence, and the case was never meant to foreclose rules of fault-based liability derived from the common law. Thus, where evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, Sony’s staple-article rule will not preclude liability.



The classic case of direct evidence of unlawful purpose occurs when one induces commission of infringement by another, or “entic[es] or persuad[es] another” to infringe, Black’s Law Dictionary 790 (8th ed.2004), as by advertising. Thus at common law a copyright or patent defendant who “not only expected but invoked [infringing use] by advertisement” was liable for infringement “on principles recognized in every part of the law.” *Kalem Co. v. Harper Brothers*, 222 U.S., at 62-63 (copyright infringement).

The rule on inducement of infringement as developed in the early cases is no different today. Evidence of “active steps ... taken to encourage direct infringement,” *Oak Industries, Inc. v. Zenith Electronics Corp.*, 697 F.Supp. 988, 992 (N.D.Ill.1988), such as advertising an infringing use or instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe, and a showing that infringement was encouraged overcomes the law’s reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use.

For the same reasons that Sony took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here, holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties. We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential. Accordingly, just as Sony did not find intentional inducement despite the knowledge of the VCR manufacturer that its device could be used to infringe, mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to

liability. Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves. The inducement rule, instead, premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.

### III

#### A

The only apparent question about treating MGM's evidence as sufficient to withstand summary judgment under the theory of inducement goes to the need on MGM's part to adduce evidence that StreamCast and Grokster communicated an inducing message to their software users. The classic instance of inducement is by advertisement or solicitation that broadcasts a message designed to stimulate others to commit violations. MGM claims that such a message is shown here. It is undisputed that StreamCast beamed onto the computer screens of users of Napster-compatible programs ads urging the adoption of its OpenNap program, which was designed, as its name implied, to invite the custom of patrons of Napster, then under attack in the courts for facilitating massive infringement. Those who accepted StreamCast's OpenNap program were offered software to perform the same services, which a factfinder could conclude would readily have been understood in the Napster market as the ability to download copyrighted music files. Grokster distributed an electronic newsletter containing links to articles promoting its software's ability to access popular copyrighted music. And anyone whose Napster or free file-sharing searches turned up a link to Grokster would have understood Grokster to be offering the same file-sharing ability as Napster, and to the same people who probably used Napster for infringing downloads; that would also

have been the understanding of anyone offered Grokster's suggestively named Swaptor software, its version of OpenNap. And both companies communicated a clear message by responding affirmatively to requests for help in locating and playing copyrighted materials.

In StreamCast's case, of course, the evidence just described was supplemented by other unequivocal indications of unlawful purpose in the internal communications and advertising designs aimed at Napster users ("When the lights went off at Napster ... where did the users go?" (ellipsis in original)). Whether the messages were communicated is not to the point on this record. The function of the message in the theory of inducement is to prove by a defendant's own statements that his unlawful purpose disqualifies him from claiming protection (and incidentally to point to actual violators likely to be found among those who hear or read the message). Proving that a message was sent out, then, is the preeminent but not exclusive way of showing that active steps were taken with the purpose of bringing about infringing acts, and of showing that infringing acts took place by using the device distributed. Here, the summary judgment record is replete with other evidence that Grokster and StreamCast, unlike the manufacturer and distributor in Sony, acted with a purpose to cause copyright violations by use of software suitable for illegal use.

Three features of this evidence of intent are particularly notable. First, each company showed itself to be aiming to satisfy a known source of demand for copyright infringement, the market comprising former Napster users. StreamCast's internal documents made constant reference to Napster, it initially distributed its Morpheus software through an OpenNap program compatible with Napster, it advertised its OpenNap program to Napster users, and its Morpheus software functions as Napster did except that it could be used to distribute more kinds of files, including

copyrighted movies and software programs. Grokster's name is apparently derived from Napster, it too initially offered an OpenNap program, its software's function is likewise comparable to Napster's, and it attempted to divert queries for Napster onto its own Web site. Grokster and StreamCast's efforts to supply services to former Napster users, deprived of a mechanism to copy and distribute what were overwhelmingly infringing files, indicate a principal, if not exclusive, intent on the part of each to bring about infringement.

Second, this evidence of unlawful objective is given added significance by MGM's showing that neither company attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software. While the Ninth Circuit treated the defendants' failure to develop such tools as irrelevant because they lacked an independent duty to monitor their users' activity, we think this evidence underscores Grokster's and StreamCast's intentional facilitation of their users' infringement.<sup>5</sup>

Third, there is a further complement to the direct evidence of unlawful objective. It is useful to recall that StreamCast and Grokster make money by selling advertising space, by directing ads to the screens of computers employing their software. As the record shows, the more the software is used, the more ads are sent out and the greater the advertising revenue becomes. Since the extent of the software's use determines the gain to the distributors, the commercial sense of their enterprise turns on high-volume use, which the record shows is infringing. This evidence alone would not justify an inference of unlawful intent, but

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<sup>5</sup> Of course, in the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses. Such a holding would tread too close to the Sony safe harbor.

viewed in the context of the entire record its import is clear.

The unlawful objective is unmistakable.

## B

In addition to intent to bring about infringement and distribution of a device suitable for infringing use, the inducement theory of course requires evidence of actual infringement by recipients of the device, the software in this case. As the account of the facts indicates, there is evidence of infringement on a gigantic scale, and there is no serious issue of the adequacy of MGM's showing on this point in order to survive the companies' summary judgment requests. Although an exact calculation of infringing use, as a basis for a claim of damages, is subject to dispute, there is no question that the summary judgment evidence is at least adequate to entitle MGM to go forward with claims for damages and equitable relief.

\* \* \*

In sum, this case is significantly different from Sony and reliance on that case to rule in favor of StreamCast and Grokster was error. Sony dealt with a claim of liability based solely on distributing a product with alternative lawful and unlawful uses, with knowledge that some users would follow the unlawful course. The case struck a balance between the interests of protection and innovation by holding that the product's capability of substantial lawful employment should bar the imputation of fault and consequent secondary liability for the unlawful acts of others.

MGM's evidence in this case most obviously addresses a different basis of liability for distributing a product open to alternative uses. Here, evidence of the distributors' words and deeds going beyond distribution as such shows a

purpose to cause and profit from third-party acts of copyright infringement. If liability for inducing infringement is ultimately found, it will not be on the basis of presuming or imputing fault, but from inferring a patently illegal objective from statements and actions showing what that objective was.

There is substantial evidence in MGM's favor on all elements of inducement, and summary judgment in favor of Grokster and StreamCast was error. On remand, reconsideration of MGM's motion for summary judgment will be in order.

The judgment of the Court of Appeals is vacated, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

JUSTICE GINSBURG, with whom THE CHIEF JUSTICE AND JUSTICE KENNEDY join, concurring

I concur in the Court's decision, which vacates in full the judgment of the Court of Appeals for the Ninth Circuit, and write separately to clarify why I conclude that the Court of Appeals misperceived, and hence misapplied, our holding in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

...

This case differs markedly from *Sony*. Here, there has been no finding of any fair use and little beyond anecdotal evidence of noninfringing uses. In finding the Grokster and StreamCast software products capable of substantial noninfringing uses, the District Court and the Court of Appeals appear to have relied largely on declarations submitted by the defendants. These declarations include assertions (some of them hearsay) that a number of copyright owners authorize distribution of their works on the Internet and that some public domain material is

available through peer-to-peer networks including those accessed through Grokster's and StreamCast's software.

The District Court declared it "undisputed that there are substantial noninfringing uses for Defendants' software," thus obviating the need for further proceedings. This conclusion appears to rest almost entirely on the collection of declarations submitted by Grokster and StreamCast. Review of these declarations reveals mostly anecdotal evidence, sometimes obtained second-hand, of authorized copyrighted works or public domain works available online and shared through peer-to-peer networks, and general statements about the benefits of peer-to-peer technology. These declarations do not support summary judgment in the face of evidence, proffered by MGM, of overwhelming use of Grokster's and StreamCast's software for infringement.<sup>6</sup>

Even if the absolute number of noninfringing files copied using the Grokster and StreamCast software is large, it does not follow that the products are therefore put to substantial noninfringing uses and are thus immune from liability. The number of noninfringing copies may be reflective of, and

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<sup>6</sup> Justice BREYER finds support for summary judgment in this motley collection of declarations and in a survey conducted by an expert retained by MGM. That survey identified 75% of the files available through Grokster as copyrighted works owned or controlled by the plaintiffs, and 15% of the files as works likely copyrighted. As to the remaining 10% of the files, "there was not enough information to form reasonable conclusions either as to what those files even consisted of, and/or whether they were infringing or non-infringing." Even assuming, as Justice BREYER does, that the Sony Court would have absolved Sony of contributory liability solely on the basis of the use of the Betamax for authorized time-shifting, summary judgment is not inevitably appropriate here. Sony stressed that the plaintiffs there owned "well below 10%" of copyrighted television programming, and found, based on trial testimony from representatives of the four major sports leagues and other individuals authorized to consent to home-recording of their copyrighted broadcasts, that a similar percentage of program copying was authorized. Here, the plaintiffs allegedly control copyrights for 70% or 75% of the material exchanged through the Grokster and StreamCast software, and the District Court does not appear to have relied on comparable testimony about authorized copying from copyright holders.

dwarfed by, the huge total volume of files shared. Further, the District Court and the Court of Appeals did not sharply distinguish between uses of Grokster's and StreamCast's software products (which this case is about) and uses of peer-to-peer technology generally (which this case is not about).

In sum, when the record in this case was developed, there was evidence that Grokster's and StreamCast's products were, and had been for some time, overwhelmingly used to infringe and that this infringement was the overwhelming source of revenue from the products. Fairly appraised, the evidence was insufficient to demonstrate, beyond genuine debate, a reasonable prospect that substantial or commercially significant noninfringing uses were likely to develop over time. On this record, the District Court should not have ruled dispositively on the contributory infringement charge by granting summary judgment to Grokster and StreamCast.

If, on remand, the case is not resolved on summary judgment in favor of MGM based on Grokster and StreamCast actively inducing infringement, the Court of Appeals, I would emphasize, should reconsider, on a fuller record, its interpretation of Sony's product distribution holding.

JUSTICE BREYER, with whom JUSTICE STEVENS and JUSTICE O'CONNOR JOIN, CONCURRING.

I agree with the Court that the distributor of a dual-use technology may be liable for the infringing activities of third parties where he or she actively seeks to advance the infringement. I further agree that, in light of our holding today, we need not now "revisit" *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). Other Members of the Court, however, take up the Sony question: whether Grokster's product is "capable of 'substantial' or 'commercially significant' noninfringing



uses.” And they answer that question by stating that the Court of Appeals was wrong when it granted summary judgment on the issue in Grokster’s favor. I write to explain why I disagree with them on this matter.

I

The Court’s opinion in Sony and the record evidence (as described and analyzed in the many briefs before us) together convince me that the Court of Appeals’ conclusion has adequate legal support.

... .

When measured against Sony’s underlying evidence and analysis, the evidence now before us shows that Grokster passes Sony’s test—that is, whether the company’s product is capable of substantial or commercially significant noninfringing uses. For one thing, petitioners’ (hereinafter MGM) own expert declared that 75% of current files available on Grokster are infringing and 15% are “likely infringing.” That leaves some number of files near 10% that apparently are noninfringing, a figure very similar to the 9% or so of authorized time-shifting uses of the VCR that the Court faced in Sony.

As in Sony, witnesses here explained the nature of the noninfringing files on Grokster’s network without detailed quantification. Those files include:

Authorized copies of music by artists such as Wilco, Janis Ian, Pearl Jam, Dave Matthews, John Mayer, and others.

Free electronic books and other works from various online publishers, including Project Gutenberg.

Public domain and authorized software, such as WinZip 8.1.

Licensed music videos and television and movie segments distributed via digital video packaging with the permission of the copyright holder.

The nature of these and other lawfully swapped files is such that it is reasonable to infer quantities of current lawful use roughly approximate to those at issue in Sony. At least, MGM has offered no evidence sufficient to survive summary judgment that could plausibly demonstrate a significant quantitative difference. To be sure, in quantitative terms these uses account for only a small percentage of the total number of uses of Grokster's product. But the same was true in Sony, which characterized the relatively limited authorized copying market as "substantial." . . . .

Importantly, Sony also used the word "capable," asking whether the product is "capable of" substantial noninfringing uses. Its language and analysis suggest that a figure like 10%, if fixed for all time, might well prove insufficient, but that such a figure serves as an adequate foundation where there is a reasonable prospect of expanded legitimate uses over time. And its language also indicates the appropriateness of looking to potential future uses of the product to determine its "capability."

Here the record reveals a significant future market for noninfringing uses of Grokster-type peer-to-peer software. Such software permits the exchange of any sort of digital file—whether that file does, or does not, contain copyrighted material. As more and more uncopyrighted information is stored in swappable form, it seems a likely inference that lawful peer-to-peer sharing will become increasingly prevalent.

And that is just what is happening. Such legitimate noninfringing uses are coming to include the swapping of: research information (the initial purpose of many peer-to-peer networks); public domain films (e.g., those owned by the Prelinger Archive); historical recordings and digital educational materials (e.g., those stored on the Internet Archive); digital photos (OurPictures, for example, is starting a P2P photo-swapping service); "shareware" and

“freeware” (e.g., Linux and certain Windows software); secure licensed music and movie files (Intent MediaWorks, for example, protects licensed content sent across P2P networks); news broadcasts past and present (the BBC Creative Archive lets users “rip, mix and share the BBC”); user-created audio and video files (including “podcasts” that may be distributed through P2P software); and all manner of free “open content” works collected by Creative Commons (one can search for Creative Commons material on StreamCast). See Brief for Distributed Computing Industry Association as Amicus Curiae 15-26; Merges, *A New Dynamism in the Public Domain*, 71 U. Chi. L.Rev. 183 (2004). I can find nothing in the record that suggests that this course of events will not continue to flow naturally as a consequence of the character of the software taken together with the foreseeable development of the Internet and of information technology.

There may be other now-unforeseen noninfringing uses that develop for peer-to-peer software, just as the home-video rental industry (unmentioned in Sony) developed for the VCR. But the foreseeable development of such uses, when taken together with an estimated 10% noninfringing material, is sufficient to meet Sony’s standard. And while Sony considered the record following a trial, there are no facts asserted by MGM in its summary judgment filings that lead me to believe the outcome after a trial here could be any different. The lower courts reached the same conclusion.

Of course, Grokster itself may not want to develop these other noninfringing uses. But Sony’s standard seeks to protect not the Groksters of this world (which in any event may well be liable under today’s holding), but the development of technology more generally. And Grokster’s desires in this respect are beside the point.

II

The real question here, I believe, is not whether the record evidence satisfies Sony. As I have interpreted the standard set forth in that case, it does. And of the Courts of Appeals that have considered the matter, only one has proposed interpreting Sony more strictly than I would do – in a case where the product might have failed under any standard.

Instead, the real question is whether we should modify the Sony standard, as MGM requests, or interpret Sony more strictly, as I believe Justice GINSBURG's approach would do in practice. Compare *ante*, at 2784-2787 (concurring) (insufficient opinion evidence in this case of both present lawful uses and of a reasonable prospect that substantial noninfringing uses would develop over time), with *Sony*, 464 U.S., at 442-447, 104 S.Ct. 774 (basing conclusion as to the likely existence of a substantial market for authorized copying upon general declarations, some survey data, and common sense).

As I have said, Sony itself sought to “strike a balance between a copyright holder’s legitimate demand for effective-not merely symbolic-protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce.” Thus, to determine whether modification, or a strict interpretation, of Sony is needed, I would ask whether MGM has shown that Sony incorrectly balanced copyright and new-technology interests. In particular: (1) Has Sony (as I interpret it) worked to protect new technology? (2) If so, would modification or strict interpretation significantly weaken that protection? (3) If so, would new or necessary copyright-related benefits outweigh any such weakening?

A

The first question is the easiest to answer. Sony’s rule, as I interpret it, has provided entrepreneurs with needed

assurance that they will be shielded from copyright liability as they bring valuable new technologies to market.

Sony's rule is clear. That clarity allows those who develop new products that are capable of substantial noninfringing uses to know, *ex ante*, that distribution of their product will not yield massive monetary liability. At the same time, it helps deter them from distributing products that have no other real function than-or that are specifically intended for-copyright infringement, deterrence that the Court's holding today reinforces (by adding a weapon to the copyright holder's legal arsenal).

Sony's rule is strongly technology protecting. The rule deliberately makes it difficult for courts to find secondary liability where new technology is at issue. It establishes that the law will not impose copyright liability upon the distributors of dual-use technologies (who do not themselves engage in unauthorized copying) unless the product in question will be used almost exclusively to infringe copyrights (or unless they actively induce infringements as we today describe). Sony thereby recognizes that the copyright laws are not intended to discourage or to control the emergence of new technologies, including (perhaps especially) those that help disseminate information and ideas more broadly or more efficiently. Thus Sony's rule shelters VCRs, typewriters, tape recorders, photocopiers, computers, cassette players, compact disc burners, digital video recorders, MP3 players, Internet search engines, and peer-to-peer software. But Sony's rule does not shelter descramblers, even if one could theoretically use a descrambler in a noninfringing way.

Sony's rule is forward looking. It does not confine its scope to a static snapshot of a product's current uses (thereby threatening technologies that have undeveloped future markets). Rather, as the VCR example makes clear, a product's market can evolve dramatically over time. And Sony-by referring to a capacity for substantial noninfringing

uses-recognizes that fact. Sony's word "capable" refers to a plausible, not simply a theoretical, likelihood that such uses will come to pass, and that fact anchors Sony in practical reality.

Sony's rule is mindful of the limitations facing judges where matters of technology are concerned. Judges have no specialized technical ability to answer questions about present or future technological feasibility or commercial viability where technology professionals, engineers, and venture capitalists themselves may radically disagree and where answers may differ depending upon whether one focuses upon the time of product development or the time of distribution. Consider, for example, the question whether devices can be added to Grokster's software that will filter out infringing files. MGM tells us this is easy enough to do, as do several amici that produce and sell the filtering technology. Grokster says it is not at all easy to do, and not an efficient solution in any event, and several apparently disinterested computer science professors agree. Which account should a judge credit? Sony says that the judge will not necessarily have to decide.

Given the nature of the Sony rule, it is not surprising that in the last 20 years, there have been relatively few contributory infringement suits – based on a product distribution theory – brought against technology providers (a small handful of federal appellate court cases and perhaps fewer than two dozen District Court cases in the last 20 years). I have found nothing in the briefs or the record that shows that Sony has failed to achieve its innovation-protecting objective.

## B

The second, more difficult, question is whether a modified Sony rule (or a strict interpretation) would significantly weaken the law's ability to protect new technology. Justice

GINSBURG's approach would require defendants to produce considerably more concrete evidence-more than was presented here-to earn Sony's shelter. That heavier evidentiary demand, and especially the more dramatic (case-by-case balancing) modifications that MGM and the Government seek, would, I believe, undercut the protection that Sony now offers.

To require defendants to provide, for example, detailed evidence-say, business plans, profitability estimates, projected technological modifications, and so forth-would doubtless make life easier for copyright holder plaintiffs. But it would simultaneously increase the legal uncertainty that surrounds the creation or development of a new technology capable of being put to infringing uses. Inventors and entrepreneurs (in the garage, the dorm room, the corporate lab, or the boardroom) would have to fear (and in many cases endure) costly and extensive trials when they create, produce, or distribute the sort of information technology that can be used for copyright infringement. They would often be left guessing as to how a court, upon later review of the product and its uses, would decide when necessarily rough estimates amounted to sufficient evidence. They would have no way to predict how courts would weigh the respective values of infringing and noninfringing uses; determine the efficiency and advisability of technological changes; or assess a product's potential future markets. The price of a wrong guess-even if it involves a good-faith effort to assess technical and commercial viability-could be large statutory damages (not less than \$750 and up to \$30,000 per infringed work ). 17 U.S.C. § 504(c)(1). The additional risk and uncertainty would mean a consequent additional chill of technological development.

C

The third question-whether a positive copyright impact would outweigh any technology-related loss-I find the most difficult of the three. I do not doubt that a more intrusive Sony test would generally provide greater revenue security for copyright holders. But it is harder to conclude that the gains on the copyright swings would exceed the losses on the technology roundabouts.

For one thing, the law disfavors equating the two different kinds of gain and loss; rather, it leans in favor of protecting technology. As Sony itself makes clear, the producer of a technology which permits unlawful copying does not himself engage in unlawful copying-a fact that makes the attachment of copyright liability to the creation, production, or distribution of the technology an exceptional thing. Moreover, Sony has been the law for some time. And that fact imposes a serious burden upon copyright holders like MGM to show a need for change in the current rules of the game, including a more strict interpretation of the test.

In any event, the evidence now available does not, in my view, make out a sufficiently strong case for change. To say this is not to doubt the basic need to protect copyrighted material from infringement. The Constitution itself stresses the vital role that copyright plays in advancing the “useful Arts.” Art. I, § 8, cl. 8. No one disputes that “reward to the author or artist serves to induce release to the public of the products of his creative genius.” *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948). And deliberate unlawful copying is no less an unlawful taking of property than garden-variety theft. But these highly general principles cannot by themselves tell us how to balance the interests at issue in Sony or whether Sony’s standard needs modification. And at certain key points, information is lacking.

Will an unmodified Sony lead to a significant diminution in the amount or quality of creative work produced? Since



copyright's basic objective is creation and its revenue objectives but a means to that end, this is the underlying copyright question. And its answer is far from clear.

Unauthorized copying likely diminishes industry revenue, though it is not clear by how much. [citations to conflicting studies of effect of file sharing on music sales].

The extent to which related production has actually and resultingly declined remains uncertain, though there is good reason to believe that the decline, if any, is not substantial. See, e.g., M. Madden, *Pew Internet & American Life Project, Artists, Musicians, and the Internet*, p. 21, (Dec. 5, 2004), [http://www.pewinternet.org/pdfs/PIP\\_Artists.Musicians\\_Report.pdf](http://www.pewinternet.org/pdfs/PIP_Artists.Musicians_Report.pdf) (nearly 70% of musicians believe that file sharing is a minor threat or no threat at all to creative industries); Benkler, *Sharing Nicely: On Shareable Goods and the Emergence of Sharing as a Modality of Economic Production*, 114 *Yale L. J.* 273, 351-352 (2004) (“Much of the actual flow of revenue to artists—from performances and other sources—is stable even assuming a complete displacement of the CD market by peer-to-peer distribution ....[I]t would be silly to think that music, a cultural form without which no human society has existed, will cease to be in our world [because of illegal file swapping]”).

More importantly, copyright holders at least potentially have other tools available to reduce piracy and to abate whatever threat it poses to creative production. As today's opinion makes clear, a copyright holder may proceed against a technology provider where a provable specific intent to infringe (of the kind the Court describes) is present. Services like *Grokster* may well be liable under an inducement theory.

In addition, a copyright holder has always had the legal authority to bring a traditional infringement suit against one who wrongfully copies. Indeed, since September 2003, the

Recording Industry Association of America (RIAA) has filed “thousands of suits against people for sharing copyrighted material.” Walker, *New Movement Hits Universities: Get Legal Music*, *Washington Post*, Mar. 17, 2005, p. E1. These suits have provided copyright holders with damages; have served as a teaching tool, making clear that much file sharing, if done without permission, is unlawful; and apparently have had a real and significant deterrent effect. [citations omitted]

Further, copyright holders may develop new technological devices that will help curb unlawful infringement. Some new technology, called “digital ‘watermarking’” and “digital fingerprint[ing],” can encode within the file information about the author and the copyright scope and date, which “fingerprints” can help to expose infringers. [citations omitted]

At the same time, advances in technology have discouraged unlawful copying by making lawful copying (e.g., downloading music with the copyright holder’s permission) cheaper and easier to achieve. Several services now sell music for less than \$1 per song. (Walmart.com, for example, charges \$0.88 each.) Consequently, many consumers initially attracted to the convenience and flexibility of services like Grokster are now migrating to lawful paid services (services with copying permission) where they can enjoy at little cost even greater convenience and flexibility without engaging in unlawful swapping. See Wu, *When Code Isn’t Law*, 89 *Va. L.Rev.* 679, 731-735 (2003) (noting the prevalence of technological problems on unpaid swapping sites); K. Dean, *P2P Tilts Toward Legitimacy*, *Wired News* (Nov. 24, 2004), <http://www.wired.com/news/digiwood/0,1412,65836,00.html>; Madden & Rainie, *March 2005 Data Memo*, *supra*, at 6-7 (percentage of current downloaders who have used paid services rose from 24% to 43% in a year; number using free services fell from 58% to 41%).

Thus, lawful music downloading services—those that charge the customer for downloading music and pay royalties to the copyright holder—have continued to grow and to produce substantial revenue. See Brief for Internet Law Faculty as Amicus Curiae 5-20; Bruno, Digital Entertainment: Piracy Fight Shows Encouraging Signs (Mar. 5, 2005), available at LEXIS, News Library, Billboard File (in 2004, consumers worldwide purchased more than 10 times the number of digital tracks purchased in 2003; global digital music market of \$330 million in 2004 expected to double in 2005); Press Release, Informa Telecoms & media, Steady Download Growth Defies P2P (global digital revenues will likely exceed \$3 billion in 2010); Ashton, [International Federation of the Phonographic Industry] Predicts Downloads Will Hit the Mainstream, *Music Week*, Jan. 29, 2005, p. 6 (legal music sites and portable MP3 players “are helping to transform the digital music market” into “an everyday consumer experience”). And more advanced types of non-music-oriented peer-to-peer networks have also started to develop, drawing in part on the lessons of Grokster.

Finally, as Sony recognized, the legislative option remains available. Courts are less well suited than Congress to the task of “accommodat[ing] fully the varied permutations of competing interests that are inevitably implicated by such new technology.” *Sony*, 464 U.S., at 431, 104 S.Ct. 774; see, e.g., Audio Home Recording Act of 1992, 106 Stat. 4237 (adding 17 U.S.C., ch. 10); Protecting Innovation and Art While Preventing Piracy: Hearing Before the Senate Committee on the Judiciary, 108th Cong., 2d Sess. (2004).

I do not know whether these developments and similar alternatives will prove sufficient, but I am reasonably certain that, given their existence, a strong demonstrated need for modifying Sony (or for interpreting Sony’s standard more strictly) has not yet been shown. That fact, along with the added risks that modification (or strict

interpretation) would impose upon technological innovation, leads me to the conclusion that we should maintain Sony, reading its standard as I have read it. As so read, it requires affirmance of the Ninth Circuit's determination of the relevant aspects of the Sony question.

\* \* \*

For these reasons, I disagree with Justice GINSBURG, but I agree with the Court and join its opinion.

#### **3.4.4.1. Problems**

##### **Problems**

For each, state the possible theories of secondary liability for infringement that could be used, if any, based only on the facts given. (inducement, vicarious, or *Sony*-style)

1. A newspaper contains a classified ad section, a small subsection of which frequently features solicitations to trade copies of copyrighted compact discs. Newspaper is sued.
2. A developer sells software called StripIt that removes the restrictions on movies purchased from the iTunes Store. Developer is sued.
3. A developer sells software that records in an audio file all audio output by one's computer. A web designer creates a popular, ad-supported website featuring how-to guides on using the software to record internet radio broadcasts, some of which are copyrighted and do not authorize duplication. Developer is sued.
4. Same as 3, but web designer is sued.

##### **Answers**

1. A newspaper contains a classified ad section, a small subsection of which frequently features solicitations to trade copies of copyrighted compact discs. Newspaper is sued.

Vicarious liability is the most promising avenue. Vicarious liability, in the copyright infringement context, is liability for the infringement of others when one has the right and practical ability to control that infringement. Here, the newspaper has the right to decide which ads to print. Further, the newspaper is certainly capable of screening ads for solicitations to trade infringing copies. This case would essentially be a low-tech version of *Napster*, but where the ability to screen for infringers is even easier.

Note that solicitations to trade the compact discs themselves, the actual discs bought at retail, would not form the basis of a secondary infringement claim. There would be no copy at all made in such circumstances. I'm free to sell or give away books I no longer want, CDs that I don't want, or any other article subject to copyright.

You may be tempted to cite inducement as a possibility here. But the newspaper itself is not actively encouraging anyone to infringe. The evidence of inducement in *Grokster* went to evidence that the companies themselves were encouraging infringement - by marketing to infringers, advertising the utility of their produce to infringe, etc. There isn't any of that here.

2. A developer sells software called StripIt that removes the restrictions on movies purchased from the iTunes Store. Developer is sued.

Contributory infringement, or what I've been calling *Sony*-style infringement, might be found here, depending on what other uses the software has. Cautionary note: there was no liability in *Sony*. So when I say *Sony*-style liability, I mean liability on the ground discussed in *Sony*. Sony itself was not found liable under what we're calling a *Sony* theory. Contributory infringement is liability for merely placing a product on the market that is not capable substantial noninfringing uses. In other words, if your product is really only good for

infringement, you can be liable for the illegal copying of those who use it.

Here, StripIt appears to be useful only to remove the protections that prevent unauthorized copying of digital movies purchased from iTunes. We'd want to know, though, whether it's capable of other uses. Further, we'd want to know how often the product is used to enable users to make fair use copies of movies they have bought. (There is another statute, the controversial DMCA, that governs the intentional circumvention of anti-copying measures.)

3. A developer sells software that records in an audio file all audio output by one's computer. A web designer creates a popular, ad-supported website featuring how-to guides on using the software to record internet radio broadcasts, some of which are copyrighted and do not authorize duplication. Developer is sued.

No liability. There is no evidence here that the developer has done anything to encourage anyone to use the product to make illegal copies. It's doubtful therefore that there could be liability under an inducement theory. Nor is vicarious liability a realistic possibility. The courts aren't going to require the developer to change the program to monitor people's usage and route that information back to the developer. The developer simply doesn't have the practical ability to control how the product is used once people download it. Finally, there almost certainly is no liability under a *Sony* theory. There are a great many uses for such a product that do not include copying copyrighted material. Indeed, web designer's guides include information on recording noncopyrighted streams. So even if we restrict attention to copying streams, it would seem the product is capable of substantial noninfringing uses. This is not to mention the other kinds of recordings a user could make.

4. Same as 3, but web designer is sued.

The most promising ground here is inducement. Web designer hasn't released a product that makes copies. Rather, the designer has encouraged others to make copies by telling the how to do it. That some of the guides aren't for copyrighted streams doesn't matter. Even if there is only one guide that instructs users on recording a copyrighted stream, designer might be held liable under an inducement theory - as the designer might be argued to have actively encouraged the guide's readers to do what's in the guide: copy a copyrighted stream.

### **Problem: Streamers**

Lenny the law student is pretty good with computers. While task avoiding, Lenny developed an application for recording streamed audio from the internet. Called Streamers, the program works as follows. It assumes the user has certain software, not made by Lenny, already installed, namely a web browser, a calendar program, RealPlayer (for playing streamed audio), and a program called WireTap. WireTap, made by another software company, records any sounds output by the computer. So, after hitting record in WireTap and listening or watching a stream on RealPlayer, the audio file created by WireTap will contain the audio of that stream (along with any other sounds the user happens to trigger when WireTap is recording). Because the raw sound is recorded and then re-compressed, the resulting audio file typically is a little lower quality than the original stream.

Streamers works by coordinating these four applications. After typing into Streamers a URL and a recording schedule, the application puts the recordings into the user's calendar with an alarm. When the time for a recording arrives, the alarm is triggered, and Streamers launches the web browser, triggering the desired stream to play, and then launches WireTap to begin recording. When the stream is finished, recording ends, and Streamers conveniently moves the resulting audio file into iTunes where it is ready for the user to listen to or put on an iPod. In this way, a user can develop a whole library of streams and schedules so that with

no manual effort on the part of the user, he or she will always have a library of his or her favorite streams.

To Lenny's surprise, shortly after posting his application, thousands of people downloaded it and began using it to keep up-to-date libraries of their favorite NPR and commercial radio shows, making use of the online streams many radio stations provide. Though they already could have listened to these while sitting at their computers, many were eager to get these programs onto their iPods or other portable players. A good many users had questions, and Lenny provided help over email for configuring Streamers to record various radio programs hosted on numerous websites.

Lenny comes to you, a well-known lawyer, with an email he has just received from VapidChannel Communications. The email demands Lenny remove Streamers from distribution and destroy all copies of the application and its source code. According to Vapid, Lenny has "promoted, encouraged, and enabled the illegal copying of Vapid's copyright protected programs." The email went on, "If you do not comply with Our demands within ten days, Vapid will be forced to file suit against You for copyright infringement and seek injunction and damages in an amount up to \$300,000 per illegal copy."

The letter further states that "Your application, Streamers, places you in violation of the anti-circumvention provision of the Digital Millennium Copyright Act, 17 U.S.C. § 1201, as it enables unauthorized copies of audio streams that have been effectively protected against being downloaded."

Lenny is scared, makes nothing for Streamers, which is a free download, but does not want to be intimidated. What can you tell Lenny about his potential liability and what evidence, if any, might be relevant to the case?

### **Discussion**

This problem obviously calls for an application and extension of the ideas in *Grokster* and *Sony*. L is not being threatened for making any copies of Vapid's copyrighted programs. Rather, Vapid's theory must be that he is liable for the illegal copying by others



using his program, Streamers. Called “contributory infringement,” this basis for liability is not found in the Copyright Act itself but is a judicial doctrine meant to effectuate the Act’s purposes.

We have identified three possible circumstances under which one may be liable for the infringing acts of another. First, vicarious liability (think *Napster*) may be found where one has the ability and right to control the infringing acts of third parties but does not do so. Second, liability for inducement (think *Grokster*) attaches when one “distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement.” Third, mere distribution, with no such expression or affirmative steps, may constitute contributory infringement if the device is not capable of significant noninfringing use.

A good answer here would run through these three possibilities. There’s clearly no control as there was in *Napster*, and so vicarious liability seems exceedingly unlikely. Inducement? Well, the facts did state that L provided some assistance to users seeking to record shows. It is not clear whether and to what extent L helped in the copying of copyrighted material. The problem asked what evidence might be relevant to the case, and the content of L’s customer support is likely important. If it can be shown that L provided no help toward what he knew to be infringing uses, then L can likely avoid an inducement claim, and he won’t have to defend the legality of the acts of any particular users he helped.

What about the third possibility (*Sony*)? Regardless of the support he provided or steps he took, could L be liable simply because of the infringement that Streamers makes possible? The question here would center on how much non-infringing use Streamers either permits or, if Ginsburg’s analysis rules the day, is likely actually to occur. L’s lawyer would clearly want to establish the large number of potential noninfringing uses that could be made of Streamers. Think about the different kinds of evidence we could consider. The abundance of streams that do not forbid copying of this sort? Just because there may be many such streams does not mean that their copying is a substantial part of the copying Streamers users actually

engage in. Maybe the other side will gather evidence concerning the proportion of Streamers-made copies that are authorized. (Remember in discussing *Grokster* when we asked whether the percentage of noncopyrighted *files* or *copies* was the relevant benchmark for the *Sony* “significant” benchmark.)

But even if Vapid can show that the vast majority of Streamers-made copies are of non-authorized streams, meaning streams that the content owners would not allow to be copied, the analysis would not stop there. Just because a content owner does not authorize a copy does not mean that he or she has a valid legal claim against the copier. If the content is not copyrighted to begin with or if the copying is fair use, then there can be no infringement, and, thus, such copies cannot establish contributory infringement.

Remember that one need not register a work to gain a copyright. Your blog postings, etc., those can all be subject to copyright protection. Indeed, nearly all of the streams that Streamers users copy are likely subject to copyright. And so, unless the owners of those streams authorize copying, we have *prima facie* infringement. Exactly how many streams authorize such copying is something we’d have to investigate. But as to the unauthorized streams: is copying them with Streamers fair use if done (a) only to time shift or (b) to time shift *and* “device shift” (i.e., put the content on an iPod even when the content owner wants me to pay to do so)?

A very good answer here would discuss the fair use statute (looking to opinions interpreting it, like *Suntrust Bank*, for guidance) and examine its factors. *Sony*, though, tells us how these factors resolve with respect to television time-shifting, and it’s clearly relevant to, if not dispositive of, the copying here. Though the fair use factors appear both here and in *Sony*, on their surface, pretty heavily to favor the broadcasters, the fact in *Sony* that a user of a VCR is only shifting to a more convenient time the viewing of a program he or she was invited to view free of charge pretty much overwhelmed the analysis. The Court just didn’t see anything wrong with that kind of copying in light of the purposes of copyright, and the statutory factors that pointed the other way were deemed less important in this context.

At first glance, one might think that *Sony* definitively answers the question here with regard to time shifting. However, Vapid could argue that time shifting is not fair use in this context, at least with respect to streams which are available on demand on the internet. Unlike television broadcasting in the early 1980s, streams can be listened to anytime one is sitting at the computer with the necessary software. Time shifting is simply not as valuable or necessary here as it is to VCR users. What Streamers users are really doing, Vapid will argue, is “space shifting” or copying in order to convert the stream into a more versatile form that can be consumed in settings other than those for which the stream was designed (sitting in front of the computer scenarios). Vapid will assert that it can afford to put its content in free streams only because doing so drives traffic to its profit-generating businesses like commercial radio and paid downloads. Space shifting directly compromises those revenues.

A really great answer on this point would step through the fair use factors with respect to space shifting, compare it with the time shifting analysis as we understand it from *Sony*, and then situate that analysis within the broader purposes of the Copyright Act. The few decisions that have dealt with this issue have been inconsistent. This is the most important issue, setting the DMCA provision aside for a moment, in this case. If space shifting is infringement, then we’ll have a very hard time defending Streamers.

Ok, on to the DMCA. The provision cited in the letter is the so-called anti-circumvention provision. It prohibits the circumventing of “technological measures” intended to prevent copying of copyrighted works. Further, it prohibits distribution of devices or services that (1) are designed primarily to accomplish such circumvention, (2) have only limited other uses, or (3) are promoted as enabling circumvention. What’s troublesome is that this provision would seem to prohibit one from making a fair use copy if doing so requires getting around some protective measure. For example, suppose I wanted to make what is concededly a fair use copy of a DRM-protected iTunes Store purchase. Under the DMCA, I’m prohibited from making a copy by circumventing the DRM, even though under copyright law, I’m permitted to make a

copy. And here, even if we conclude, per the above, that time and space shifting are fair uses of these streams, getting around a technological measure meant to prevent copying might still be a DMCA violation - even though it's not a copyright violation.

This might go too far. After all, if the law gives the power to content producers to disable fair uses through legally protected (even if technically flawed) technological means, then fair use is a dead letter. And fair use was supposed to be a critical part of the great First Amendment - Copyright balance.

So what would an answer look like here? Well, I'd want you to start with the text of the statute. Does Streamers violate its terms? Does it circumvent by disabling the protections inherent in non-saveable streams or does it make use of something more like the analog hole? See here, e.g.: <http://volokh.com/posts/1176397745.shtml> Does your conclusion depend on your interpretation of the text? Which of those interpretations are sensible? Are the harshest interpretations unconstitutional?

The DMCA portion of this question was meant to expose you to this very tricky area of law and would not have been at all fair on a real test. But I do hope that you'll give it some thought. Interesting trivia: as a law student I wrote an app called Streamers that works exactly as described in this problem.

### **3.5. Publicity Rights**

#### **Parks v. La Face Records, 76 F. Supp. 2d 775 (E.D. Mich. 1999).**

Gregory J. Reed, Gregory J. Reed Assoc., Detroit, MI, for plaintiff.

Joseph M. Beck, Kilpatrick, Stockton, Atlanta, GA, Blanche B. Cook, Philip B. Phillips, Miller, Canfield, Detroit, MI, Conrad L. Mallett, Jr., Miller, Canfield, Detroit, MI, for defendants.

ORDER DENYING PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT AND INJUNCTIVE RELIEF

## AND GRANTING DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

HACKETT, District Judge.

Plaintiff Rosa Parks is a well-known public figure who has been recognized as an international symbol of freedom, humanity, dignity and strength for over 43 years. Plaintiff's notoriety arose from her heroic stance against racial inequality in the South when on December 1, 1955, in Montgomery, Alabama, she refused to give up her seat to a white passenger and move to the back of the bus. This one defiant act precipitated a 381-day bus boycott that ended segregation on public transportation and ultimately sparked the Civil Rights Movement of the 1960's. The above-captioned case presents a conflict between plaintiff's right to protect her celebrated name and the First Amendment right of others to use her name in an expressive work. Specifically at issue is whether plaintiff can prevent the use of her name as the title of a rap song written, performed, marketed and distributed by defendants. Now before the court are the parties' cross-motions for summary judgment. Oral argument was heard on November 4, 1999. For the following reasons, plaintiff's motion shall be denied, and summary judgment shall be granted regrettably in defendants' favor.

### I. FACTS

The facts relevant to disposition of this matter are few and undisputed. Defendants are entertainers and producers of popular music. Specifically, Kenny Edmonds and Antonio Reid<sup>1</sup> are recording artists and the members of the musical group Outkast, whose services are contractually rendered to LaFace Records. LaFace is a record company engaged in

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<sup>1</sup> Although named in the caption of plaintiff's complaint and other pleadings, Edmonds and Reid were never served with process, and, therefore, are not parties to this litigation in their individual capacities.

the business of creating, manufacturing and distributing musical sound recordings. LaFace's recordings are manufactured and distributed by a variety of entities under the auspices of Arista Records and BMG Entertainment.

During the week of September 28, 1998, defendants released Outkast's album called *Aquemini*, which included a total of 15 songs. The album's first single release was track number three, a song entitled "Rosa Parks." Plaintiff is not mentioned by name in the lyrics, and the song is not about her or the Civil Rights Movement. However, the chorus includes the words "Ah, ha, hush that fuss. Everybody move to the back of the bus," which are repeated a total of ten times over the course of the work.

The band Outkast, the album *Aquemini*, and the song "Rosa Parks" have all enjoyed a great degree of critical acclaim. *Aquemini* has sold over two million copies (double platinum status), and "Rosa Parks" has enjoyed long-lasting success on the Billboard Charts. In fact, Outkast received their first-ever Grammy nomination for the song. Consequently, defendants have advertised and promoted the *Aquemini* album, the hit single "Rosa Parks" and its Grammy nomination in ways that are customary in the music business, such as in print advertisements, in a music video, and with stickers affixed to the front of each cassette and compact disc jewel case indicating that the album contains "The Hit Singles 'Rosa Parks' And 'Skew It On The Bar-B.'"<sup>2</sup>

No legal relationship of any kind exists between plaintiff and defendants, and defendants did not attempt to secure plaintiff's permission to use her name prior to the release of their *Aquemini* album. Plaintiff, however, opposes defendants' use of her name without compensation. In particular, plaintiff is offended by the use of her name in

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<sup>2</sup> The sticker also states in smaller print: "Parental Advisory. Explicit Content."

association with music that contains, according to plaintiff, “profanity, racial slurs, and derogatory language directed at women.” To date, defendants have continued to use plaintiff’s name on and in connection with the song “Rosa Parks” and the album *Aquemini*. Accordingly, plaintiff filed this lawsuit seeking monetary and injunctive relief. The court now turns to the parties’ pending motions.

## II. STANDARD OF REVIEW

Federal Rule of Civil Procedure 56(c) empowers the court to render summary judgment “forthwith if the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.” See *F.D.I.C. v. Alexander*, 78 F.3d 1103, 1106 (6th Cir.1996). The Supreme Court has affirmed the court’s use of summary judgment as an integral part of the fair and efficient administration of justice. The procedure is not a disfavored procedural shortcut. *Celotex Corp. v. Catrett*, 477 U.S. 317, 327, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); see also *Kutrom Corp. v. City of Center Line*, 979 F.2d 1171, 1174 (6th Cir.1992).

The standard for determining whether summary judgment is appropriate is “whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that one party must prevail as a matter of law.” *Winningham v. North Am. Resources Corp.*, 42 F.3d 981, 984 (6th Cir.1994) (citing *Booker v. Brown & Williamson Tobacco Co.*, 879 F.2d 1304, 1310 (6th Cir.1989)). The evidence and all inferences therefrom must be construed in the light most favorable to the non-moving party. *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986); *Enertech Elec., Inc. v. Mahoning County Comm’rs*, 85 F.3d 257, 259 (6th Cir.1996); *Wilson v. Stroh Companies, Inc.*, 952 F.2d 942, 945 (6th Cir.1992). “[T]he

mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no genuine issue of material fact.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986); see also *Hartleip v. McNeilab, Inc.*, 83 F.3d 767, 774 (6th Cir.1996).

If the movant establishes by use of the material specified in Rule 56(c) that there is no genuine issue of material fact and that it is entitled to judgment as a matter of law, the opposing party must come forward with “specific facts showing that there is a genuine issue for trial.” *First Nat’l Bank v. Cities Serv. Co.*, 391 U.S. 253, 270, 88 S.Ct. 1575, 20 L.Ed.2d 569 (1968); see also *Adams v. Philip Morris, Inc.*, 67 F.3d 580, 583 (6th Cir.1995). Mere allegations or denials in the non-movant’s pleadings will not meet this burden. *Anderson*, 477 U.S. at 248, 106 S.Ct. 2505. Further, the non-moving party cannot rest on its pleadings to avoid summary judgment. It must support its claim with some probative evidence. *Kraft v. United States*, 991 F.2d 292, 296 (6th Cir.), cert. denied, 510 U.S. 976, 114 S.Ct. 467, 126 L.Ed.2d 419 (1993).

### III. DISCUSSION

#### *A. Right of Publicity Claim (Count I)*

In Count I of the complaint, plaintiff alleges that defendants’ use of her name violates her common law right of publicity. The right of publicity protects a celebrity’s commercial interest in her identity. “The theory of the right is that a celebrity’s identity can be valuable in the promotion of products, and the celebrity has an interest that may be protected from the unauthorized commercial exploitation of that identity.” *Carson v. Here’s Johnny Portable Toilets, Inc.*, 698 F.2d 831, 835 (6th Cir.1983) (emphasis added). The right of publicity, however, does not



authorize a celebrity to prevent the use of her name in an expressive work protected by the First Amendment. 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* ss 28:40-28:41 (4th ed.1999); see also *Hicks v. Casablanca Records*, 464 F.Supp. 426, 430 (S.D.N.Y.1978) (“[M]ore so than posters, bubble gum cards, or some other such ‘merchandise,’ books and movies are vehicles through which ideas and opinions are disseminated and, as such, have enjoyed certain constitutional protections, not generally accorded ‘merchandise.’ “); *Paulsen v. Personality Posters, Inc.*, 59 Misc.2d 444, 450, 299 N.Y.S.2d 501, 508 (1968) (“[E]ven where the ‘right of publicity’ is recognized, it does not invest a prominent person with the right to exploit financially every public use of name or picture. What is made actionable is the unauthorized use for advertising purposes in connection with the sale of a commodity.”).<sup>3</sup> Clearly, “[m]usic, as a form of expression and communication, is protected under the First Amendment.” *Ward v. Rock Against Racism*, 491 U.S. 781, 790, 109 S.Ct. 2746, 105 L.Ed.2d 661 (1989); see also *Hurley v. Irish-American Gay, Lesbian and Bisexual Group*, 515 U.S. 557, 569, 115 S.Ct. 2338, 132 L.Ed.2d 487 (1995) (paintings, music and poetry are “unquestionably shielded” by the First Amendment).

Similarly, titles of artistic works that use the names of public figures and celebrities, like the works themselves, are entitled to First Amendment protection from right of publicity claims:

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<sup>3</sup> Cf. *Abdul-Jabbar v. General Motors Corp.*, 85 F.3d 407 (9th Cir.1996) (involved use of basketball player’s name in an automobile advertisement); *Winterland Concessions Co. v. Sileo*, 528 F.Supp. 1201 (N.D.Ill.1981), *aff’d*, 830 F.2d 195 (7th Cir.1987) (involved the use of names of entertainers and musical groups on t-shirts); *Uhlaender v. Henricksen*, 316 F.Supp. 1277 (D.Minn.1970) (involved use of major league baseball players’ names in connection with a board game); *Palmer v. Schonhorn Enter., Inc.*, 96 N.J.Super. 72, 232 A.2d 458 (1967) (involved use of a golf player’s name and likeness in connection with a golf game).

Titles, like the artistic works they identify, are of a hybrid nature, combining artistic expression and commercial promotion. The title of a movie may be both an integral element of the film-maker's expression as well as a significant means of marketing the film to the public. The artistic and commercial elements of titles are inextricably intertwined. Film-makers and authors frequently rely on word-play, ambiguity, irony, and allusion in titling their works. Furthermore, their interest in freedom of artistic expression is shared by their audience. The subtleties of a title can enrich a reader's or a viewer's understanding of a work.

Rogers v. Grimaldi, 875 F.2d 994, 998 (2d Cir.1989). Furthermore, no publicity claim exists when a celebrity's name is used in advertisements for a work protected by the First Amendment. See, e.g., Guglielmi v. Spelling-Goldberg Prods., 25 Cal.3d 860, 873, 160 Cal.Rptr. 352, 603 P.2d 454, 462 (1979) (Bird, C.J., concurring) ("Since the use of Valentino's name and likeness in the film was not an actionable infringement of Valentino's right of publicity, the use of his identity in advertisements for the film is similarly not actionable.").

The right of publicity is therefore inapplicable under the First Amendment if the content of an expressive work bears any relationship to the use of a celebrity's name. Rogers, 875 F.2d at 1004 (right of publicity unavailable unless use of celebrity's name is "wholly unrelated" to the work). In addition, the right of publicity does not bar the use of a celebrity's name in a title as long as the item is a literary work and not "simply a disguised commercial advertisement for the sale of goods or services." Id.

(quoting *Frosch v. Grosset & Dunlap, Inc.*, 75 A.D.2d 768, 769, 427 N.Y.S.2d 828, 829 (1980)).

In this case, plaintiff repeatedly contends that defendants' "Rosa Parks" song is not expressly "about" her or her civil rights efforts, concluding that the song's title is "unrelated" to its content and must thus have been selected "solely to attract attention." The court finds plaintiff's argument unpersuasive and unsupported. There can be no reasonable dispute that Rosa Parks is universally known for and commonly associated with her refusal in late 1955 to obey the segregation laws in Montgomery, Alabama and "move to the back of the bus." The song at issue makes unmistakable reference to that symbolic act a total of ten times. Admittedly, the song is not about plaintiff in a strictly biographical sense, but it need not be. Rather, defendants' use of plaintiff's name, along with the phrase "move to the back of the bus," is metaphorical and symbolic. As a matter of law, this obvious relationship between the content of the song and its title bearing plaintiff's name renders the right of publicity inapplicable.

Moreover, that plaintiff (and even the court) may find defendants' music "profane and vulgar" and not regard it as artistically serious is of no consequence:

It is fundamental that courts may not muffle expression by passing judgment on its skill or clumsiness, its sensitivity or coarseness; nor on whether it pains or pleases. It is enough that the work is a form of expression "deserving of substantial freedom both as entertainment and as a form of social and literary criticism."

*University of Notre Dame Du Lac v. Twentieth Century-Fox Film Corp.*, 22 A.D.2d 452, 458, 256 N.Y.S.2d 301, 307, *aff'd*, 15 N.Y.2d 940, 259 N.Y.S.2d 832, 207 N.E.2d

508 (1965). Given that the court may not “pass on literary categories, or literary judgment,” defendants’ song enjoys First Amendment protection as long as it is a “[musical] work and not simply a disguised commercial advertisement for the sale of goods or services.” *Frosch*, 75 A.D.2d at 769, 427 N.Y.S.2d at 829 (holding that right of publicity did not apply to book entitled “Marilyn” and rejecting alleged distinction between a “biography” about Marilyn Monroe and “fiction”). Because the necessary linkage between title and content is easily satisfied here, plaintiff would be hard-pressed to demonstrate that defendants’ use of her name as the title to their song is “simply a disguised commercial advertisement” to sell a product, especially considering the song has received widespread acclaim and was nominated for a Grammy Award. This result is not altered by defendants’ promotion of their album and hit single because the fundamental right to free expression would be illusory if defendants were permitted to entitle their song “Rosa Parks,” but not advertise it to the public. The law imposes no such artificial limitation. See, e.g., *Groden v. Random House, Inc.*, 61 F.3d 1045, 1050-51 (2d Cir.1995) (use of author’s photograph to promote critical work did not infringe right of publicity); *Guglielmi*, 25 Cal.3d at 873, 160 Cal.Rptr. 352, 603 P.2d at 462 (“It would be illogical to allow respondents to exhibit the film but effectively preclude any advance discussion or promotion of their lawful enterprise.”); *Namath v. Sports Illustrated*, 48 A.D.2d 487, 488, 371 N.Y.S.2d 10, 11 (1975), *aff’d*, 39 N.Y.2d 897, 386 N.Y.S.2d 397, 352 N.E.2d 584 (1976) (“The use of plaintiff’s photograph was merely incidental advertising of defendants’ magazine in which plaintiff had earlier been properly and fairly depicted.”).

Plaintiff also contends that because her name was not used in the news, to educate, for scholarly purposes or as a parody, defendants’ use is not protected by the First Amendment. However, the Supreme Court has expressly

rejected such a notion and held that entertainment is entitled to the same constitutional protection as the exposition of ideas: “The line between the informing and the entertaining is too elusive for the protection of the basic right.” *Winters v. New York*, 333 U.S. 507, 510, 68 S.Ct. 665, 92 L.Ed. 840 (1948). Next, plaintiff incorrectly argues that First Amendment concerns are not implicated here because defendants’ use of plaintiff’s name was unnecessary and done only to sell their album.

If this analysis were used to determine whether an expression is entitled to constitutional protection, grave harm would result. Courts would be required not merely to determine whether there is some minimal relationship between the expression and the celebrity, but to compel the author to justify the use of the celebrity’s identity. Only upon satisfying a court of the necessity of weaving the celebrity’s identity into a particular publication would the shadow of liability and censorship fade. Such a course would inevitably chill the exercise of free speech limiting not only the manner and form of expression but the interchange of ideas as well.

*Guglielmi*, 25 Cal.3d at 869, 160 Cal.Rptr. 352, 603 P.2d at 460 (citation omitted).

In her final attempt to convince the court that the First Amendment does not shield defendants from liability on her publicity claim, plaintiff states: “If Defendants [sic] position is carried forward, then the Ku Klux Klan, skinheads or any race supremacist group can exploit the names of others.” Indeed, the possibly offensive use by such groups of a celebrity’s name is exactly the type of

speech protected by the First Amendment, which would be a poor refuge for free expression if public figures could censor the use of their names whenever they found the speech to be distasteful. To the contrary, the First Amendment empowers the audience to regulate expressive speech. “[P]rominence invites creative comment. Surely, the range of free expression would be meaningfully reduced if prominent persons in the present and recent past were forbidden topics for the imaginations of authors.” Guglielmi, 25 Cal.3d at 869, 160 Cal.Rptr. 352, 603 P.2d at 460. Thus, plaintiff’s argument that this is “simply a property case” is offensive to the First Amendment. Accordingly, because the title “Rosa Parks” is not “wholly unrelated” to defendants’ song, and because the title is the name of an expressive work and not a disguised commercial for a product, the right of publicity does not apply to the undisputed facts of this case, which necessitates dismissal of Count I in plaintiff’s complaint.

*B. Lanham Act and State Law Unfair Competition Claims  
(Counts II and V)*

Plaintiff also raises a claim under the Lanham Act, 15 U.S.C. s 1125 (Count II), and a related state law unfair competition claim (Count V). Section 1125(a)(1)(A) provides:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or

association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, ... shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Like the right of publicity, the Lanham Act ordinarily applies to commercial transactions involving ordinary goods and services, not expressive works in which First Amendment concerns are paramount. Thus, even if the legitimate goals of the Lanham Act and state unfair competition laws in preventing consumer confusion are implicated by the undisputed facts of this case, they are outweighed as a matter of law by defendants' right to freedom of expression.

The court is well aware that “[p]oetic license is not without limits.” *Rogers v. Grimaldi*, 875 F.2d 994, 997 (2d Cir.1989). Nonetheless,

in general the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.

*Id.* at 999 (emphasis added).

As discussed above, the direct artistic relevance between the title “Rosa Parks” and the content of defendants’ song is so obvious that the matter is not open to reasonable debate. Furthermore, it is abundantly clear that the title does not “explicitly” mislead as to source or content. Examples of blatantly misleading titles might include: “Nimmer on Copyright,” “Jane Fonda’s Workout Book,” a title “explicitly signifying endorsement, such as the phrase in a subtitle ‘an authorized biography,’” or “The True Life Story of Ginger and Fred.”*Id.* at 999-1000. Where such overt references are used in a title and are false as applied to the underlying work, the consumer’s interest in avoiding deception might warrant application of the Lanham Act.

Many titles, however, include a well-known name without any overt indication of authorship or endorsement—for example, the hit song “Bette Davis Eyes” and the recent film “Come Back to the Five and Dime, Jimmy Dean, Jimmy Dean.” To some people, these titles might implicitly suggest that the named celebrity had endorsed the work or had a role in producing it. Even if that suggestion is false, the title is artistically relevant to the work. In these circumstances, the slight risk that such use of a celebrity’s name might implicitly suggest endorsement or sponsorship to some people is outweighed by the danger of restricting artistic expression, and the Lanham Act is not applicable.

Similarly, ... many titles with a celebrity’s name make no explicit statement that the work is about that person in any direct sense; the relevance of the title may be oblique



and may become clear only after viewing or reading the work. As to such titles, the consumer interest in avoiding deception is too slight to warrant application of the Lanham Act. Though consumers frequently look to the title of a work to determine what it is about, they do not regard titles of artistic works in the same way as the names of ordinary commercial products.... [M]ost consumers are well aware that they cannot judge a book solely by its title any more than by its cover.

Id. (emphasis added) (citations omitted).

By entitling their song “Rosa Parks,” defendants made no explicit representation that their work was endorsed by or affiliated with plaintiff.<sup>4</sup> Nevertheless, plaintiff contends that defendants’ use of her name on the cover of their album creates a grave likelihood of confusion because she recently licensed the use of her name in connection with an album of gospel recordings entitled “Verity Records Presents: A Tribute to Mrs. Rosa Parks.” To support her claim of likelihood of confusion, plaintiff submitted approximately 20 affidavits from consumers who were allegedly confused as to the source or content of defendants’ album. However, plaintiff’s anecdotal evidence, assuming its validity, indicates at most that some members of the public might draw the incorrect inference that

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<sup>4</sup> By contrast, in *Cher v. Forum International, Ltd.*, 692 F.2d 634 (9th Cir.1982), cert. denied, 462 U.S. 1120, 103 S.Ct. 3089, 77 L.Ed.2d 1350 (1983), relied upon by plaintiff, the defendant explicitly misrepresented that Cher had granted an “exclusive” interview and endorsed the magazine. Similarly, in *National Bank of Commerce v. Shaklee Corp.*, 503 F.Supp. 533 (W.D.Tex.1980), the plaintiff’s name was used without permission in an explicit “endorsement” of products, and in *Fairfield v. American Photocopy Equipment Co.*, 138 Cal.App.2d 82, 291 P.2d 194 (1955), the defendant explicitly misrepresented that the plaintiff was a “satisfied user” of defendant’s products.

plaintiff had some involvement with defendants' album. "But that risk of misunderstanding, not engendered by any overt claim in the title, is so outweighed by the interests in artistic expression as to preclude application of the Lanham Act." *Id.* at 1001; see also *DeClemente v. Columbia Pictures Indus., Inc.*, 860 F.Supp. 30, 52 (E.D.N.Y.1994) ("[E]ven if the plaintiff's allegations of secondary meaning and consumer confusion are true, the defendants' first amendment interest in naming their films outweighs the plaintiff's and even the public's interest in preventing consumer confusion.")<sup>5</sup>.

Moreover, defendants' album and its packaging unequivocally identify defendants as the source of the album. "The most common and effective means of apprising intending purchasers of the source of goods is a prominent disclosure on the container, package, wrapper, or label of the manufacturer's or trader's name ... [and when] that is done, there is no basis for a charge of unfair competition." *Versa Prods. Co., Inc. v. Bifold Co. (Mfg.) Ltd.*, 50 F.3d 189, 203 (3d Cir.), cert. denied, 516 U.S. 808, 116 S.Ct. 54, 133 L.Ed.2d 19 (1995). In other words, "the plaintiff's right can be protected sufficiently by requiring the defendant's [products] to be clearly marked so as to indicate unmistakably that they are defendant's and not the plaintiff's goods." *Flagg Mfg. Co. v. Holway*, 178 Mass. 83, 91, 59 N.E. 667, 667 (1901). Given the prominent appearance of defendant Outkast's name on their album, there can be no likelihood of confusion under the Lanham

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<sup>5</sup> Furthermore, in conventional "product" trademark cases, "merely occasional" instances of alleged actual confusion do not support the existence of likelihood of confusion. See, e.g., *S.C. Johnson & Son, Inc. v. Johnson*, 266 F.2d 129, 141 (6th Cir.), cert. denied, 361 U.S. 820, 80 S.Ct. 65, 4 L.Ed.2d 65 (1959).

Act between plaintiff's and defendants' albums as a matter of law.<sup>6</sup>

Likewise, plaintiff's state law unfair competition claim also fails.<sup>7</sup> As a threshold matter, plaintiff cannot proceed under M.C.L. s 429.42<sup>8</sup> because application of that statute contemplates a state registered trademark, which plaintiff does not have. Furthermore, plaintiff has not established that she has any common law trademark rights in her name,

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<sup>6</sup> Compare the Lanham Act cases cited by plaintiff all of which involved the use of famous persons' names in connection with recordings by them, thereby directly and intentionally misrepresenting that the plaintiffs had approved the unauthorized distributions of their work. See *PPX Enter., Inc. v. Audiofidelity Enter., Inc.*, 818 F.2d 266, 268 (2d Cir.1987) (defendants marketed eight albums allegedly containing feature performances by the electric guitarist Jimi Hendrix, when in fact the albums "either did not contain Hendrix performances at all or contained performances in which Hendrix was merely a background performer or undifferentiated session player"); *Apple Corps Ltd. v. Adirondack Group*, 124 Misc.2d 351, 355, 476 N.Y.S.2d 716, 719 (1983) (defendants distributed "recordings of inferior quality which were made as a lark"); *Benson v. Paul Winley Record Sales Corp.*, 452 F.Supp. 516, 518 (S.D.N.Y.1978) (defendants "made [the plaintiff] to appear as the central and controlling artist when in fact he was not," and also misrepresented to the public that the songs on the album were recent releases by the plaintiff). On the other hand, defendants here have not used plaintiff's name on a work by plaintiff, nor have defendants misappropriated any written or recorded material of plaintiff's.

<sup>7</sup> The Sixth Circuit noted in *Carson v. Here's Johnny Portable Toilets, Inc.*, that Lanham Act and Michigan state law unfair competition claims were both governed by the same standards. 698 F.2d at 833; see also *Sports Auth., Inc. v. Abercrombie & Fitch, Inc.*, 965 F.Supp. 925, 934 n. 5 (E.D.Mich.1997) ("the Court's analysis under the Lanham Act will also apply to [plaintiff's Michigan] common law claim").

<sup>8</sup> M.C.L. s 429.42 states in relevant part: [A]ny person who shall:

- (a) Use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of a mark registered under this act in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive as to the source of origin of such goods or services ... is liable to a civil action by the owner of the registered mark.

(emphasis added).

or that defendants made any trademark use of her name.<sup>9</sup> In fact, plaintiff conceded during oral argument that she cannot maintain an action for trademark infringement. Finally, plaintiff cites the following from the Restatement (Third) of Unfair Competition ss 46-47 (1995):

One who appropriates the commercial value of a person's identity by using without consent the person's name, likeness, or other indicia of identity for purposes of trade is subject to liability.... The name, likeness, and other indicia of a person's identity are used "for purposes of trade" ... if they are used in advertising the user's goods or services, or are placed on merchandise marketed by the user, or are used in connection with services rendered by the user.

Plaintiff's purported reliance on the Restatement lacks credit, however, considering she neglected to mention the portion that unambiguously distinguishes it from this case: "However, uses 'for purposes of trade' does not ordinarily include the use of a person's identity in news reporting, commentary, entertainment, works of fiction or nonfiction, or in advertising that is incidental to such uses." *Id.* s 47. As a public figure, plaintiff simply is not entitled to control every conceivable presentation of her name and likeness. Consequently, defendants are entitled to summary

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<sup>9</sup> "[W]hether alleging infringement of a registered trademark ... or infringement of an unregistered trademark ..., it is clear that a plaintiff must show that it has actually used the designation at issue as a trademark, and that the defendant has also used the same or a similar designation as a trademark." *Rock and Roll Hall of Fame and Museum, Inc. v. Gentile Prods.*, 134 F.3d 749, 753 (6th Cir.1998). Compare defendants' use of plaintiff's name here for the purpose of sending an artistic message, with a hypothetical claim by defendants that they were selling "Rosa Parks"-brand discs and cassettes.

judgment as to plaintiff's unfair competition and Lanham Act claims.

*C. Defamation Claim (Count III)*

Next, plaintiff asserts a claim for defamation in Count III of her complaint. Specifically, plaintiff alleges that defendants "used derogatory and offensive language in their lyrics and associated said language with Plaintiff's 'persona,' character and name without her consent," thereby "cast[ing] Plaintiff in a false and unacceptable light."

... .

... . [S]ummary judgment in defendants' favor is appropriate as to Count III.

*D. Intentional Infliction of Emotional Distress Claim (Count IV)*

Count IV states a claim for intentional infliction of emotional distress. [The court dismissed this claim as a matter of law.]

*E. Intentional Interference with Business Relations Claim (Count VI)*

Plaintiff also asserts a claim for intentional interference with an advantageous business relationship, contending that defendants' "unauthorized use of her name in the present context will substantially interfere with sale and distribution of the authorized [tribute gospel] recording."

... .

... . [D]efendants clearly have not engaged in any per se wrongful conduct by permissibly titling their song "Rosa Parks." Nor have defendants committed any lawful act with malice that is unjustified in law. Accordingly, defendants are entitled to summary judgment as to Count VI.

*F. Remaining State Law Claims (Counts VII-IX)*

Plaintiff's remaining claims include: unjust enrichment (Count VII); negligence (Count VIII); and, conspiracy (Count IX). Because all three claims incorrectly presuppose a legal duty not to use plaintiff's name as defendants did, they too must be dismissed.

... .

IV. CONCLUSION

The undisputed facts in this case require that summary judgment be granted in defendants' favor. Therefore,

IT IS ORDERED that plaintiff's motion for summary judgment and injunctive relief hereby is DENIED.

IT IS FURTHER ORDERED that defendants' motion for summary judgment hereby is GRANTED.

**Midler v. Ford Motor Company,  
849 F.2d 460 (9th. Cir. 1986).**

Peter Laird, Los Angeles, Cal., for plaintiff-appellant.

Robert M. Callagy, New York City, for defendants-appellees.

Appeal from the United States District Court for the Central District of California.

Before HUG, TANG and NOONAN, Circuit Judges.

NOONAN, Circuit Judge:

This case centers on the protectibility of the voice of a celebrated chanteuse from commercial exploitation without her consent. Ford Motor Company and its advertising agency, Young & Rubicam, Inc., in 1985 advertised the Ford Lincoln Mercury with a series of nineteen 30 or 60 second television commercials in what the agency called "The Yuppie Campaign." The aim was to make an emotional connection with Yuppies, bringing back

memories of when they were in college. Different popular songs of the seventies were sung on each commercial. The agency tried to get “the original people,” that is, the singers who had popularized the songs, to sing them. Failing in that endeavor in ten cases the agency had the songs sung by “sound alikes.” Bette Midler, the plaintiff and appellant here, was done by a sound alike.

Midler is a nationally known actress and singer. She won a Grammy as early as 1973 as the Best New Artist of that year. Records made by her since then have gone Platinum and Gold. She was nominated in 1979 for an Academy award for Best Female Actress in *The Rose*, in which she portrayed a pop singer. *Newsweek* in its June 30, 1986 issue described her as an “outrageously original singer/comedian.” *Time* hailed her in its March 2, 1987 issue as “a legend” and “the most dynamic and poignant singer-actress of her time.”

When Young & Rubicam was preparing the Yuppie Campaign it presented the commercial to its client by playing an edited version of Midler singing “Do You Want To Dance,” taken from the 1973 Midler album, “The Divine Miss M.” After the client accepted the idea and form of the commercial, the agency contacted Midler’s manager, Jerry Edelstein. The conversation went as follows: “Hello, I am Craig Hazen from Young and Rubicam. I am calling you to find out if Bette Midler would be interested in doing ...? Edelstein: “Is it a commercial?” “Yes.” “We are not interested.”

Undeterred, Young & Rubicam sought out Ula Hedwig whom it knew to have been one of “the Harlettes” a backup singer for Midler for ten years. Hedwig was told by Young & Rubicam that “they wanted someone who could sound like Bette Midler’s recording of [Do You Want To Dance].” She was asked to make a “demo” tape of the song if she was interested. She made an a capella demo and got the job.

At the direction of Young & Rubicam, Hedwig then made a record for the commercial. The Midler record of “Do You Want To Dance” was first played to her. She was told to “sound as much as possible like the Bette Midler record,” leaving out only a few “aahs” unsuitable for the commercial. Hedwig imitated Midler to the best of her ability.

After the commercial was aired Midler was told by “a number of people” that it “sounded exactly” like her record of “Do You Want To Dance.” Hedwig was told by “many personal friends” that they thought it was Midler singing the commercial. Ken Fritz, a personal manager in the entertainment business not associated with Midler, declares by affidavit that he heard the commercial on more than one occasion and thought Midler was doing the singing.

Neither the name nor the picture of Midler was used in the commercial; Young & Rubicam had a license from the copyright holder to use the song. At issue in this case is only the protection of Midler’s voice. The district court described the defendants’ conduct as that “of the average thief.” They decided, “If we can’t buy it, we’ll take it.” The court nonetheless believed there was no legal principle preventing imitation of Midler’s voice and so gave summary judgment for the defendants. Midler appeals.

The First Amendment protects much of what the media do in the reproduction of likenesses or sounds. A primary value is freedom of speech and press. *Time, Inc. v. Hill*, 385 U.S. 374, 388, 87 S.Ct. 534, 542, 17 L.Ed.2d 456 (1967). The purpose of the media’s use of a person’s identity is central. If the purpose is “informative or cultural” the use is immune; “if it serves no such function but merely exploits the individual portrayed, immunity will not be granted.” Felcher and Rubin, “Privacy, Publicity and the Portrayal of Real People by the Media,”<sup>88</sup> Yale L.J. 1577, 1596 (1979). Moreover, federal copyright law preempts much of the area. “Mere imitation of a recorded performance would not



constitute a copyright infringement even where one performer deliberately sets out to simulate another's performance as exactly as possible." Notes of Committee on the Judiciary, 17 U.S.C.A. s 114(b). It is in the context of these First Amendment and federal copyright distinctions that we address the present appeal.

Nancy Sinatra once sued Goodyear Tire and Rubber Company on the basis of an advertising campaign by Young & Rubicam featuring "These Boots Are Made For Walkin'," a song closely identified with her; the female singers of the commercial were alleged to have imitated her voice and style and to have dressed and looked like her. The basis of Nancy Sinatra's complaint was unfair competition; she claimed that the song and the arrangement had acquired "a secondary meaning" which, under California law, was protectible. This court noted that the defendants "had paid a very substantial sum to the copyright proprietor to obtain the license for the use of the song and all of its arrangements." To give Sinatra damages for their use of the song would clash with federal copyright law. Summary judgment for the defendants was affirmed. *Sinatra v. Goodyear Tire & Rubber Co.*, 435 F.2d 711, 717-718 (9th Cir.1970), cert. denied, 402 U.S. 906, 91 S.Ct. 1376, 28 L.Ed.2d 646 (1971). If Midler were claiming a secondary meaning to "Do You Want To Dance" or seeking to prevent the defendants from using that song, she would fail like Sinatra. But that is not this case. Midler does not seek damages for Ford's use of "Do You Want To Dance," and thus her claim is not preempted by federal copyright law. Copyright protects "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. s 102(a). A voice is not copyrightable. The sounds are not "fixed." What is put forward as protectible here is more personal than any work of authorship.

Bert Lahr once sued Adell Chemical Co. for selling Lestoil by means of a commercial in which an imitation of Lahr's

voice accompanied a cartoon of a duck. Lahr alleged that his style of vocal delivery was distinctive in pitch, accent, inflection, and sounds. The First Circuit held that Lahr had stated a cause of action for unfair competition, that it could be found “that defendant’s conduct saturated plaintiff’s audience, curtailing his market.” *Labr v. Adell Chemical Co.*, 300 F.2d 256, 259 (1st Cir.1962). That case is more like this one. But we do not find unfair competition here. One-minute commercials of the sort the defendants put on would not have saturated Midler’s audience and curtailed her market. Midler did not do television commercials. The defendants were not in competition with her. *See Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213 (9th Cir.1987).

California Civil Code section 3344 is also of no aid to Midler. The statute affords damages to a person injured by another who uses the person’s “name, voice, signature, photograph or likeness, in any manner.” The defendants did not use Midler’s name or anything else whose use is prohibited by the statute. The voice they used was Hedwig’s, not hers. The term “likeness” refers to a visual image not a vocal imitation. The statute, however, does not preclude Midler from pursuing any cause of action she may have at common law; the statute itself implies that such common law causes of action do exist because it says its remedies are merely “cumulative.” *Id.* s 3344(g).

The companion statute protecting the use of a deceased person’s name, voice, signature, photograph or likeness states that the rights it recognizes are “property rights.” *Id.* s 990(b). By analogy the common law rights are also property rights. Appropriation of such common law rights is a tort in California. *Motschenbacher v. R.J. Reynolds Tobacco Co.*, 498 F.2d 821 (9th Cir.1974). In that case what the defendants used in their television commercial for Winston cigarettes was a photograph of a famous professional racing driver’s racing car. The number of the car was changed and

a wing-like device known as a “spoiler” was attached to the car; the car’s features of white pinpointing, an oval medallion, and solid red coloring were retained. The driver, Lothar Motschenbacher, was in the car but his features were not visible. Some persons, viewing the commercial, correctly inferred that the car was his and that he was in the car and was therefore endorsing the product. The defendants were held to have invaded a “proprietary interest” of Motschenbacher in his own identity. *Id.* at 825.

Midler’s case is different from Motschenbacher’s. He and his car were physically used by the tobacco company’s ad; he made part of his living out of giving commercial endorsements. But, as Judge Koelsch expressed it in *Motschenbacher*, California will recognize an injury from “an appropriation of the attributes of one’s identity.” *Id.* at 824. It was irrelevant that Motschenbacher could not be identified in the ad. The ad suggested that it was he. The ad did so by emphasizing signs or symbols associated with him. In the same way the defendants here used an imitation to convey the impression that Midler was singing for them.

Why did the defendants ask Midler to sing if her voice was not of value to them? Why did they studiously acquire the services of a sound-alike and instruct her to imitate Midler if Midler’s voice was not of value to them? What they sought was an attribute of Midler’s identity. Its value was what the market would have paid for Midler to have sung the commercial in person.

A voice is more distinctive and more personal than the automobile accouterments protected in *Motschenbacher*. A voice is as distinctive and personal as a face. The human voice is one of the most palpable ways identity is manifested. We are all aware that a friend is at once known by a few words on the phone. At a philosophical level it has been observed that with the sound of a voice, “the other stands before me.” D. Ihde, *Listening and Voice* 77 (1976). *A fortiori*, these observations hold true of singing,

especially singing by a singer of renown. The singer manifests herself in the song. To impersonate her voice is to pirate her identity. See W. Keeton, D. Dobbs, R. Keeton, D. Owen, *Prosser & Keeton on Torts* 852 (5th ed. 1984).

We need not and do not go so far as to hold that every imitation of a voice to advertise merchandise is actionable. We hold only that when a distinctive voice of a professional singer is widely known and is deliberately imitated in order to sell a product, the sellers have appropriated what is not theirs and have committed a tort in California. *Midler* has made a showing, sufficient to defeat summary judgment, that the defendants here for their own profit in selling their product did appropriate part of her identity.

REVERSED AND REMANDED FOR TRIAL.

**White v. Samsung Electronics America, Inc.,  
971 F.2d 1395 (9th Cir. 1992).**

Blaine Greenberg, John Genga, Hill Wynne Troop & Meisinger, Los Angeles, Cal., for plaintiff-appellant.

Anthony Liebig, Kenneth Kulzick, Liebig & Kulzick, Los Angeles, Cal., for defendants-appellees.

Appeal from the United States District Court for the Central District of California.

Before: GOODWIN, PREGERSON, and ALARCON,  
Circuit Judges.

GOODWIN, Senior Circuit Judge:

This case involves a promotional “fame and fortune” dispute. In running a particular advertisement without Vanna White’s permission, defendants Samsung Electronics America, Inc. (Samsung) and David Deutsch Associates, Inc. (Deutsch) attempted to capitalize on White’s fame to enhance their fortune. White sued, alleging infringement of various intellectual property rights, but the

district court granted summary judgment in favor of the defendants. We affirm in part, reverse in part, and remand.

Plaintiff Vanna White is the hostess of “Wheel of Fortune,” one of the most popular game shows in television history. An estimated forty million people watch the program daily. Capitalizing on the fame which her participation in the show has bestowed on her, White markets her identity to various advertisers.

The dispute in this case arose out of a series of advertisements prepared for Samsung by Deutsch. The series ran in at least half a dozen publications with widespread, and in some cases national, circulation. Each of the advertisements in the series followed the same theme. Each depicted a current item from popular culture and a Samsung electronic product. Each was set in the twenty-first century and conveyed the message that the Samsung product would still be in use by that time. By hypothesizing outrageous future outcomes for the cultural items, the ads created humorous effects. For example, one lampooned current popular notions of an unhealthy diet by depicting a raw steak with the caption: “Revealed to be health food. 2010 A.D.” Another depicted irreverent “news”-show host Morton Downey Jr. in front of an American flag with the caption: “Presidential candidate. 2008 A.D.”

The advertisement which prompted the current dispute was for Samsung video-cassette recorders (VCRs). The ad depicted a robot, dressed in a wig, gown, and jewelry which Deutsch consciously selected to resemble White’s hair and dress. The robot was posed next to a game board which is instantly recognizable as the Wheel of Fortune game show set, in a stance for which White is famous. The caption of the ad read: “Longest-running game show. 2012 A.D.” Defendants referred to the ad as the “Vanna White” ad. Unlike the other celebrities used in the campaign, White neither consented to the ads nor was she paid.

Following the circulation of the robot ad, White sued Samsung and Deutsch in federal district court under: (1) California Civil Code s 3344; (2) the California common law right of publicity; and (3) s 43(a) of the Lanham Act, 15 U.S.C. s 1125(a). The district court granted summary judgment against White on each of her claims. White now appeals.

#### I. Section 3344

White first argues that the district court erred in rejecting her claim under section 3344. Section 3344(a) provides, in pertinent part, that “[a]ny person who knowingly uses another’s name, voice, signature, photograph, or likeness, in any manner, ... for purposes of advertising or selling, ... without such person’s prior consent ... shall be liable for any damages sustained by the person or persons injured as a result thereof.”

White argues that the Samsung advertisement used her “likeness” in contravention of section 3344. In *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir.1988), this court rejected Bette Midler’s section 3344 claim concerning a Ford television commercial in which a Midler “sound-alike” sang a song which Midler had made famous. In rejecting Midler’s claim, this court noted that “[t]he defendants did not use Midler’s name or anything else whose use is prohibited by the statute. The voice they used was [another person’s], not hers. The term ‘likeness’ refers to a visual image not a vocal imitation.” *Id.* at 463.

In this case, Samsung and Deutsch used a robot with mechanical features, and not, for example, a manikin molded to White’s precise features. Without deciding for all purposes when a caricature or impressionistic resemblance might become a “likeness,” we agree with the district court that the robot at issue here was not White’s “likeness” within the meaning of section 3344. Accordingly, we affirm the court’s dismissal of White’s section 3344 claim.

## II. Right of Publicity

White next argues that the district court erred in granting summary judgment to defendants on White's common law right of publicity claim. In *Eastwood v. Superior Court*, 149 Cal.App.3d 409 (1983), the California court of appeal stated that the common law right of publicity cause of action "may be pleaded by alleging (1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to defendant's advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury." *Id.* at 417. The district court dismissed White's claim for failure to satisfy Eastwood's second prong, reasoning that defendants had not appropriated White's "name or likeness" with their robot ad. We agree that the robot ad did not make use of White's name or likeness. However, the common law right of publicity is not so confined.

The Eastwood court did not hold that the right of publicity cause of action could be pleaded only by alleging an appropriation of name or likeness. Eastwood involved an unauthorized use of photographs of Clint Eastwood and of his name. Accordingly, the Eastwood court had no occasion to consider the extent beyond the use of name or likeness to which the right of publicity reaches. That court held only that the right of publicity cause of action "may be" pleaded by alleging, *inter alia*, appropriation of name or likeness, not that the action may be pleaded only in those terms.

The "name or likeness" formulation referred to in Eastwood originated not as an element of the right of publicity cause of action, but as a description of the types of cases in which the cause of action had been recognized. The source of this formulation is Prosser, *Privacy*, 48 Cal.L.Rev. 383, 401-07 (1960), one of the earliest and most enduring articulations of the common law right of publicity cause of action. In looking at the case law to that point, Prosser recognized that right of publicity cases involved

one of two basic factual scenarios: name appropriation, and picture or other likeness appropriation. *Id.* at 401-02, nn. 156-57.

Even though Prosser focused on appropriations of name or likeness in discussing the right of publicity, he noted that “[i]t is not impossible that there might be appropriation of the plaintiff’s identity, as by impersonation, without the use of either his name or his likeness, and that this would be an invasion of his right of privacy.” *Id.* at 401, n. 155.<sup>1</sup> At the time Prosser wrote, he noted however, that “[n]o such case appears to have arisen.” *Id.*

Since Prosser’s early formulation, the case law has borne out his insight that the right of publicity is not limited to the appropriation of name or likeness. In *Motschenbacher v. R.J. Reynolds Tobacco Co.*, 498 F.2d 821 (9th Cir.1974), the defendant had used a photograph of the plaintiff’s race car in a television commercial. Although the plaintiff appeared driving the car in the photograph, his features were not visible. Even though the defendant had not appropriated the plaintiff’s name or likeness, this court held that plaintiff’s California right of publicity claim should reach the jury.

In *Midler*, this court held that, even though the defendants had not used Midler’s name or likeness, Midler had stated a claim for violation of her California common law right of publicity because “the defendants ... for their own profit in selling their product did appropriate part of her identity” by using a Midler sound-alike. *Id.* at 463-64.

In *Carson v. Here’s Johnny Portable Toilets, Inc.*, 698 F.2d 831 (6th Cir.1983), the defendant had marketed portable toilets under the brand name “Here’s Johnny”-Johnny Carson’s signature “Tonight Show” introduction-without

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<sup>1</sup> Under Professor Prosser’s scheme, the right of publicity is the last of the four categories of the right to privacy. Prosser, 48 Cal. L. Rev. at 389.



Carson's permission. The district court had dismissed Carson's Michigan common law right of publicity claim because the defendants had not used Carson's "name or likeness." *Id.* at 835. In reversing the district court, the sixth circuit found "the district court's conception of the right of publicity ... too narrow" and held that the right was implicated because the defendant had appropriated Carson's identity by using, *inter alia*, the phrase "Here's Johnny." *Id.* at 835-37.

These cases teach not only that the common law right of publicity reaches means of appropriation other than name or likeness, but that the specific means of appropriation are relevant only for determining whether the defendant has in fact appropriated the plaintiff's identity. The right of publicity does not require that appropriations of identity be accomplished through particular means to be actionable. It is noteworthy that the *Midler* and *Carson* defendants not only avoided using the plaintiff's name or likeness, but they also avoided appropriating the celebrity's voice, signature, and photograph. The photograph in *Motschenbacher* did include the plaintiff, but because the plaintiff was not visible the driver could have been an actor or dummy and the analysis in the case would have been the same.

Although the defendants in these cases avoided the most obvious means of appropriating the plaintiffs' identities, each of their actions directly implicated the commercial interests which the right of publicity is designed to protect. As the *Carson* court explained:

the right of publicity has developed to protect the commercial interest of celebrities in their identities. The theory of the right is that a celebrity's identity can be valuable in the promotion of products, and the celebrity has an interest that may be protected from the unauthorized

commercial exploitation of that identity.... If the celebrity's identity is commercially exploited, there has been an invasion of his right whether or not his "name or likeness" is used.

Carson, 698 F.2d at 835. It is not important how the defendant has appropriated the plaintiff's identity, but whether the defendant has done so. Motschenbacher, Midler, and Carson teach the impossibility of treating the right of publicity as guarding only against a laundry list of specific means of appropriating identity. A rule which says that the right of publicity can be infringed only through the use of nine different methods of appropriating identity merely challenges the clever advertising strategist to come up with the tenth.

Indeed, if we treated the means of appropriation as dispositive in our analysis of the right of publicity, we would not only weaken the right but effectively eviscerate it. The right would fail to protect those plaintiffs most in need of its protection. Advertisers use celebrities to promote their products. The more popular the celebrity, the greater the number of people who recognize her, and the greater the visibility for the product. The identities of the most popular celebrities are not only the most attractive for advertisers, but also the easiest to evoke without resorting to obvious means such as name, likeness, or voice.

Consider a hypothetical advertisement which depicts a mechanical robot with male features, an African-American complexion, and a bald head. The robot is wearing black hightop Air Jordan basketball sneakers, and a red basketball uniform with black trim, baggy shorts, and the number 23 (though not revealing "Bulls" or "Jordan" lettering). The ad depicts the robot dunking a basketball one-handed, stiff-armed, legs extended like open scissors, and tongue hanging out. Now envision that this ad is run on television

during professional basketball games. Considered individually, the robot's physical attributes, its dress, and its stance tell us little. Taken together, they lead to the only conclusion that any sports viewer who has registered a discernible pulse in the past five years would reach: the ad is about Michael Jordan.

Viewed separately, the individual aspects of the advertisement in the present case say little. Viewed together, they leave little doubt about the celebrity the ad is meant to depict. The female-shaped robot is wearing a long gown, blond wig, and large jewelry. Vanna White dresses exactly like this at times, but so do many other women. The robot is in the process of turning a block letter on a game-board. Vanna White dresses like this while turning letters on a game-board but perhaps similarly attired Scrabble-playing women do this as well. The robot is standing on what looks to be the Wheel of Fortune game show set. Vanna White dresses like this, turns letters, and does this on the Wheel of Fortune game show. She is the only one. Indeed, defendants themselves referred to their ad as the "Vanna White" ad. We are not surprised.

Television and other media create marketable celebrity identity value. Considerable energy and ingenuity are expended by those who have achieved celebrity value to exploit it for profit. The law protects the celebrity's sole right to exploit this value whether the celebrity has achieved her fame out of rare ability, dumb luck, or a combination thereof. We decline Samsung and Deutch's invitation to permit the evisceration of the common law right of publicity through means as facile as those in this case. Because White has alleged facts showing that Samsung and Deutsch had appropriated her identity, the district court erred by rejecting, on summary judgment, White's common law right of publicity claim.

III. The Lanham Act

White's final argument is that the district court erred in denying her claim under s 43(a) of the Lanham Act, 15 U.S.C. s 1125(a). The version of section 43(a) applicable to this case<sup>2</sup> provides, in pertinent part, that "[a]ny person who shall ... use, in connection with any goods or services ... any false description or representation ... shall be liable to a civil action ... by any person who believes that he is or is likely to be damaged by the use of any such false description or designation." 15 U.S.C. s 1125(a).

To prevail on her Lanham Act claim, White is required to show that in running the robot ad, Samsung and Deutsch created a likelihood of confusion.

This circuit recognizes several different multi-factor tests for determining whether a likelihood of confusion exists. None of these tests is correct to the exclusion of the others. Normally, in reviewing the district court's decision, this court will look to the particular test that the district court used. However, because the district court in this case apparently did not use any of the multi-factor tests in making its likelihood of confusion determination, and because this case involves an appeal from summary judgment and we review *de novo* the district court's determination, we will look for guidance to the 8-factor test enunciated in *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir.1979). According to *AMF*, factors relevant to a likelihood of confusion include:

- (1) strength of the plaintiff's mark;
- (2) relatedness of the goods;
- (3) similarity of the marks;
- (4) evidence of actual confusion;

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<sup>2</sup> The statute was amended after White filed her complaint. The amendments would not have altered the analysis in this case however.

- (5) marketing channels used;
- (6) likely degree of purchaser care;
- (7) defendant's intent in selecting the mark;
- (8) likelihood of expansion of the product lines.

599 F.2d at 348-49. We turn now to consider White's claim in light of each factor.

In cases involving confusion over endorsement by a celebrity plaintiff, "mark" means the celebrity's persona. See *Allen*, 610 F.Supp. at 627. The "strength" of the mark refers to the level of recognition the celebrity enjoys among members of society. See *Academy*, 944 F.2d at 1455. If Vanna White is unknown to the segment of the public at whom Samsung's robot ad was directed, then that segment could not be confused as to whether she was endorsing Samsung VCRs. Conversely, if White is well-known, this would allow the possibility of a likelihood of confusion. For the purposes of the Sleekcraft test, White's "mark," or celebrity identity, is strong.

In cases concerning confusion over celebrity endorsement, the plaintiff's "goods" concern the reasons for or source of the plaintiff's fame. Because White's fame is based on her televised performances, her "goods" are closely related to Samsung's VCRs. Indeed, the ad itself reinforced the relationship by informing its readers that they would be taping the "longest-running game show" on Samsung's VCRs well into the future.

The third factor, "similarity of the marks," both supports and contradicts a finding of likelihood of confusion. On the one hand, all of the aspects of the robot ad identify White; on the other, the figure is quite clearly a robot, not a human. This ambiguity means that we must look to the other factors for resolution.

The fourth factor does not favor White's claim because she has presented no evidence of actual confusion.

Fifth, however, White has appeared in the same stance as the robot from the ad in numerous magazines, including the covers of some. Magazines were used as the marketing channels for the robot ad. This factor cuts toward a likelihood of confusion.

Sixth, consumers are not likely to be particularly careful in determining who endorses VCRs, making confusion as to their endorsement more likely.

Concerning the seventh factor, "defendant's intent," the district court found that, in running the robot ad, the defendants had intended a spoof of the "Wheel of Fortune." The relevant question is whether the defendants "intended to profit by confusing consumers" concerning the endorsement of Samsung VCRs. *Toho*, 645 F.2d 788. We do not disagree that defendants intended to spoof Vanna White and "Wheel of Fortune." That does not preclude, however, the possibility that defendants also intended to confuse consumers regarding endorsement. The robot ad was one of a series of ads run by defendants which followed the same theme. Another ad in the series depicted Morton Downey Jr. as a presidential candidate in the year 2008. Doubtless, defendants intended to spoof presidential elections and Mr. Downey through this ad. Consumers, however, would likely believe, and would be correct in so believing, that Mr. Downey was paid for his permission and was endorsing Samsung products. Looking at the series of advertisements as a whole, a jury could reasonably conclude that beneath the surface humor of the series lay an intent to persuade consumers that celebrity Vanna White, like celebrity Downey, was endorsing Samsung products.

Finally, the eighth factor, “likelihood of expansion of the product lines,” does not appear apposite to a celebrity endorsement case such as this.

Application of the Sleekcraft factors to this case indicates that the district court erred in rejecting White’s Lanham Act claim at the summary judgment stage. In so concluding, we emphasize two facts, however. First, construing the motion papers in White’s favor, as we must, we hold only that White has raised a genuine issue of material fact concerning a likelihood of confusion as to her endorsement. *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 852-53 (9th Cir.1988). Whether White’s Lanham Act claim should succeed is a matter for the jury. Second, we stress that we reach this conclusion in light of the peculiar facts of this case. In particular, we note that the robot ad identifies White and was part of a series of ads in which other celebrities participated and were paid for their endorsement of Samsung’s products.

#### IV. The Parody Defense

In defense, defendants cite a number of cases for the proposition that their robot ad constituted protected speech. The only cases they cite which are even remotely relevant to this case are *Hustler Magazine v. Falwell*, 485 U.S. 46, 108 S.Ct. 876, 99 L.Ed.2d 41 (1988) and *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir.1987). Those cases involved parodies of advertisements run for the purpose of poking fun at Jerry Falwell and L.L. Bean, respectively. This case involves a true advertisement run for the purpose of selling Samsung VCRs. The ad’s spoof of Vanna White and Wheel of Fortune is subservient and only tangentially related to the ad’s primary message: “buy Samsung VCRs.” Defendants’ parody arguments are better

addressed to non-commercial parodies.<sup>3</sup> The difference between a “parody” and a “knock-off” is the difference between fun and profit.

#### V. Conclusion

In remanding this case, we hold only that White has pleaded claims which can go to the jury for its decision.

AFFIRMED IN PART, REVERSED IN PART, and REMANDED.

ALARCON, Circuit Judge, concurring in part, dissenting in part

Vanna White seeks recovery from Samsung based on three theories: the right to privacy, the right to publicity, and the Lanham Act. I concur in the majority’s conclusions on the

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<sup>3</sup> In warning of a first amendment chill to expressive conduct, the dissent reads this decision too broadly. See Dissent at 1407. This case concerns only the market which exists in our society for the exploitation of celebrity to sell products, and an attempt to take a free ride on a celebrity’s celebrity value. Commercial advertising which relies on celebrity fame is different from other forms of expressive activity in two crucial ways.

First, for celebrity exploitation advertising to be effective, the advertisement must evoke the celebrity’s identity. The more effective the evocation, the better the advertisement. If, as Samsung claims, its ad was based on a “generic” game-show hostess and not on Vanna White, the ad would not have violated anyone’s right of publicity, but it would also not have been as humorous or as effective.

Second, even if some forms of expressive activity, such as parody, do rely on identity evocation, the first amendment hurdle will bar most right of publicity actions against those activities. Cf. *Falwell*, 485 U.S. at 46, 108 S.Ct. at 876. In the case of commercial advertising, however, the first amendment hurdle is not so high. *Central Hudson Gas & Electric Corp. v. Public Service Comm’n of New York*, 447 U.S. 557, 566, 100 S.Ct. 2343, 2351, 65 L.Ed.2d 341 (1980). Realizing this, Samsung attempts to elevate its ad above the status of garden-variety commercial speech by pointing to the ad’s parody of Vanna White. Samsung’s argument is unavailing. See *Board of Trustees, State Univ. of N.Y. v. Fox*, 492 U.S. 469, 474-75, 109 S.Ct. 3028, 3031, 106 L.Ed.2d 388 (1988); *Bolger v. Youngs Drug Products Corp.*, 463 U.S. 60, 67-68, 103 S.Ct. 2875, 2880-81, 77 L.Ed.2d 469 (1983). Unless the first amendment bars all right of publicity actions-and it does not, see *Zachini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 97 S.Ct. 2849, 53 L.Ed.2d 965 (1977)-then it does not bar this case.



right to privacy. I respectfully dissent from its holdings on the right to publicity and the Lanham Act claims.

#### I. RIGHT TO PRIVACY (CAL. CIV. CODE 3344(a))

I agree with the majority's conclusion that no reasonable jury could find that the robot was a "likeness" of Vanna White within the meaning of California Civil Code section 3344(a).

#### II. RIGHT TO PUBLICITY

I must dissent from the majority's holding on Vanna White's right to publicity claim. The district court found that, since the commercial advertisement did not show a "likeness" of Vanna White, Samsung did not improperly use the plaintiff's identity. The majority asserts that the use of a likeness is not required under California common law. According to the majority, recovery is authorized if there is an appropriation of one's "identity." I cannot find any holding of a California court that supports this conclusion. Furthermore, the record does not support the majority's finding that Vanna White's "identity" was appropriated.

The district court relied on *Eastwood v. Superior Court*, 149 Cal.App.3d 409, 198 Cal.Rptr. 342, (1983), in holding that there was no cause of action for infringement on the right to publicity because there had been no use of a likeness. In *Eastwood*, the California Court of Appeal described the elements of the tort of "commercial appropriation of the right of publicity" as "(1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to defendant's advantage, ...; (3) lack of consent; and (4) resulting injury." *Id.* at 417, 198 Cal.Rptr. 342. (Emphasis added).

All of the California cases that my research has disclosed hold that a cause of action for appropriation of the right to publicity requires proof of the appropriation of a name or likeness. See, e.g., *Lugosi v. Universal Pictures*, 25 Cal.3d

813, 603 P.2d 425, 160 Cal.Rptr. 323 (1979) (“The so-called right of publicity means in essence that the reaction of the public to name and likeness ... endows the name and likeness of the person involved with commercially exploitable opportunities.”); *Guglielmi v. Spelling-Goldberg Prods.*, 25 Cal.3d 860, 603 P.2d 454, 457, 160 Cal.Rptr. 352, 355 (1979) (use of name of Rudolph Valentino in fictional biography allowed); *Eastwood v. Superior Court*, supra (use of photo and name of actor on cover of tabloid newspaper); *In re Weingand*, 231 Cal.App.2d 289, 41 Cal.Rptr. 778 (1964) (aspiring actor denied court approval to change name to “Peter Lorie” when famous actor Peter Lorre objected); *Fairfield v. American Photocopy Equip. Co.*, 138 Cal.App.2d 82, 291 P.2d 194 (1955), later app. 158 Cal.App.2d 53, 322 P.2d 93 (1958) (use of attorney’s name in advertisement); *Gill v. Curtis Publishing Co.*, 38 C.2d 273, 239 P.2d 630 (1952) (use of photograph of a couple in a magazine).

Notwithstanding the fact that California case law clearly limits the test of the right to publicity to name and likeness, the majority concludes that “the common law right of publicity is not so confined.” Majority opinion at p. 1397. The majority relies on two factors to support its innovative extension of the California law. The first is that the *Eastwood* court’s statement of the elements was permissive rather than exclusive. The second is that Dean Prosser, in describing the common law right to publicity, stated that it might be possible that the right extended beyond name or likeness. These are slender reeds to support a federal court’s attempt to create new law for the state of California.

In reaching its surprising conclusion, the majority has ignored the fact that the California Court of Appeal in *Eastwood* specifically addressed the differences between the common law right to publicity and the statutory cause of action codified in California Civil Code section 3344. The court explained that “[t]he differences between the

common law and the statutory actions are: (1) Section 3344, subdivision (a) requires knowing use whereas under case law, mistake and inadvertence are not a defense against commercial appropriation and (2) section 3344, subdivision (g) expressly provides that its remedies are cumulative and in addition to any provided by law.” Eastwood, 149 Cal.App.3d at n. 6, 198 Cal.Rptr. 342 (emphasis in original). The court did not include appropriations of identity by means other than name or likeness among its list of differences between the statute and the common law.

The majority also relies on Dean Prosser’s statement that “[i]t is not impossible that there might be an appropriation of the plaintiff’s identity, as by impersonation, without the use of either his name or his likeness, and that this would be an invasion of his right of privacy.” Prosser, *Privacy*, 48 Cal.L.Rev. 383, 401 n. 155 (1960). As Dean Prosser noted, however, “[n]o such case appears to have arisen.” *Id.*

The majority states that the case law has borne out Dean Prosser’s insight that the right to publicity is not limited to name or likeness. As noted above, however, the courts of California have never found an infringement on the right to publicity without the use of the plaintiff’s name or likeness.

The interest of the California Legislature as expressed in California Civil Code section 3344 appears to preclude the result reached by the majority. The original section 3344 protected only name or likeness. In 1984, ten years after our decision in *Motschenbacher v. R.J. Reynolds Tobacco Company*, 498 F.2d 821 (9th Cir.1974) and 24 years after Prosser speculated about the future development of the law of the right of publicity, the California legislature amended the statute. California law now makes the use of someone’s voice or signature, as well as name or likeness, actionable. Cal.Civ.Code sec. 2233(a) (Deering 1991 Supp.). Thus, California, after our decision in *Motschenbacher* specifically contemplated protection for interests other than name or likeness, but did not include a cause of action for

appropriation of another person's identity. The ancient maxim, *inclusio unius est exclusio alterius*, would appear to bar the majority's innovative extension of the right of publicity. The clear implication from the fact that the California Legislature chose to add only voice and signature to the previously protected interests is that it wished to limit the cause of action to enumerated attributes.

The majority has focused on federal decisions in its novel extension of California Common Law. Those decisions do not provide support for the majority's decision.

In each of the federal cases relied upon by the majority, the advertisement affirmatively represented that the person depicted therein was the plaintiff. In this case, it is clear that a metal robot and not the plaintiff, Vanna White, is depicted in the commercial advertisement. The record does not show an appropriation of Vanna White's identity.

In *Motschenbacher*, a picture of a well-known race driver's car, including its unique markings, was used in an advertisement. *Id.* at 822. Although the driver could be seen in the car, his features were not visible. *Id.* The distinctive markings on the car were the only information shown in the ad regarding the identity of the driver. These distinctive markings compelled the inference that *Motschenbacher* was the person sitting in the racing car. We concluded that "California appellate courts would ... afford legal protection to an individual's proprietary interest in his own identity." *Id.* at 825. (Emphasis added). Because the distinctive markings on the racing car were sufficient to identify *Motschenbacher* as the driver of the car, we held that an issue of fact had been raised as to whether his identity had been appropriated. *Id.* at 827.

In *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir.1988), a singer who had been instructed to sound as much like Bette Midler as possible, sang a song in a radio commercial made famous by Bette Midler. *Id.* at 461. A number of persons

told Bette Midler that they thought that she had made the commercial. *Id.* at 462. Aside from the voice, there was no information in the commercial from which the singer could be identified. We noted that “[t]he human voice is one of the most palpable ways identity is manifested.” *Id.* at 463. We held that, “[t]o impersonate her voice is to pirate her identity,” *id.*, and concluded that Midler had raised a question of fact as to the misappropriation of her identity.

In *Carson v. Here’s Johnny Portable Toilets, Inc.*, 698 F.2d 831 (6th Cir.1983), the Sixth Circuit was called upon to interpret Michigan’s common-law right to publicity. The case involved a manufacturer who used the words, “Here’s Johnny,” on portable toilets. *Id.* at 832-33. These same words were used to introduce the star of a popular late-night television program. There was nothing to indicate that this use of the phrase on the portable toilets was not associated with Johnny Carson’s television program. The court found that “[h]ere there was an appropriation of Carson’s identity,” which violated the right to publicity. *Id.* at 837.

The common theme in these federal cases is that identifying characteristics unique to the plaintiffs were used in a context in which they were the only information as to the identity of the individual. The commercial advertisements in each case showed attributes of the plaintiff’s identities which made it appear that the plaintiff was the person identified in the commercial. No effort was made to dispel the impression that the plaintiffs were the source of the personal attributes at issue. The commercials affirmatively represented that the plaintiffs were involved. See, e.g., *Midler* at 462 (“The [Motschenbacher] ad suggested that it was he.... In the same way the defendants here used an imitation to convey the impression that Midler was singing for them.”). The proper interpretation of *Motschenbacher*, *Midler*, and *Carson* is that where identifying characteristics unique to a plaintiff are the only

information as to the identity of the person appearing in an ad, a triable issue of fact has been raised as to whether his or her identity as been appropriated.

The case before this court is distinguishable from the factual showing made in *Motschenbacher, Midler, and Carson*. It is patently clear to anyone viewing the commercial advertisement that Vanna White was not being depicted. No reasonable juror could confuse a metal robot with Vanna White.

The majority contends that “the individual aspects of the advertisement ... [v]iewed together leave little doubt about the celebrity the ad is meant to depict.” Majority Opinion at p. 1399. It derives this conclusion from the fact that Vanna White is “the only one” who “dresses like this, turns letters, and does this on the Wheel of Fortune game show.” *Id.* In reaching this conclusion, the majority confuses Vanna White, the person, with the role she has assumed as the current hostess on the “Wheel of Fortune” television game show. A recognition of the distinction between a performer and the part he or she plays is essential for a proper analysis of the facts of this case. As is discussed below, those things which Vanna White claims identify her are not unique to her. They are, instead, attributes of the role she plays. The representation of those attributes, therefore, does not constitute a representation of Vanna White. See *Nurmi v. Peterson*, 10 U.S.P.Q.2d 1775 (C.D.Cal.1989) (distinguishing between performer and role).

Vanna White is a one-role celebrity. She is famous solely for appearing as the hostess on the “Wheel of Fortune” television show. There is nothing unique about Vanna White or the attributes which she claims identify her. Although she appears to be an attractive woman, her face and figure are no more distinctive than that of other equally comely women. She performs her role as hostess on “Wheel of Fortune” in a simple and straight-forward

manner. Her work does not require her to display whatever artistic talent she may possess.

The majority appears to argue that because Samsung created a robot with the physical proportions of an attractive woman, posed it gracefully, dressed it in a blond wig, an evening gown, and jewelry, and placed it on a set that resembles the Wheel of Fortune layout, it thereby appropriated Vanna White's identity. But an attractive appearance, a graceful pose, blond hair, an evening gown, and jewelry are attributes shared by many women, especially in Southern California. These common attributes are particularly evident among game-show hostesses, models, actresses, singers, and other women in the entertainment field. They are not unique attributes of Vanna White's identity. Accordingly, I cannot join in the majority's conclusion that, even if viewed together, these attributes identify Vanna White and, therefore, raise a triable issue as to the appropriation of her identity.

The only characteristic in the commercial advertisement that is not common to many female performers or celebrities is the imitation of the "Wheel of Fortune" set. This set is the only thing which might possibly lead a viewer to think of Vanna White. The Wheel of Fortune set, however, is not an attribute of Vanna White's identity. It is an identifying characteristic of a television game show, a prop with which Vanna White interacts in her role as the current hostess. To say that Vanna White may bring an action when another blond female performer or robot appears on such a set as a hostess will, I am sure, be a surprise to the owners of the show. Cf. *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663 (7th Cir.1986) (right to publicity in videotaped performances preempted by copyright of owner of telecast).

The record shows that Samsung recognized the market value of Vanna White's identity. No doubt the

advertisement would have been more effective if Vanna White had appeared in it. But the fact that Samsung recognized Vanna White's value as a celebrity does not necessarily mean that it appropriated her identity. The record shows that Samsung dressed a robot in a costume usually worn by television game-show hostesses, including Vanna White. A blond wig, and glamorous clothing are not characteristics unique to the current hostess of Wheel of Fortune. This evidence does not support the majority's determination that the advertisement was meant to depict Vanna White. The advertisement was intended to depict a robot, playing the role Vanna White currently plays on the Wheel of Fortune. I quite agree that anyone seeing the commercial advertisement would be reminded of Vanna White. Any performance by another female celebrity as a game-show hostess, however, will also remind the viewer of Vanna White because Vanna White's celebrity is so closely associated with the role. But the fact that an actor or actress became famous for playing a particular role has, until now, never been sufficient to give the performer a proprietary interest in it. I cannot agree with the majority that the California courts, which have consistently taken a narrow view of the right to publicity, would extend law to these unique facts.

### III. THE LANHAM ACT

Vanna White's Lanham Act claim is easily resolved by applying the proper legal standard. Vanna White seeks damages for violation of section 43(a) of the Lanham Act. To succeed, Vanna White must prove actual deception of the consuming public. *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197, 208 (9th Cir.1989) (claim for damages under section 43(a) requires showing the defendant "actually deceived a significant portion of the consuming public."); see also *PPX Enterprises, Inc. v. Audiofidelity Enterprises, Inc.*, 818 F.2d 266, 271 (2d Cir.1987) ("to establish entitlement to damages for



violation of section 43(a): [Plaintiffs] must establish actual confusion or deception resulting from the violation.”); J. Gilson, *Trademark Protection and Practice* section 7.02 at 7-137 to 7-138 (1991) (plaintiffs must show actual deception to obtain damages under section 43(a)). Vanna White offered no evidence that any portion of the consuming public was deceived. The district court was correct in granting summary judgment on Vanna White’s Lanham Act claim.

The majority finds that because a majority of factors set forth in *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir.1979), favor Vanna White, the district court erred in granting summary judgment.

The AMF test is designed to aid in determining whether two marks are so sufficiently similar that it is likely that a consumer would confuse them. Where the marks are so obviously different that no confusion could possibly occur, the test is unnecessary. That is the situation in this matter. The attempt to use the Lanham Act to prevent “misappropriations” of which a court does not approve results in the distortion of the law which makes it more difficult to apply the law in appropriate cases. See Hanson & Walls, *Protecting Trademark Goodwill: Towards a Federal Standard of Misappropriation*, 81 *Trademark Rep.* 480, 511-513 (1991). This case is an example of such distortion.

The majority assumes the conclusion that the AMF test is designed to disclose. In repeatedly stating that the robot “identifies” Vanna White, the majority has usurped the fact finding function of the district court.

The majority holds that the first factor of the AMF test, strength of the mark, weighs in Vanna White’s favor. It equates this factor with the strength of Vanna White’s fame, citing *Allen v. National Video, Inc.*, 610 F.Supp. 612 (D.C.N.Y.1985). *Allen* involved a celebrity look-alike who

bore a remarkable resemblance to Woody Allen. *Id.* at 617. The instant matter involves a robot that bears no resemblance to Vanna White.

It is unclear whether the “mark” for which Vanna White seeks protection is her screen image or the imitation Wheel of Fortune. Although Vanna White is certainly famous for being famous, there is no evidence in the record that consumers identify the specific characteristics at issue, i.e., blond hair and fancy dress, solely with Vanna White. The majority ignores this important distinction.

The majority has glossed over the third AMF factor—similarity of the marks—the most important factor in this case. The majority finds this factor “ambiguous” because the common characteristics “identify” Vanna White. Majority Opinion at p. 1400. We are required, however, to compare marks in their entirety. *California Cooler, Inc. v. Loretto Winery*, 774 F.2d 1451 (9th Cir.1985). In this matter, the consumer is confronted with two entities. One is Vanna White. The other is a robot. No one could reasonably confuse the two.

Certain aspects of a mark may have a greater impact than other aspects. When a mark has certain salient characteristics, they are given greater weight. *Country Floors, Inc. v. Gepner*, 930 F.2d 1056 (3d Cir.1991); *Henri’s Food Products Co. v. Kraft, Inc.*, 717 F.2d 352 (7th Cir.1983); *Giant Food, Inc. v. Nations’ Foodservice, Inc.*, 710 F.2d 1565 (Fed.Cir.1983). The face of Vanna White and the features of the robot are obviously more important characteristics than their hair, dress, physical proportions, jewelry, or the decoration of the set. Thus, the features of the robot and Vanna White should be given great weight in the analysis. It should be clear to anyone viewing the commercial advertisement that the crude features of the robot are very dissimilar to Vanna White’s attractive and human face.

The majority's analysis of the intent or seventh factor in AMF is similarly suspect. The question presented here is whether there is any evidence in the record that Samsung intended to confuse consumers. It did not.

Where the circumstances are sufficient to eliminate any likelihood of confusion, this court has repeatedly held that there is no claim for a violation of the Lanham Act. See *Toho Co., Ltd. v. Sears, Roebuck & Co.*, 645 F.2d 788 (9th Cir.1981) ("Bagzilla" garbage bags did not infringe "Godzilla" mark); *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751 (9th Cir.1978), cert. denied sub nom *O'Neill v. Walt Disney Prods.*, 439 U.S. 1132, 99 S.Ct. 1054, 59 L.Ed.2d 94 (1979) ("Silly Sympathies" in adult comic books did not infringe on Disney's "Silly Symphonies"). The use of a robot in the commercial advertisement makes it clear that Vanna White did not endorse Samsung's product.

Although likelihood of confusion may usually be a factual question, "courts retain an important authority to monitor the outer limits of substantial similarity within which a jury is permitted to make the factual determination whether there is a likelihood of confusion." *Warner Bros., Inc. v. American Broadcasting Cos., Inc.*, 720 F.2d 231, 246 (2d Cir.1983). "[S]ummary judgment is appropriate if the court is satisfied that the products or marks are so dissimilar that no question of fact is presented." *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 746 F.2d 112 (2d Cir.1984).

"There is no issue for trial unless there is sufficient evidence favoring the nonmoving party for a jury to return a verdict for that party." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249, 106 S.Ct. 2505, 2510, 91 L.Ed.2d 202 (1986). Vanna White has presented no evidence of actual deception. Thus, she has failed to raise a genuine issue of material fact that would support her Lanham Act claim.

#### IV. SAMSUNG'S FIRST AMENDMENT DEFENSE

The majority gives Samsung's First Amendment defense short shrift because "[t]his case involves a true advertisement run for the purpose of selling Samsung VCRs." Majority opinion at p. 1401. I respectfully disagree with the majority's analysis of this issue as well.

The majority's attempt to distinguish this case from *Hustler Magazine v. Falwell*, 485 U.S. 46, 108 S.Ct. 876, 99 L.Ed.2d 41 (1988), and *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir.1987), is unpersuasive. The majority notes that the parodies in those cases were made for the purpose of poking fun at the Reverend Jerry Falwell and L.L. Bean. But the majority fails to consider that the defendants in those cases were making fun of the Reverend Jerry Falwell and L.L. Bean for the purely commercial purpose of selling soft-core pornographic magazines.

Generally, a parody does not constitute an infringement on the original work if it takes no more than is necessary to "conjure up" the original. *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 756 (9th Cir.1978). The majority has failed to consider these factors properly in deciding that Vanna White may bring an action for damages solely because the popularity of the fame show, *Wheel of Fortune*.

The effect of the majority's holding on expressive conduct is difficult to estimate. The majority's position seems to allow any famous person or entity to bring suit based on any commercial advertisement that depicts a character or role performed by the plaintiff. Under the majority's view of the law, Gene Autry could have brought an action for damages against all other singing cowboys. Clint Eastwood would be able to sue anyone who plays a tall, soft-spoken cowboy, unless, of course, Jimmy Stewart had not previously enjoined Clint Eastwood. Johnny Weismuller would have been able to sue each actor who played the role of Tarzan. Sylvester Stallone could sue actors who play blue-collar boxers. Chuck Norris could sue all karate experts who display their skills in motion pictures. Arnold

Schwarzenegger could sue body builders who are compensated for appearing in public.

The majority's reading of the Lanham Act would provide a basis for "commercial" enterprises to maintain an action for section 43(a) violations even in the absence of confusion or deception. May Black and Decker, maker of the "Dustbuster" portable vacuum, now sue "Bust-dusters," the Los Angeles topless cleaning service. Can the Los Angeles Kings hockey team state a cause of action against the City of Las Vegas for its billboards reading "L.A. has the Kings, but we have the Aces."

Direct competitive advertising could also be affected. Will BMW, which advertises its automobiles as "the ultimate driving machine," be able to maintain an action against Toyota for advertising one of its cars as "the ultimate saving machine"? Can Coca Cola sue Pepsi because it depicted a bottle of Coca Cola in its televised "taste test"? Indeed, any advertisement which shows a competitor's product, or any recognizable brand name, would appear to be liable for damages under the majority's view of the applicable law. Under the majority's analysis, even the depiction of an obvious facsimile of a competitor's product may provide sufficient basis for the maintenance of an action for damages.

## V. CONCLUSION

The protection of intellectual property presents the courts with the necessity of balancing competing interests. On the one hand, we wish to protect and reward the work and investment of those who create intellectual property. In so doing, however, we must prevent the creation of a monopoly that would inhibit the creative expressions of others. We have traditionally balanced those interests by allowing the copying of an idea, but protecting a unique expression of it. Samsung clearly used the idea of a glamorous female game show hostess. Just as clearly, it

avoided appropriating Vanna White's expression of that role. Samsung did not use a likeness of her. The performer depicted in the commercial advertisement is unmistakably a lifeless robot. Vanna White has presented no evidence that any consumer confused the robot with her identity. Indeed, no reasonable consumer could confuse the robot with Vanna White or believe that, because the robot appeared in the advertisement, Vanna White endorsed Samsung's product.

I would affirm the district court's judgment in all respects.

**Gordon Sumner, p/k/a Sting v Michael Urvan,  
Case No. D2000-0596 (WIPO Arbitration, Jul. 25, 2000)**

1. The Parties

1.1 The Complainant is Gordon Sumner, professionally known as "Sting", a citizen of the United Kingdom who maintains a residence in the United States. The Respondent is Michael Urvan, of Marietta, Georgia, United States of America.

...

4. Factual Background

Complainant's Activities and Trademarks

4.1 In his Complaint, the Complainant asserted the following in relation to his activities and trademarks. The Complainant is a world famous musician, recording and performing artist who has, for over twenty years, rendered high-quality musical services under his name, trademark and service mark STING. Since at least as early as 1978, the Complainant has exclusively and continuously used the STING mark in connection with approximately twenty record

albums, almost all of which have gone multi-platinum in the United States and enjoyed great commercial success worldwide. The Complainant has also used the STING mark in connection with innumerable world-wide concert tours involving venues with significant capacities, the majority of which sell out. The STING mark is internationally known and famous as a result of the Complainant's extensive, high-profile, and overwhelmingly commercially successful activities in the music industry. The Complainant is the owner of the STING mark as a trademark and service mark. The name STING has become synonymous in the minds of the public with the Complainant and his activities in the music industry, and serves as a symbol of the goodwill and excellent reputation associated with Sting. The STING mark is famous and entitled to the widest scope of protection afforded by law, including protection against dilution.

4.2 In his Response, the Respondent asserted that there are 20 trademark registrations of the word STING in the US, but none of them are registered by the Complainant. The word STING is a common word in the English language, and so registration of it as a domain name is not a violation of the Uniform Policy. The Respondent is not a competitor of the Complainant and the Respondent does not attempt to cause any confusion with him.

### **Respondent's Activities**

4.3 The Complainant asserted the following in relation to the Respondent's activities and use of the domain name. Until the Respondent was

contacted by a representative of the Complainant, the Respondent made no use of the domain name. After being contacted by a representative of the Complainant, Respondent linked the domain name to another site called “GunBroker.Com”, which is a site that facilitates “person to person” selling of guns. During or about February of 2000, and again during or about May of 2000, the Respondent offered to sell the domain name to the Complainant for \$25,000.00. Since offering to sell the domain name to the Complainant for \$25,000.00, the Respondent has frequently changed the web site identified by the domain name, usually with an “under construction” message, and in some cases providing a link to a third-party operated unauthorized web site relating to the Complainant.

4.4 In his Response, the Respondent asserted that he has been using the nickname “Sting” and more recently “=Sting=” publicly on the Internet for at least 8 years. The Respondent registered the domain name in July 1995, approximately 5 years before this dispute was commenced. The Respondent did not register the domain name to sell it, nor did he register the domain to hold it hostage for any reason. The Respondent engaged in work on web site to which he intended the domain name “sting.com” to resolve, prior to any notification of this dispute. The Respondent did not point the domain name “sting.com” to the “GunBroker.com” website – this occurred for a short time as a result of an error on the part of the Respondent’s web service provider. The Complainant’s assertion that the Respondent initiated contact with the Complainant is false -



the first contact was initiated by the Complainant on May 16, 2000.

....

## 6. Discussion and Findings

### Domain Name Identical or Confusingly Similar to Complainant's Mark

6.1 The relevant part of the domain name "sting.com" is "sting". The Complainant asserts, the Respondent admits, and this Administrative Panel finds, that the domain name is identical to the word STING.

6.2 The Complainant is not the owner of a trademark or service mark registration for the word STING. It is, however, clear that the Uniform Policy is not limited to a "registered" mark; an unregistered, or common law, mark is sufficient for the purposes of paragraph 4(a)(i). The Complainant did not provide any documentary evidence in support of his assertion that he is the owner of the unregistered trademark and/or service mark STING. However, the Uniform Policy is not limited to trademarks or service marks "owned" by the Complainant; it is sufficient for the purposes of paragraph 4(a)(i) that there be a trademark or service mark "in which the Complainant has rights". The Complainant asserted, and this Administrative Panel through the equivalent of taking judicial notice finds, that the Complainant is a world famous entertainer who is known by the name STING.

6.3 The question that arises is whether being known under a particular name is the same as having rights in that name as a “trademark or service mark”. The answer to this question is not straightforward. On the one hand, there are a number of cases under the Uniform Policy in which the Panel has treated the name of a famous or at least widely known person as constituting an unregistered trademark or service mark sufficient for the purposes of paragraph 4(a)(i) (eg. *Julia Fiona Roberts v Russell Boyd* WIPO Case No. D2000-0210; *Jeannette Winterson v Mark Hogarth* WIPO Case No. D2000-0235; *Steven Rattner v BuyThisDomainName (John Pepin)* WIPO Case No. D2000-0402).

6.4 On the other hand, the Report of the WIPO Internet Domain Name Process of April 30, 1999, on which ICANN based the Uniform Policy, at paragraphs 165-168, states as follows (footnote citations deleted, emphasis added):

The preponderance of views, however, was in favor of restricting the scope of the procedure, at least initially, in order to deal first with the most offensive forms of predatory practices and to establish the procedure on a sound footing. Two limitations on the scope of the procedure were, as indicated above, favored by these commentators. The first limitation would confine the

availability of the procedure to cases of deliberate, bad faith abusive registrations. The definition of such abusive registrations is discussed in the next section. The second limitation would define abusive registration by reference only to trademarks and service marks. Thus, registrations that violate trade names, geographical indications or personality rights would not be considered to fall within the definition of abusive registration for the purposes of the administrative procedure. Those in favor of this form of limitation pointed out that the violation of trademarks (and service marks) was the most common form of abuse and that the law with respect to trade names, geographical indications and personality rights is less evenly harmonized throughout the world, although international norms do exist requiring the protection of trade names and geographical indications. We are persuaded by the wisdom of proceeding firmly but cautiously and of tackling, at the first stage, problems which all agree

require a solution. ... [W]e consider that it is premature to extend the notion of abusive registration beyond the violation of trademarks and service marks at this stage. After experience has been gained with the operation of the administrative procedure and time has allowed for an assessment of its efficacy and of the problems, if any, which remain outstanding, the question of extending the notion of abusive registration to other intellectual property rights can always be re-visited.

It is clear from this statement that personality rights were not intended to be made subject to the proposed dispute resolution procedure. In adopting the procedure proposed in the WIPO Report, ICANN did not vary this limitation on its application. It must be concluded, therefore, that ICANN did not intend the procedure to apply to personality rights.

6.5 In the opinion of this Administrative Panel, it is doubtful whether the Uniform Policy is applicable to this dispute. Although it is accepted that the Complainant is world famous under the name STING, it does not follow that he has rights in STING as a trademark or service mark. Unlike the personal names in issue in the cases *Julia Fiona Roberts v Russell Boyd*, *Jeannette Winterson v Mark Hogarth*, and *Steven Rattner v BuyThisDomainName* (John Pepin), the

personal name in this case is also a common word in the English language, with a number of different meanings. The following are the entries for “sting” from Merriam- Webster’s Collegiate Dictionary:

sting vb stung ; sting.ing  
[ME, fr. OE stingan; akin to  
ON stinga to sting and  
prob. to Gk stachys spike of  
grain, stochos target, aim] vt  
(bef. 12c) 1: to prick  
painfully: as a: to pierce or  
wound with a poisonous or  
irritating process b: to affect  
with sharp quick pain or  
smart “hail stung their  
faces” 2: to cause to suffer  
acutely “stung with  
remorse” 3: overcharge,  
cheat ~ vi 1: to wound one  
with or as if with a sting 2:  
to feel a keen burning pain  
or smart; also: to cause such  
pain – sting.ing.ly adv

sting n (bef. 12c) 1 a: the act  
of stinging; specif: the thrust  
of a stinger into the flesh b:  
a wound or pain caused by  
or as if by stinging 2: stinger  
2 3: a sharp or stinging  
element, force, or quality 4:  
an elaborate confidence  
game; specif: such a game  
worked by undercover  
police in order to trap  
criminals

6.6 In light of the fact that the word “sting” is in common usage in the English language, with a number of meanings, this case can be distinguished from the other cases cited above in which the Complainants’ personal name was found also to be an unregistered trademark or service mark to which the Uniform Policy applies. This Administrative Panel is inclined to the view, therefore, that the Complainant’s name STING is not a trademark or service mark within the scope of paragraph 4(a)(i) of the Uniform Policy. However, it is not necessary to reach a formal decision on this issue, because this Administrative Panel finds against the Complainant on other grounds, namely that the requirement of paragraph 4(a)(iii) is not met, as discussed below.

#### Respondent’s Rights or Legitimate Interests in the Domain Name

6.7 The Respondent provided evidence of circumstances of the type specified in paragraph 4(c) of the Uniform Policy as giving rise to a right to or legitimate interest in the domain name. In particular, the Respondent provided in Exhibit C of the Response copies of various email communications to him prior to the commencement of this dispute, showing that the “UserName”, the “nickname”, the “Screen Name”, or the “Account PIC” under which the Respondent had registered for global internet gaming services consisted of or included the word “sting”. In Exhibit D to the Response, the Respondent provided copies of web page printouts from The Champions League of Quake, a service which monitors Quake servers

and keeps track of the scores of registered players of this game. Those printouts show that the Respondent played this game using the player names “sting” or “=sting=”. In addition, the Respondent provided evidence in Exhibit E to the Response of preparations by him to establish a web site at the URL <http://www.sting.com>.

6.8 Although this evidence is not irrelevant to the issue of whether or not the Respondent has a right to or a legitimate interest in the domain name, it is certainly at the weaker end of the spectrum of such evidence. The Respondent’s use of the name “sting” or “=sting=” for gaming does not establish that he has been “commonly known” by the domain name as contemplated by paragraph 4(c)(ii). The word is undistinctive, and most likely is used by numerous people in cyberspace. In practice, this word provides the Respondent with anonymity rather than with a name by which he is commonly known. The Respondent’s evidence of his preparations to establish a web site at the URL <http://www.sting.com> does not establish the circumstances contemplated by paragraph 4(c)(i), because there is no evidence that this proposed use of the domain name is in connection with a bona fide offering of goods or services.

6.9 In short, a more substantive use of the word “sting” than that proven by the Respondent is required to show a right or legitimate interest in the domain name “sting.com” (although this proven use is relevant to the issue of bad faith). On balance, therefore, this Administrative Panel finds that the Respondent does not have a right to or a legitimate interest in the domain name, in

the sense in which that concept is used in paragraph 4(a)(ii) of the Uniform Policy.

#### Domain Name Registered and Used in Bad Faith

6.10 The Complainant has not satisfied this Administrative Panel that the Respondent registered and is using the domain name in bad faith. The Complainant asserted that the Respondent offered to sell the domain name to the Complainant for \$25,000, but the Complainant provided no evidence in support of this assertion. In particular, the Complainant provided no evidence of the Respondent's alleged communications with the Complainant on this issue. The Respondent admitted that he offered to sell the domain name to the Complainant, but only after the Complainant solicited that offer. (The Respondent did not specify the price at which he offered to sell the domain name, but he did not dispute the Complainant's assertion of \$25,000, so this Administrative Panel assumes the offered price was for that amount, or at least for an amount in excess of the Respondent's out-of-pocket expenses.) Although this evidence is consistent with the Complainant's contention that the Respondent acquired the domain name primarily for the purpose of selling it to the Complainant, as required by paragraph 4(b)(i), this evidence does not prove that. This evidence is equally consistent with the Respondent's contention that he acquired the domain name five years ago in good faith. In the absence of any evidence whatsoever from the Complainant going to the assertion of the Respondent's offer to sell the domain name, this Administrative Panel finds



that the Complainant has not met the burden of proof on this issue.

6.11 This Administrative Panel does not accept the Complainant's contention that the linking of the domain name to the "GunBroker.com" web site constituted intentionally attempting to attract, for commercial gain, Internet users to an on-line location by creating a likelihood of confusion with the STING mark as to source, sponsorship, affiliation, or endorsement, and so constitutes an activity which corresponds to that listed in paragraph 4(b)(iv) of the Uniform Policy as evidence of bad faith registration and use of the domain name. Again, the Complainant provided no evidence in support of this contention. In particular, the Complainant provided no evidence as to the contents of the "GunBroker.com" site, and thus no evidence establishing that a likelihood of confusion with the STING mark was created as to source, sponsorship, affiliation or endorsement of the site. The Respondent admitted that the domain name did point to the "GunBroker.com" site for a period of time, but provided evidence to the effect that this was due to an error on the part of the Respondent's web service provider. The evidence is therefore consistent with the Respondent's contention that there was no intentional attempt to attract internet users for commercial gain. Once again, the Complainant has failed to satisfy its burden of proof on this point.

6.12 Finally, this Administrative Panel does not accept the Complainant's contention that "it is not possible to conceive of any plausible actual

or contemplated active use of the [D]omain [N]ame by the Respondent that would not be illegitimate, such as by being a passing off, an infringement of consumer protection legislation, or an infringement of the Complainant's rights under trademark law". The words in quotation marks come from *Telstra Corporation Limited v Nuclear Marshmallows* WIPO Case No. D2000-0003. In the *Telstra* case, the trademark in question was an invented word. In this case the mark in question is a common word in the English language, with a number of meanings. Unlike the situation in the *Telstra* case, therefore, it is far from inconceivable that there is a plausible legitimate use to which the Respondent could put the domain name. The Respondent has asserted a legitimate use to which he has put, and intends to put, the domain name. Whilst the evidence provided in support of this assertion is not particularly strong, it is at least consistent with that assertion, and with his overall contention that he did not register and has not been using the domain name in bad faith. The Complainant has thus failed to satisfy the burden of proof on this point.

## 7. Decision

7.1 This Administrative Panel decides that the Complainant has not proven each of the three elements in paragraph 4(a) of the Uniform Policy in relation to the domain name the subject of the Complaint.

7.2 Pursuant to paragraph 4(i) of the Uniform Policy and paragraph 15 of the Uniform Rules, this

Administrative Panel denies the request that the Registrar, Network Solutions, Inc, be required either to transfer to the Complainant, Gordon Sumner, p/k/a Sting, or to cancel, the domain name “sting.com”.

# 4. Transfers

## 4.1. Gifts

### **Gruen v. Gruen, 68 N.Y.2d 48 (1986)**

SIMONS, J.

Plaintiff commenced this action seeking a declaration that he is the rightful owner of a painting which he alleges his father, now deceased, gave to him. He concedes that he has never had possession of the painting but asserts that his father made a valid gift of the title in 1963 reserving a life estate for himself. His father retained possession of the painting until he died in 1980. Defendant, plaintiff's stepmother, has the painting now and has refused plaintiff's requests that she turn it over to him. She contends that the purported gift was testamentary in nature and invalid insofar as the formalities of a will were not met or, alternatively, that a donor may not make a valid inter vivos gift of a chattel and retain a life estate with a complete right of possession. Following a seven-day nonjury trial, Special Term found that plaintiff had failed to establish any of the elements of an inter vivos gift and that in any event an attempt by a donor to retain a present possessory life estate in a chattel invalidated a purported gift of it. The Appellate Division held that a valid gift may be made reserving a life estate and, finding the elements of a gift established in this case, it reversed and remitted the matter for a determination of value (104 AD2d 171). That determination has now been made and defendant appeals directly to this court, pursuant to CPLR 5601 (d), from the subsequent final judgment entered in Supreme Court awarding plaintiff \$2,500,000 in damages representing the value of the painting, plus interest. We now affirm.

The subject of the dispute is a work entitled "Schloss Kammer am Attersee II" painted by a noted Austrian modernist, Gustav Klimt. It was purchased by plaintiff's

father, Victor Gruen, in 1959 for \$8,000. On April 1, 1963 the elder Gruen, a successful architect with offices and residences in both New York City and Los Angeles during most of the time involved in this action, wrote a letter to plaintiff, then an undergraduate student at Harvard, stating that he was giving him the Klimt painting for his birthday but that he wished to retain the possession of it for his lifetime. This letter is not in evidence, apparently because plaintiff destroyed it on instructions from his father. Two other letters were received, however, one dated May 22, 1963 and the other April 1, 1963. Both had been dictated by Victor Gruen and sent together to plaintiff on or about May 22, 1963. The letter dated May 22, 1963 reads as follows:

Dear Michael:

I wrote you at the time of your birthday about the gift of the painting by Klimt.

Now my lawyer tells me that because of the existing tax laws, it was wrong to mention in that letter that I want to use the painting as long as I live. Though I still want to use it, this should not appear in the letter. I am enclosing, therefore, a new letter and I ask you to send the old one back to me so that it can be destroyed.

I know this is all very silly, but the lawyer and our accountant insist that they must have in their possession copies of a letter which will serve the purpose of making it possible for you, once I die, to get this picture without having to pay inheritance taxes on it.

Enclosed with this letter was a substitute gift letter, dated April 1, 1963, which stated:

Dear Michael:

The 21st birthday, being an important event in life, should be celebrated accordingly. I therefore wish to give you as a present the oil painting by Gustav Klimt of Schloss Kammer which now hangs in the New York living room. You know that Lazette and I bought it some 5 or 6 years ago, and you always told us how much you liked it.

Love,

Plaintiff never took possession of the painting nor did he seek to do so. Except for a brief period between 1964 and 1965 when it was on loan to art exhibits and when restoration work was performed on it, the painting remained in his father's possession, moving with him from New York City to Beverly Hills and finally to Vienna, Austria, where Victor Gruen died on February 14, 1980. Following Victor's death plaintiff requested possession of the Klimt painting and when defendant refused, he commenced this action.

The issues framed for appeal are whether a valid inter vivos gift of a chattel may be made where the donor has reserved a life estate in the chattel and the donee never has had physical possession of it before the donor's death and, if it may, which factual findings on the elements of a valid inter vivos gift more nearly comport with the weight of the evidence in this case, those of Special Term or those of the Appellate Division. Resolution of the latter issue requires application of two general rules. First, to make a valid inter vivos gift there must exist the intent on the part of the donor to make a present transfer; delivery of the gift, either actual or constructive to the donee; and acceptance by the donee (*Matter of Szabo*, 10 NY2d 94, 98; *Matter of Kelly*, 285 NY 139, 150 [dissenting in part opn]; *Matter of Van Alstyne*, 207 NY 298, 306; *Beaver v Beaver*, 117 NY 421, 428).

Second, the proponent of a gift has the burden of proving each of these elements by clear and convincing evidence (*Matter of Kelley*, *supra*, at p. 150; *Matter of Abramowitz*, 38 AD2d 387, 389-390, *affid on opn* 32 NY2d 654).

#### *Donative Intent*

There is an important distinction between the intent with which an inter vivos gift is made and the intent to make a gift by will. An inter vivos gift requires that the donor intend to make an irrevocable present transfer of ownership; if the intention is to make a testamentary disposition effective only after death, the gift is invalid unless made by will (*see, McCarthy v Pieret*, 281 NY 407, 409; *Gannon v McGuire*, 160 NY 476, 481; *Martin v Funk*, 75 NY 134, 137-138).

Defendant contends that the trial court was correct in finding that Victor did not intend to transfer any present interest in the painting to plaintiff in 1963 but only expressed an intention that plaintiff was to get the painting upon his death. The evidence is all but conclusive, however, that Victor intended to transfer ownership of the painting to plaintiff in 1963 but to retain a life estate in it and that he did, therefore, effectively transfer a remainder interest in the painting to plaintiff at that time. Although the original letter was not in evidence, testimony of its contents was received along with the substitute gift letter and its covering letter dated May 22, 1963. The three letters should be considered together as a single instrument (*see, Matter of Brandreth*, 169 NY 437, 440) and when they are they unambiguously establish that Victor Gruen intended to make a present gift of title to the painting at that time. But there was other evidence for after 1963 Victor made several statements orally and in writing indicating that he had previously given plaintiff the painting and that plaintiff owned it. Victor Gruen retained possession of the property, insured it, allowed others to exhibit it and made necessary

repairs to it but those acts are not inconsistent with his retention of a life estate. Furthermore, whatever probative value could be attached to his statement that he had bequeathed the painting to his heirs, made 16 years later when he prepared an export license application so that he could take the painting out of Austria, is negated by the overwhelming evidence that he intended a present transfer of title in 1963. Victor's failure to file a gift tax return on the transaction was partially explained by allegedly erroneous legal advice he received, and while that omission sometimes may indicate that the donor had no intention of making a present gift, it does not necessarily do so and it is not dispositive in this case.

Defendant contends that even if a present gift was intended, Victor's reservation of a lifetime interest in the painting defeated it. She relies on a statement from *Young v Young* (80 NY 422) that "[a]ny gift of chattels which expressly reserves the use of the property to the donor for a certain period, or \* \* \* as long as the donor shall live, is ineffectual" (*id.*, at p 436, quoting 2 Schouler, *Personal Property*, at 118). The statement was dictum, however, and the holding of the court was limited to a determination that an attempted gift of bonds in which the donor reserved the interest for life failed because there had been no delivery of the gift, either actual or constructive (*see, id.*, at p 434; *see also, Speelman v Pascal*, 10 NY2d 313, 319-320). The court expressly left undecided the question "whether a remainder in a chattel may be created and given by a donor by carving out a life estate for himself and transferring the remainder" (*Young v Young, supra*, at p. 440). We answered part of that question in *Matter of Brandreth* (169 NY 437, 441-442, *supra*) when we held that "[in] this state a life estate and remainder can be created in a chattel or a fund the same as in real property". The case did not require us to decide whether there could be a valid gift of the remainder.



Defendant recognizes that a valid inter vivos gift of a remainder interest can be made not only of real property but also of such intangibles as stocks and bonds. Indeed, several of the cases she cites so hold. That being so, it is difficult to perceive any legal basis for the distinction she urges which would permit gifts of remainder interests in those properties but not of remainder interests in chattels such as the Klimt painting here. The only reason suggested is that the gift of a chattel must include a present right to possession. The application of *Brandreth* to permit a gift of the remainder in this case, however, is consistent with the distinction, well recognized in the law of gifts as well as in real property law, between ownership and possession or enjoyment (see, *Speelman v Pascal*, 10 NY2d 313, 318, *supra*; *McCarthy v Pieret*, 281 NY 407, 409-411, *supra*; *Matter of Brandreth*, 169 NY 437, 442, *supra*). Insofar as some of our cases purport to require that the donor intend to transfer both title and possession immediately to have a valid inter vivos gift (see, *Gannon v McGuire*, 160 NY 476, 481, *supra*; *Young v Young*, 80 NY 422, 430, *supra*), they state the rule too broadly and confuse the effectiveness of a gift with the transfer of the possession of the subject of that gift. The correct test is “whether the maker intended the [gift] to have *no effect* until after the maker’s death, or whether he intended it to transfer *some present interest*” (*McCarthy v Pieret*, 281 NY 407, 409, *supra* [emphasis added]; see also, 25 NY Jur, Gifts, § 14, at 156-157). As long as the evidence establishes an intent to make a present and irrevocable transfer of title or the right of ownership, there is a present transfer of some interest and the gift is effective immediately (see, *Matter of Brady*, 228 App Div 56, 60, *affd no opn* 254 NY 590; *In re Sussman’s Estate*, 125 NYS2d 584, 589-591, *affd no opn* 283 App Div 1051; *Matter of Valentine*, 122 Misc 486, 489; Brown, *Personal Property* § 48, at 133-136 [2d ed]; 25 NY Jur, Gifts, § 30, at 173-174; see also, *Farmers’ Loan & Trust Co. v Winthrop*, 238 NY 477, 485-486). Thus, in *Speelman v Pascal* (*supra*), we held valid a gift of a

percentage of the future royalties to the play “My Fair Lady” before the play even existed. There, as in this case, the donee received title or the right of ownership to some property immediately upon the making of the gift but possession or enjoyment of the subject of the gift was postponed to some future time.

Defendant suggests that allowing a donor to make a present gift of a remainder with the reservation of a life estate will lead courts to effectuate otherwise invalid testamentary dispositions of property. The two have entirely different characteristics, however, which make them distinguishable. Once the gift is made it is irrevocable and the donor is limited to the rights of a life tenant not an owner. Moreover, with the gift of a remainder title vests immediately in the donee and any possession is postponed until the donor’s death whereas under a will neither title nor possession vests immediately. Finally, the postponement of enjoyment of the gift is produced by the express terms of the gift not by the nature of the instrument as it is with a will (*see, Robb v Washington & Jefferson Coll.*, 185 NY 485, 493).

#### *Delivery*

In order to have a valid inter vivos gift, there must be a delivery of the gift, either by a physical delivery of the subject of the gift or a constructive or symbolic delivery such as by an instrument of gift, sufficient to divest the donor of dominion and control over the property (*see, Matter of Szabo*, 10 NY2d 94, 98-99, *supra*; *Speelman v Pascal*, 10 NY2d 313, 318- 320, *supra*; *Beaver v Beaver*, 117 NY 421, 428-429, *supra*; *Matter of Cohn*, 187 App Div 392, 395). As the statement of the rule suggests, the requirement of delivery is not rigid or inflexible, but is to be applied in light of its purpose to avoid mistakes by donors and fraudulent claims by donees (*see, Matter of Van Alstyne*, 207 NY 298, 308, *supra*; *Matter of Cohn*, *supra*, at pp 395-396; Mechem,

*Requirement of Delivery in Gifts of Chattels and of Choses in Actions Evidenced by Commercial Instruments*, 21 Ill L Rev 341, 348-349). Accordingly, what is sufficient to constitute delivery “must be tailored to suit the circumstances of the case” (*Matter of Szabo, supra*, at p. 98). The rule requires that “[t]he delivery necessary to consummate a gift must be as perfect as the nature of the property and the circumstances and surroundings of the parties will reasonably permit” (*id.*; *Vincent v Rix*, 248 NY 76, 83; *Matter of Van Alstyne, supra*, at p. 309; *see, Beaver v Beaver, supra*, at p. 428).

Defendant contends that when a tangible piece of personal property such as a painting is the subject of a gift, physical delivery of the painting itself is the best form of delivery and should be required. Here, of course, we have only delivery of Victor Gruen’s letters which serve as instruments of gift. Defendant’s statement of the rule as applied may be generally true, but it ignores the fact that what Victor Gruen gave plaintiff was not all rights to the Klimt painting, but only title to it with no right of possession until his death. Under these circumstances, it would be illogical for the law to require the donor to part with possession of the painting when that is exactly what he intends to retain.

Nor is there any reason to require a donor making a gift of a remainder interest in a chattel to physically deliver the chattel into the donee’s hands only to have the donee redeliver it to the donor. As the facts of this case demonstrate, such a requirement could impose practical burdens on the parties to the gift while serving the delivery requirement poorly. Thus, in order to accomplish this type of delivery the parties would have been required to travel to New York for the symbolic transfer and redelivery of the Klimt painting which was hanging on the wall of Victor Gruen’s Manhattan apartment. Defendant suggests that such a requirement would be stronger evidence of a completed gift, but in the absence of witnesses to the event

or any written confirmation of the gift it would provide less protection against fraudulent claims than have the written instruments of gift delivered in this case.

*Acceptance*

Acceptance by the donee is essential to the validity of an inter vivos gift, but when a gift is of value to the donee, as it is here, the law will presume an acceptance on his part (*Matter of Kelsey*, 26 NY2d 792, *affg on opn* at 29 AD2d 450, 456; *Beaver v Beaver*, 117 NY 421, 429, *supra*). Plaintiff did not rely on this presumption alone but also presented clear and convincing proof of his acceptance of a remainder interest in the Klimt painting by evidence that he had made several contemporaneous statements acknowledging the gift to his friends and associates, even showing some of them his father's gift letter, and that he had retained both letters for over 17 years to verify the gift after his father died. Defendant relied exclusively on affidavits filed by plaintiff in a matrimonial action with his former wife, in which plaintiff failed to list his interest in the painting as an asset. These affidavits were made over 10 years after acceptance was complete and they do not even approach the evidence in *Matter of Kelly* (285 NY 139, 148-149 [dissenting in part opn], *supra*) where the donee, immediately upon delivery of a diamond ring, rejected it as "too flashy". We agree with the Appellate Division that interpretation of the affidavit was too speculative to support a finding of rejection and overcome the substantial showing of acceptance by plaintiff.

Accordingly, the judgment appealed from and the order of the Appellate Division brought up for review should be affirmed, with costs.

## 4.2 Real Estate Transactions

### 4.2.1. The Contract

#### Georgia Form for Sale of Residential Property

This agreement is made at , on , by , of [address], City of , County of , State of Georgia, in this agreement called seller, and , of [address], City of , County of , State of Georgia, in this agreement called purchaser.

#### Recitals

1. Seller is the owner of the lot or parcel of real property situated at [address] in the City of , County of , State of Georgia, and more fully described as follows: [give legal description]. The real property consists of a residential site at [address], with improvements on it as follows: [describe briefly, such as: A seven-room brick house with attached two-car garage and detached frame workshop]. Located on the real property are the following items of equipment and other articles of personal property, owned by seller and used on and in connection with the real property: [describe generally, such as: gas-fire furnace, air conditioning system, gas cooking range, electric dishwasher, and drapes, curtains and carpeting in living room, dining room, hallways, and bedrooms of the dwelling]. The real and personal property described and referred to in this agreement is subsequently referred to as property.

2. Seller desires to sell and purchaser desires to buy property, for the purchase price and on the terms and conditions set forth in this agreement.

In consideration of the mutual and reciprocal promises set forth in this agreement, the parties agree:

#### Section

##### I. Purchase Price and Terms of Payment

The purchase price for property is \$ , which shall be paid as follows:

a. By a down payment in cash on the signing of this contract, receipt of which is by this instrument acknowledged by seller: \$ .

b. By assumption of an existing encumbrance on property in the form of a mortgage owned by , at [address], City of , County of , State of Georgia, which purchaser by this instrument expressly assumes and agrees to pay. Present principal balance outstanding on the encumbrance: \$ .

c. By a purchase money mortgage to be executed by purchaser to seller, securing purchaser's [note or bond] payable in equal installments of \$ , or more, including interest, commencing on the day of the month following the close of this transaction and continuing at monthly intervals thereafter on the same day of each successive month. Interest: percent per year. The [note or bond and mortgage] shall be in a form substantially as set forth in attached Exhibits " " and " ." Principal amount: \$ .

d. Additional cash on settlement, in the exact balance of purchase price after crediting foregoing items, with principal balance on existing encumbrance to be computed exactly to close of transaction. Estimated amount: \$ .

Total: \$

Section

## II. Title

Title to property to be conveyed by seller shall be good and marketable title, clear of all liens, encumbrances, defects, and burdens, except: [state exceptions, such as: utility easements, and agreements with utility companies of record; zoning ordinances; existing rights of way for streets and alleys bordering property; taxes and assessments not delinquent].

Title as required in this agreement shall be evidenced by: [specify, such as: a standard form policy of title insurance issued by a title company acceptable to purchaser, doing

business in the (city or county) where property is situated. The policy shall be issued as of the date of closing, shall be in the amount of the purchase price, and shall be a joint owner-mortgagee policy insuring seller and purchaser as their interests may appear].

Seller shall convey title at close of the transaction to [state exact names of grantees and identify, and specify form of tenure, such as: (name of purchaser) and (full name), his, or her spouse, as (joint tenants or tenants in common or as the case may be)]

Section

### III. Costs

The following costs shall be borne equally by the parties: [specify, such as: recording fees, escrow fees, notarial fees, and other costs as the case may be].

The following costs shall be paid by seller: [specify, such as: title insurance premium, charges of seller's attorney for drawing instruments and advising].

The following costs shall be paid by purchaser: [specify, such as: mortgage tax, assumption charges of holder of existing encumbrance, if any, and charges of purchaser's attorney for drawing instruments and advising].

The following costs shall be prorated to date of closing: [specify, such as: taxes and assessments due but not delinquent].

Section

### IV. Insurance

Risk of loss or damage to property by fire, storm, burglary, vandalism, or other casualty, between the date of this agreement and closing, shall be and is assumed by purchaser. No such loss or damage shall void or impair this contract. If the improvements or personal property, or both, are damaged or destroyed, in whole or in part, by

casualty prior to closing, the contract shall continue in full force and effect, and purchaser shall be subrogated to seller's right of coverage with respect to any insurance carried by seller.

All existing property insurance now in effect shall be continued by seller, and shall be transferred to purchaser at closing. Premiums on such insurance shall be prorated to time of closing. All such policies shall be exhibited immediately to purchaser, who may secure additional insurance on property, or any portion of it, if so desired. Any such additional insurance shall name seller and purchaser as coinsureds as their interests appear.

Section

#### V. Transfer of Property

Seller shall maintain property, including improvements, the personal property described in this agreement, and lawns, shrubs, and trees, in its present condition pending the closing of this transaction, normal and reasonable wear excepted.

Prior to transfer of possession, purchaser shall cause property to be cleaned and placed in a neat, sanitary, and habitable condition. Property shall be transferred to purchaser, as provided in this agreement, in such condition, and clear of all trash, debris, and the personal effects, furnishings, and belongings of seller.

Possession of property shall be transferred to purchaser within days after closing of sale. All keys shall be delivered to purchaser at the time of transfer of possession. If transfer is delayed for any cause beyond the period specified in this agreement, seller shall pay to purchaser \$ for each day of such delay, as agreed rental, but this provision shall not be construed as barring or limiting any remedy available to purchaser, in law or equity, for the recovery of possession.



Section

VI. Seller's Representations and Warranties

After making diligent inquiry and investigation into the matters at issue, seller represents to purchaser that to the best of seller's knowledge and belief:

- a. Seller is the owner of the property free and clear of all encumbrances, occupancies or restrictions except for the permitted title exceptions.
- b. Seller has the exclusive right of occupancy and possession of the property. No other party has any deed, option or other conveyance of any right or interest in or to the property, except for the permitted title exceptions.
- c. Seller has not used, nor authorized, nor allowed the use of the property, and, to seller's knowledge, the property has not been used, for the handling, treatment, storage, disposal or release of any hazardous or toxic substance as defined under any applicable state or federal law or regulation including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), in amounts that would reasonably necessitate any response or corrective action, including any such action under CERCLA as amended, the Resource Conservation and Recovery Act, as amended, the Georgia Hazardous Waste Management Act, as amended, or any other applicable law or regulation.
- d. The property is free from special taxes or assessments, except those generally applicable to other properties in the tax district in which the property is located, and there is no pending or threatened special assessment or condemnation or eminent domain proceedings which would affect the property, or any part of the property.

Section

VII. Time of Essence; Closing

Time is expressly declared to be of the essence of this contract. The contract shall be executed and completed, and sale closed, on or before , or any other date as the parties may in writing agree to. Each party shall fully perform all obligations under this agreement at such times as to insure closing within the period specified in this agreement, or any extension of the period specified.

Anything to the contrary in this agreement notwithstanding, the obligation of purchaser to consummate the closing of this transaction is subject to and conditioned on the satisfaction at or prior to closing of the following conditions precedent:

- a. The full and complete performance by seller of each and every agreement and covenant contained in this agreement to be performed by seller.
- b. Purchaser shall receive evidence satisfactory to purchaser that the property has not been used for the handling, treatment, storage or disposal of any hazardous or toxic substance as defined under any applicable state or federal laws or regulation including, but not limited to, CERCLA and the Georgia Hazardous Waste Management Act.

In the event that the conditions stated above have not been satisfied by the closing date, purchaser shall be entitled to, at purchaser's option, terminate this agreement by written notice to seller. In the event that purchaser elects to terminate this agreement, then neither party shall have any further rights, obligations or liabilities under this agreement except to the extent that any right, obligation or liability expressly survives termination of the agreement.

Section

#### VIII. Remedies of Parties

- (1) If purchaser fails or refuses to comply with the conditions assumed, or to perform all obligations under this agreement, seller has the option to:

(a) Hold and retain the initial deposit money and any additional funds paid or deposited by purchaser, as liquidated damages for breach of this contract, and cancel and terminate the contract, whereupon all rights and obligations under this agreement shall cease; or

(b) Enforce this contract by appropriate action, including an action for specific performance, or for damages for breach, and retain all money paid or deposited by purchaser pending the determination of such action. Seller shall give purchaser written notice of election with respect to seller's exercise of either of these options.

(2) If seller fails or refuses to perform obligations under this agreement, including the furnishing of good title as defined in this agreement and transfer of possession, purchaser may either:

(a) Cancel the contract and recover all deposits and other amounts paid by purchaser under this agreement, and all expenses paid or incurred; or

(b) Pursue any remedy available to purchaser, in law or equity, including an action to compel specific performance of this contract, or one for damages for breach, separately or alternatively.

#### Section

#### IX. Assignment; Modification; Entire Agreement of Parties Expressed

No right or interest of purchaser under this agreement shall be assigned without the prior written consent of seller, which consent shall not be unreasonably withheld.

No modification of this contract shall be valid or binding unless such modification is in writing, duly dated and signed by both parties.

This instrument constitutes the entire agreement between the parties. Neither party shall be bound by any terms,

conditions, statements, or representations, oral or written, not contained in this agreement. Each party acknowledges that in executing this contract he or she has not been induced, persuaded, or motivated by any promise or representation made by the other party, unless expressly set forth in this agreement. All previous negotiations, statements, and preliminary instruments by the parties or their representatives are merged in this instrument.

Section

X. Signature and Effective Date

This instrument shall not be effective as a contract until duly signed by both parties. The date of execution and effective date of the contract is the date first above set forth. The date of signature by each party is the date set forth unless otherwise indicated after the signature.

In witness, the parties have executed this instrument on the day and year first above written.

[Signatures]

[Attestation]

**Stambovsky v. Ackley, 169 A.D.2d 254 (N.Y. App. Div. 1991)**

William M. Stein of counsel (Hood & Stein, attorneys), for appellant.

Andrew C. Bisulca of counsel (Mann, Mann & Lewis, P. C., attorneys), for Helen V. Ackley, respondent.

Jeffrey J. Ellis of counsel (Quirk & Bakalor, P. C., attorneys), for Ellis Realty, respondent.

RUBIN, J.

Plaintiff, to his horror, discovered that the house he had recently contracted to purchase was widely reputed to be possessed by poltergeists, reportedly seen by defendant seller and members of her family on numerous occasions

over the last nine years. Plaintiff promptly commenced this action seeking rescission of the contract of sale. Supreme Court reluctantly dismissed the complaint, holding that plaintiff has no remedy at law in this jurisdiction.

The unusual facts of this case, as disclosed by the record, clearly warrant a grant of equitable relief to the buyer who, as a resident of New York City, cannot be expected to have any familiarity with the folklore of the Village of Nyack. Not being a “local”, plaintiff could not readily learn that the home he had contracted to purchase is haunted. Whether the source of the spectral apparitions seen by defendant seller are parapsychic or psychogenic, having reported their presence in both a national publication (*Readers’ Digest*) and the local press (in 1977 and 1982, respectively), defendant is estopped to deny their existence and, as a matter of law, the house is haunted. More to the point, however, no divination is required to conclude that it is defendant’s promotional efforts in publicizing her close encounters with these spirits which fostered the home’s reputation in the community. In 1989, the house was included in five-home walking tour of Nyack and described in a November 27th newspaper article as “a riverfront Victorian (with ghost).” The impact of the reputation thus created goes to the very essence of the bargain between the parties, greatly impairing both the value of the property and its potential for resale. The extent of this impairment may be presumed for the purpose of reviewing the disposition of this motion to dismiss the cause of action for rescission and represents merely an issue of fact for resolution at trial.

While I agree with Supreme Court that the real estate broker, as agent for the seller, is under no duty to disclose to a potential buyer the phantasmal reputation of the premises and that, in his pursuit of a legal remedy for fraudulent misrepresentation against the seller, plaintiff hasn’t a ghost of a chance, I am nevertheless moved by the spirit of equity to allow the buyer to seek rescission of the

contract of sale and recovery of his down payment. New York law fails to recognize any remedy for damages incurred as a result of the seller's mere silence, applying instead the strict rule of caveat emptor. Therefore, the theoretical basis for granting relief, even under the extraordinary facts of this case, is elusive if not ephemeral.

“Pity me not but lend thy serious hearing to what I shall unfold” (William Shakespeare, *Hamlet*, Act I, Scene V [Ghost]).

From the perspective of a person in the position of plaintiff herein, a very practical problem arises with respect to the discovery of a paranormal phenomenon: “Who you gonna’ call?” as a title song to the movie “Ghostbusters” asks. Applying the strict rule of caveat emptor to a contract involving a house possessed by poltergeists conjures up visions of a psychic or medium routinely accompanying the structural engineer and Terminix man on an inspection of every home subject to a contract of sale. It portends that the prudent attorney will establish an escrow account lest the subject of the transaction come back to haunt him and his client—or pray that his malpractice insurance coverage extends to supernatural disasters. In the interest of avoiding such untenable consequences, the notion that a haunting is a condition which can and should be ascertained upon reasonable inspection of the premises is a hobgoblin which should be exorcised from the body of legal precedent and laid quietly to rest.

It has been suggested by a leading authority that the ancient rule which holds that mere nondisclosure does not constitute actionable misrepresentation “finds proper application in cases where the fact undisclosed is patent, or the plaintiff has equal opportunities for obtaining information which he may be expected to utilize, or the defendant has no reason to think that he is acting under any misapprehension” (Prosser, *Torts* § 106, at 696 [4th ed 1971]). However, with respect to transactions in real estate,

New York adheres to the doctrine of caveat emptor and imposes no duty upon the vendor to disclose any information concerning the premises unless there is a confidential or fiduciary relationship between the parties or some conduct on the part of the seller which constitutes “active concealment” (*see, 17 E. 80th Realty Corp. v 68th Assocs.*, – AD2d – [1st Dept, May 9, 1991] [dummy ventilation system constructed by seller]; *Haberman v Greenspan*, 82 Misc 2d 263 [foundation cracks covered by seller]). Normally, some affirmative misrepresentation (*e.g., Tabini Invs. v Bobrowsky*, 99 AD2d 489 [industrial waste on land allegedly used only as farm]; *Jansen v Kelly*, 11 AD2d 587 [land containing valuable minerals allegedly acquired for use as campsite]) or partial disclosure (*Junius Constr. Corp. v Cohen*, 257 NY 393 [existence of third unopened street concealed]; *Noved Realty Corp. v A. A. P. Co.*, 250 App Div 1 [escrow agreements securing lien concealed]) is required to impose upon the seller a duty to communicate undisclosed conditions affecting the premises (*contra, Young v Keith*, 112 AD2d 625 [defective water and sewer systems concealed]).

Caveat emptor is not so all-encompassing a doctrine of common law as to render every act of nondisclosure immune from redress, whether legal or equitable. “In regard to the necessity of giving information which has not been asked, the rule differs somewhat at law and in equity, and while the law courts would permit no recovery of *damages* against a vendor, because of mere concealment of facts *under certain circumstances*, yet if the vendee refused to complete the contract because of the concealment of a material fact on the part of the other, equity would refuse to compel him so to do, because equity only compels the specific performance of a contract which is fair and open, and in regard to which all material matters known to each have been communicated to the other” (*Rothmiller v Stein*, 143 NY 581, 591-592 [emphasis added]). Even as a

principle of law, long before exceptions were embodied in statute law, the doctrine was held inapplicable to contagion among animals, adulteration of food, and insolvency of a maker of a promissory note and of a tenant substituted for another under a lease. Common law is not moribund. *Ex facto jus oritur* (law arises out of facts). Where fairness and common sense dictate that an exception should be created, the evolution of the law should not be stifled by rigid application of a legal maxim.

The doctrine of caveat emptor requires that a buyer act prudently to assess the fitness and value of his purchase and operates to bar the purchaser who fails to exercise due care from seeking the equitable remedy of rescission. For the purposes of the instant motion to dismiss the action pursuant to CPLR 3211 (a) (7), plaintiff is entitled to every favorable inference which may reasonably be drawn from the pleadings, specifically, in this instance, that he met his obligation to conduct an inspection of the premises and a search of available public records with respect to title. It should be apparent, however, that the most meticulous inspection and the search would not reveal the presence of poltergeists at the premises or unearth the property's ghoulish reputation in the community. Therefore, there is no sound policy reason to deny plaintiff relief for failing to discover a state of affairs which the most prudent purchaser would not be expected to even contemplate.

The case law in this jurisdiction dealing with the duty of a vendor of real property to disclose information to the buyer is distinguishable from the matter under review. The most salient distinction is that existing cases invariably deal with the physical condition of the premises (*e.g.*, *London v Courduff*, *supra* [use as a landfill]; *Perin v Mardine Realty Co.*, 5 AD2d 685, *aff'd* 6 NY2d 920 [sewer line crossing adjoining property without owner's consent]), defects in title (*e.g.*, *Sands v Kissane*, 282 App Div 140 [remainderman]), liens against the property (*e.g.*, *Noved Realty Corp. v A. A. P. Co.*,



*supra*), expenses or income (*e.g.*, *Rodas v Manitaras, supra* [gross receipts]) and other factors affecting its operation. No case has been brought to this court's attention in which the property value was impaired as the result of the reputation created by information disseminated to the public by the seller (or, for that matter, as a result of possession by poltergeists).

Where a condition which has been created by the seller materially impairs the value of the contract and is peculiarly within the knowledge of the seller or unlikely to be discovered by a prudent purchaser exercising due care with respect to the subject transaction, nondisclosure constitutes a basis for rescission as a matter of equity. Any other outcome places upon the buyer not merely the obligation to exercise care in his purchase but rather to be omniscient with respect to any fact which may affect the bargain. No practical purpose is served by imposing such a burden upon a purchaser. To the contrary, it encourages predatory business practice and offends the principle that equity will suffer no wrong to be without a remedy.

Defendant's contention that the contract of sale, particularly the merger or "as is" clause, bars recovery of the buyer's deposit is unavailing. Even an express disclaimer will not be given effect where the facts are peculiarly within the knowledge of the party invoking it. Moreover, a fair reading of the merger clause reveals that it expressly disclaims only representations made with respect to the physical condition of the premises and merely makes general reference to representations concerning "any other matter or things affecting or relating to the aforesaid premises." As broad as this language may be, a reasonable interpretation is that its effect is limited to tangible or physical matters and does not extend to paranormal phenomena. Finally, if the language of the contract is to be construed as broadly as defendant urges to encompass the presence of poltergeists in the house, it cannot be said that

she has delivered the premises “vacant” in accordance with her obligation under the provisions of the contract rider.

To the extent New York law may be said to require something more than “mere concealment” to apply even the equitable remedy of rescission, the case of *Junius Constr. Corp. v Coben* (257 NY 393, *supra*), while not precisely on point, provides some guidance. In that case, the seller disclosed that an official map indicated two as yet unopened streets which were planned for construction at the edges of the parcel. What was not disclosed was that the same map indicated a third street which, if opened, would divide the plot in half. The court held that, while the seller was under no duty to mention the planned streets at all, having undertaken to disclose two of them, he was obliged to reveal the third.

In the case at bar, defendant seller deliberately fostered the public belief that her home was possessed. Having undertaken to inform the public- at-large, to whom she has no legal relationship, about the supernatural occurrences on her property, she may be said to owe no less a duty to her contract vendee. It has been remarked that the occasional modern cases which permit a seller to take unfair advantage of a buyer’s ignorance so long as he is not actively misled are “singularly unappetizing” (Prosser, *Torts* § 106, at 696 [4th ed 1971]). Where, as here, the seller not only takes unfair advantage of the buyer’s ignorance but has created and perpetuated a condition about which he is unlikely to even inquire, enforcement of the contract (in whole or in part) is offensive to the court’s sense of equity. Application of the remedy of rescission, within the bounds of the narrow exception to the doctrine of caveat emptor set forth herein, is entirely appropriate to relieve the unwitting purchaser from the consequences of a most unnatural bargain.

Accordingly, the judgment of the Supreme Court, New York County (Edward H. Lehner, J.), entered April 9, 1990,

which dismissed the complaint pursuant to CPLR 3211 (a) (7), should be modified, on the law and the facts, and in the exercise of discretion, and the first cause of action seeking rescission of the contract reinstated, without costs.

SMITH, J., DISSENTING.

I would affirm the dismissal of the complaint by the motion court.

Plaintiff seeks to rescind his contract to purchase defendant Ackley's residential property and recover his down payment. Plaintiff alleges that Ackley and her real estate broker, defendant Ellis Realty, made material misrepresentations of the property in that they failed to disclose that Ackley believed that the house was haunted by poltergeists. Moreover, Ackley shared this belief with her community and the general public through articles published in *Reader's Digest* (1977) and the local newspaper (1982). In November 1989, approximately two months after the parties entered into the contract of sale but subsequent to the scheduled October 2, 1989 closing, the house was included in a five-house walking tour and again described in the local newspaper as being haunted.

Prior to closing, plaintiff learned of this reputation and unsuccessfully sought to rescind the \$650,000 contract of sale and obtain return of his \$32,500 down payment without resort to litigation. The plaintiff then commenced this action for that relief and alleged that he would not have entered into the contract had he been so advised and that as a result of the alleged poltergeist activity, the market value and resaleability of the property was greatly diminished. Defendant Ackley has counterclaimed for specific performance.

“It is settled law in New York State that the seller of real property is under no duty to speak when the parties deal at arm's length. The mere silence of the seller, without some act or conduct which deceived the purchaser, does not

amount to a concealment that is actionable as a fraud. The buyer has the duty to satisfy himself as to the quality of his bargain pursuant to the doctrine of caveat emptor, which in New York State still applies to real estate transactions.” (*London v Courduff*, 141 AD2d 803, 804 , *lv dismissed* 73 NY2d 809 .)

The parties herein were represented by counsel and dealt at arm’s length. This is evidenced by the contract of sale which, *inter alia*, contained various riders and a specific provision that all prior understandings and agreements between the parties were merged into the contract, that the contract completely expressed their full agreement and that neither had relied upon any statement by anyone else not set forth in the contract. There is no allegation that defendants, by some specific act, other than the failure to speak, deceived the plaintiff. Nevertheless, a cause of action may be sufficiently stated where there is a confidential or fiduciary relationship creating a duty to disclose and there was a failure to disclose a material fact, calculated to induce a false belief. However, plaintiff herein has not alleged and there is no basis for concluding that a confidential or fiduciary relationship existed between these parties to an arm’s length transaction such as to give rise to a duty to disclose. In addition, there is no allegation that defendants thwarted plaintiff’s efforts to fulfill his responsibilities fixed by the doctrine of caveat emptor.

Finally, if the doctrine of caveat emptor is to be discarded, it should be for a reason more substantive than a poltergeist. The existence of a poltergeist is no more binding upon the defendants than it is upon this court.

Based upon the foregoing, the motion court properly dismissed the complaint.

**Johnson v. Davis, 480 So.2d (Fla. 1985)**

Mitchell W. Mandler and Patricia M. Silver of Smith & Mandler, Miami Beach, for petitioners.

Stanley M. Newmark, Joe N. Unger of the Law Offices of Joe N. Unger, Miami, and Joseph G. Abromovitz, Boston, Mass., for respondents.

ADKINS, Justice.

We have before us a petition to review the decision in *Johnson v. Davis*, 449 So. 2d 344 (Fla. 3d DCA 1984), which expressly and directly conflicts with *Banks v. Salina*, 413 So. 2d 851 (Fla. 4th DCA 1982), and *Ramel v. Chasebrook Construction Co.*, 135 So. 2d 876 (Fla. 2d DCA 1961). We have jurisdiction, article V, section 3(b)(3), Florida Constitution, and approve the decision of the district court.

In May of 1982, the Davises entered into a contract to buy for \$310,000 the Johnsons' home, which at the time was three years old. The contract required a \$5,000 deposit payment, an additional \$26,000 deposit payment within five days and a closing by June 21, 1982. The crucial provision of the contract, for the purposes of the case at bar, is Paragraph F which provided:

F. *Roof Inspection*: Prior to closing at Buyer's expense, Buyer shall have the right to obtain a written report from a licensed roofer stating that the roof is in a watertight condition. In the event repairs are required either to correct leaks or to replace damage to fascia or soffit, seller shall pay for said repairs which shall be performed by a licensed roofing contractor.

The contract further provided for payment to the "prevailing party" of all costs and reasonable fees in any contract litigation.

Before the Davises made the additional \$26,000 deposit payment, Mrs. Davis noticed some buckling and peeling plaster around the corner of a window frame in the family room and stains on the ceilings in the family room and

kitchen of the home. Upon inquiring, Mrs. Davis was told by Mr. Johnson that the window had had a minor problem that had long since been corrected and that the stains were wallpaper glue and the result of ceiling beams being moved. There is disagreement among the parties as to whether Mr. Johnson also told Mrs. Davis at this time that there had never been any problems with the roof or ceilings. The Davises thereafter paid the remainder of their deposit and the Johnsons vacated the home. Several days later, following a heavy rain, Mrs. Davis entered the home and discovered water “gushing” in from around the window frame, the ceiling of the family room, the light fixtures, the glass doors, and the stove in the kitchen.

Two roofers hired by the Johnsons’ broker concluded that for under \$1,000 they could “fix” certain leaks in the roof and by doing so make the roof “watertight.” Three roofers hired by the Davises found that the roof was inherently defective, that any repairs would be temporary because the roof was “slipping,” and that only a new \$15,000 roof could be “watertight.”

The Davises filed a complaint alleging breach of contract, fraud and misrepresentation, and sought rescission of the contract and return of their deposit. The Johnsons counterclaimed seeking the deposit as liquidated damages.

The trial court entered its final judgment on May 27, 1983. The court made no findings of fact, but awarded the Davises \$26,000 plus interest and awarded the Johnsons \$5,000 plus interest. Each party was to bear their own attorneys’ fees.

The Johnsons appealed and the Davises cross-appealed from the final judgment. The Third District found for the Davises affirming the trial court’s return of the majority of the deposit to the Davises (\$26,000), and reversing the award of \$5,000 to the Johnsons as well as the court’s failure to award the Davises costs and fees. Accordingly,

the court remanded with directions to return to the Davises the balance of their deposit and to award them costs and fees.

The trial court included no findings of fact in its order. However, the district court inferred from the record that the trial court refused to accept the Davises' characterization of the roof inspection provision of the contract. The district court noted that if there was a breach, the trial court would have ordered the return of the Davises' entire deposit because there is no way to distinguish the two deposit payments under a breach of contract theory. We agree with this interpretation and further find no error by the trial court in this respect.

The contract contemplated the possibility that the roof may not be watertight at the time of inspection and provided a remedy if it was not in such a condition. The roof inspection provision of the contract did not impose any obligation beyond the seller correcting the leaks and replacing damage to the fascia or soffit. The record is devoid of any evidence that the seller refused to make needed repairs to the roof. In fact, the record reflects that the Davises' never even demanded that the areas of leakage be repaired either by way of repair or replacement. Yet the Davises insist that the Johnsons breached the contract justifying rescission. We find this contention to be without merit.

We also agree with the district court's conclusions under a theory of fraud and find that the Johnsons' statements to the Davises regarding the condition of the roof constituted a fraudulent misrepresentation entitling respondents to the return of their \$26,000 deposit payment. In the state of Florida, relief for a fraudulent misrepresentation may be granted only when the following elements are present: (1) a false statement concerning a material fact; (2) the representor's knowledge that the representation is false; (3) an intention that the representation induce another to act

on it; and, (4) consequent injury by the party acting in reliance on the representation. See *Huffstetter v. Our Home Life Ins. Co.*, 67 Fla. 324, 65 So. 1 (1914).

The evidence adduced at trial shows that after the buyer and the seller signed the purchase and sales agreement and after receiving the \$5,000 initial deposit payment the Johnsons affirmatively repeated to the Davises that there were no problems with the roof. The Johnsons subsequently received the additional \$26,000 deposit payment from the Davises. The record reflects that the statement made by the Johnsons was a false representation of material fact, made with knowledge of its falsity, upon which the Davises relied to their detriment as evidenced by the \$26,000 paid to the Johnsons.

The doctrine of caveat emptor does not exempt a seller from responsibility for the statements and representations which he makes to induce the buyer to act, when under the circumstances these amount to fraud in the legal sense. To be grounds for relief, the false representations need not have been made at the time of the signing of the purchase and sales agreement in order for the element of reliance to be present. The fact that the false statements as to the quality of the roof were made after the signing of the purchase and sales agreement does not excuse the seller from liability when the misrepresentations were made prior to the execution of the contract by conveyance of the property. It would be contrary to all notions of fairness and justice for this Court to place its stamp of approval on an affirmative misrepresentation by a wrongdoer just because it was made after the signing of the executory contract when all of the necessary elements for actionable fraud are present. Furthermore, the Davises' reliance on the truth of the Johnsons' representation was justified and is supported by this Court's decision in *Besett v. Basnett*, 389 So. 2d 995 (1980), where we held "that a recipient may rely on the truth of a representation, even though its falsity could have



been ascertained had he made an investigation, unless he knows the representation to be false or its falsity is obvious to him.” *Id.* at 998.

In determining whether a seller of a home has a duty to disclose latent material defects to a buyer, the established tort law distinction between misfeasance and nonfeasance, action and inaction must carefully be analyzed. The highly individualistic philosophy of the earlier common law consistently imposed liability upon the commission of affirmative acts of harm, but shrank from converting the courts into an institution for forcing men to help one another. This distinction is deeply rooted in our case law. Liability for nonfeasance has therefore been slow to receive recognition in the evolution of tort law.

In theory, the difference between misfeasance and nonfeasance, action and inaction is quite simple and obvious; however, in practice it is not always easy to draw the line and determine whether conduct is active or passive. That is, where failure to disclose a material fact is calculated to induce a false belief, the distinction between concealment and affirmative representations is tenuous. Both proceed from the same motives and are attended with the same consequences; both are violative of the principles of fair dealing and good faith; both are calculated to produce the same result; and, in fact, both essentially have the same effect.

Still there exists in much of our case law the old tort notion that there can be no liability for nonfeasance. The courts in some jurisdictions, including Florida, hold that where the parties are dealing at arms’s length and the facts lie equally open to both parties, with equal opportunity of examination, mere nondisclosure does not constitute a fraudulent concealment. See *Ramel v. Chasebrook Construction Co.*, 135 So.2d 876 (Fla. 2d DCA 1961). The Fourth District affirmed that rule of law in *Banks v. Salina*, 413 So.2d 851 (Fla. 4th DCA 1982), and found that although

the sellers had sold a home without disclosing the presence of a defective roof and swimming pool of which the sellers had knowledge, “[i]n Florida, there is no duty to disclose when parties are dealing at arms length.” *Id.* at 852.

These unappetizing cases are not in tune with the times and do not conform with current notions of justice, equity and fair dealing. One should not be able to stand behind the impervious shield of caveat emptor and take advantage of another’s ignorance. Our courts have taken great strides since the days when the judicial emphasis was on rigid rules and ancient precedents. Modern concepts of justice and fair dealing have given our courts the opportunity and latitude to change legal precepts in order to conform to society’s needs. Thus, the tendency of the more recent cases has been to restrict rather than extend the doctrine of caveat emptor. The law appears to be working toward the ultimate conclusion that full disclosure of all material facts must be made whenever elementary fair conduct demands it.

The harness placed on the doctrine of caveat emptor in a number of other jurisdictions has resulted in the seller of a home being liable for failing to disclose material defects of which he is aware. This philosophy was succinctly expressed in *Lingsch v. Savage*, 213 Cal. App. 2d 729 (1963):

It is now settled in California that where the seller knows of facts materially affecting the value or desirability of the property which are known or accessible only to him and also knows that such facts are not known to or within the reach of the diligent attention and observation of the buyer, the seller is under a duty to disclose them to the buyer.

In *Posner v. Davis*, 76 Ill. App.3d 638 (1979), buyers brought an action alleging that the sellers of a home fraudulently

concealed certain defects in the home which included a leaking roof and basement flooding. Relying on *Lingsch*, the court concluded that the sellers knew of and failed to disclose latent material defects and thus were liable for fraudulent concealment. Numerous other jurisdictions have followed this view in formulating law involving the sale of homes. See *Flakus v. Schug*, 213 Neb. 491 (1983) (basement flooding); *Thacker v. Tyree*, 297 S.E.2d 885 (W.Va.1982) (cracked walls and foundation problems); *Maguire v. Masino*, 325 So. 2d 844 (La.Ct.App.1975) (termite infestation); *Weintraub v. Krobatsch*, 64 N.J. 445, 317 A.2d 68 (1974) (roach infestation); *Cohen v. Vivian*, 141 Colo. 443, 349 P.2d 366 (1960) (soil defect).

We are of the opinion, in view of the reasoning and results in *Lingsch*, *Posner* and the aforementioned cases decided in other jurisdictions, that the same philosophy regarding the sale of homes should also be the law in the state of Florida. Accordingly, we hold that where the seller of a home knows of facts materially affecting the value of the property which are not readily observable and are not known to the buyer, the seller is under a duty to disclose them to the buyer. This duty is equally applicable to all forms of real property, new and used.

In the case at bar, the evidence shows that the Johnsons knew of and failed to disclose that there had been problems with the roof of the house. Mr. Johnson admitted during his testimony that the Johnsons were aware of roof problems prior to entering into the contract of sale and receiving the \$5,000 deposit payment. Thus, we agree with the district court and find that the Johnsons' fraudulent concealment also entitles the Davises to the return of the \$5,000 deposit payment plus interest. We further find that the Davises should be awarded costs and fees.

The decision of the Third District Court of Appeals is hereby approved.

It is so ordered.

BOYD, Chief Justice, dissenting.

I respectfully but strongly dissent to the Court's expansion of the duties of sellers of real property. This ruling will give rise to a flood of litigation and will facilitate unjust outcomes in many cases. If, as a matter of public policy, the well settled law of this state on this question should be changed, the change should come from the legislature. Moreover, I do not find sufficient evidence in the record to justify rescission or a finding of fraud even under present law. I would quash the decision of the district court of appeal.

My review of the record reveals that there is not adequate evidence from which the trier of fact could have found any of the following crucial facts: (a) that at the time Johnson told Mrs. Davis about the previous leaks that had been repaired, he knew that there was a defect in the roof; (b) that at that time or the time of the execution of the contract, there were in fact any defects in the roof; (c) that it was not possible to repair the roof to "watertight" condition before closing.

As the district court and this Court's majority have implied but have not stated, we are hampered by the lack of specific written findings by the trial court on issues of fact and the application of the law to the facts. Some of the issues on which specific findings would be helpful are:

- (a) what was the condition of the roof at the time of the discussion between Mr. Johnson and Mrs. Davis after the Davises had paid the partial deposit of \$5,000 and before they paid the additional \$26,000, and had it in fact leaked more recently than 1979?
- (b) what was the extent of Mr. Johnson's knowledge of the condition of the roof at the time of the signing of the contract and at the time of the conversation?

(c) during that conversation, did Mr. Johnson say that there were no problems with the roof or that he had not experienced any problems with it since the time of the previous repairs?

(d) was it possible, and at what cost, to repair the roof to watertight condition and had the sellers complied with their contractual obligation by offering to do so?

On these crucial questions, there is insufficient evidence to justify a finding of fraudulent misrepresentation or nondisclosure of material facts.

It should be noted that very soon after first seeing the house, the purchasers agreed to buy it for \$310,000 and paid a deposit of \$5,000. Of course they had full opportunity to inspect the house and to have it inspected by experts before they contracted to buy it. The contract of sale provided that prior to closing, the buyers would have the opportunity to have the roof inspected by a licensed roofer and that the seller would pay for repairs necessary to correct any leaks found and to restore the roof to watertight condition. Rather than demand that the necessary repairs be made, the purchasers announced that they would not complete the sale and demanded return of their deposit. The sellers indicated that they were willing to repair the leaks and make the roof watertight but were not prepared to go beyond their contractual obligation by undertaking to ensure “future watertight integrity” of the roof as demanded by the purchasers. The buyers had agreed that in the event of a breach by them, the sellers could retain the deposit paid as liquidated damages.

The district court of appeal referred to evidence showing that Mr. Johnson told Mrs. Davis about previous leaks that had been repaired. From this fact the district court found that Mr. Johnson had knowledge that the roof was in a defective condition at the time of the conversation. This evidence simply does not provide substantial, competent

evidence to support the factual conclusion drawn by the third district.

Homeowners who attempt to sell their houses are typically in no better position to measure the quality, value, or desirability of their houses than are the prospective purchasers with whom such owners come into contact. Based on this and related considerations, the law of Florida has long been that a seller of real property with improvements is under no duty to disclose all material facts, in the absence of a fiduciary relationship, to a buyer who has an equal opportunity to learn all material information and is not prevented by the seller from doing so. See, e.g., *Ramel v. Chasebrook Construction Co.*, 135 So.2d 876 (Fla. 2d DCA 1961). This rule provides sufficient protection against overreaching by sellers, as the wise and progressive ruling in the *Ramel* case shows. The *Ramel* decision is not the least bit “unappetizing.”

The majority opinion sets forth the elements of actionable fraud as they are stated in *Huffstetler v. Our Home Life Ins. Co.*, 67 Fla. 324, 65 So.1 (1914). Those elements were not established by sufficient evidence in this case. There was no competent, substantial evidence to show that Mr. Johnson made a false statement knowing it to be false. There was absolutely no evidence that the statement was made with the intention of causing Mrs. Davis to do anything; she had already contracted to purchase the house. There was no competent evidence that Mrs. Davis in fact relied on Mr. Johnson’s statement or was influenced by it to do anything. And the only detriment or injury that can be found is that, when the Davises subsequently decided not to complete the transaction, they stood to forfeit the additional \$26,000 deposit paid in addition to the original \$5,000. The Davises had already agreed to pay the additional deposit at the time of the conversation. They had to pay the additional deposit if they wanted to preserve their rights under the contract. They chose to do so. Mr. Johnson’s statements, even if we

believe Mrs. Davis' version of them rather than Mr. Johnson's, did not constitute the kind of representation upon which a buyer's reliance is justified.

I do not agree with the Court's belief that the distinction between nondisclosure and affirmative statement is weak or nonexistent. It is a distinction that we should take special care to emphasize and preserve. Imposition of liability for seller's nondisclosure of the condition of improvements to real property is the first step toward making the seller a guarantor of the good condition of the property. Ultimately this trend will significantly burden the alienability of property because sellers will have to worry about the possibility of catastrophic post-sale judgments for damages sought to pay for repairs. The trend will proceed somewhat as follows. At first, the cause of action will require proof of actual knowledge of the undisclosed defect on the part of the seller. But in many cases the courts will allow it to be shown by circumstantial evidence. Then a rule of constructive knowledge will develop based on the reasoning that if the seller did not know of the defect, he should have known about it before attempting to sell the property. Thus the burden of inspection will shift from the buyer to the seller. Ultimately the courts will be in the position of imposing implied warranties and guaranties on all sellers of real property.

Although as described in the majority opinion this change in the law sounds progressive, high-minded, and idealistic, it is in reality completely unnecessary. Prudent purchasers inspect property, with expert advice if necessary, before they agree to buy. Prudent lenders require inspections before agreeing to provide purchase money. Initial deposits of earnest money can be made with the agreement to purchase being conditional upon the favorable results of expert inspections. It is significant that in the present case the major portion of the purchase price was to be financed by the Johnsons who were to hold a mortgage on the

property. If they had been knowingly trying to get rid of what they knew to be a defectively constructed house, it is unlikely that they would have been willing to lend \$200,000 with the house in question as their only security.

I would quash the decision of the district court of appeal. This case should be remanded for findings by the trial court based on the evidence already heard. The action for rescission based on fraud should be dismissed. The only issue is whether the Johnsons were in compliance with the contract at the time of the breach by the Davises. Resolving this issue requires a finding of whether the roof could have been put in watertight condition by spot repairs or by re-roofing and in either case whether the sellers were willing to fulfill their obligation by paying for the necessary work. If so, the Johnsons should keep the entire \$31,000 deposit.

#### **4.2.2. The Deed**

##### **State of Georgia County of ss General Warranty Deed**

This indenture, made \_\_\_\_, between \_\_\_\_, of [mailing address], grantor, and \_\_\_\_, of [mailing address], grantee. (The terms “grantor” and “grantee” include the respective heirs, successors, successors-in-title, executors, legal representatives and assigns of the parties where the context requires or permits.)

Grantor, for and in consideration of the sum of \$10 paid at and before the sealing and delivery of this instrument, and for other valuable consideration, the receipt and sufficiency of which is acknowledged, has granted, bargained, sold, aliened, conveyed and confirmed, and by these presents does grant, bargain, sell, alien, convey and confirm to grantee, all of that certain tract or parcel of land lying and being in Land Lot \_\_\_\_, \_\_\_\_ District, \_\_\_\_ County, Georgia, as more particularly described as follows: [or in the alternative: as more particularly described in Exhibit



(A), attached and incorporated into this instrument by reference].

To have and to hold the property, together with all and singular the rights, members and appurtenances thereof, to the same belonging or in any way appertaining, to the only proper use and benefit of grantee in fee simple.

This deed is made expressly subject to the permitted title exceptions set forth on Exhibit [B], attached and incorporated into this instrument by reference.

Subject to the title matters set forth above, grantor will warrant and forever defend the right and title of grantee to the tract or parcel of land described above against the claims of all persons and entities.

In witness, grantor has signed, sealed and delivered this deed the day and year written above.

[Signature of grantor, with name typed underneath]

Signed, sealed and delivered in the presence of .

[Signature of unofficial witness]

[Notary Public]

My commission expires \_\_\_\_.

### **Notes on Deeds**

This is only a quick sketch of the “deed” portion of the real estate transaction. It is meant to give an overview of the process and highlight some of the major issues.

Deeds are just a kind of contract, representing the transfer of real property from one person to another. Once executed by a grantor, the deed replaces the sales contract as the complete agreement between parties. The buyer of real estate, after delivery of the deed, can only sue on the warranties in deed, not on promises in the real estate contract. Deeds must satisfy certain elements in order to be

valid: a recitation of the parties, a description of property,<sup>1</sup> an intent to transfer the property immediately, the signature of grantor, and delivery to the grantee.

Rather than the manifold promises one could find in a contract, deeds contain certain, fixed promises. Some states, like Illinois, have statutes that translate deed language into certain, canonical deed types. The promises that are enforceable from a deed are determined by its type.<sup>2</sup> Luckily, there are only three major types: the General Warranty deed (the strongest set of promises), the Special Warranty Deed (warranting only against title defects arising during the grantor's ownership), and the Quitclaim Deed (promising only to grant what the grantor has, which may be nothing).

The warranties, or covenants (or promises - all the same thing), contained in a General Warranty Deed are as follows:

Covenant of seisin and good right to convey. Seisin means legal possession. You're promising that you have legal possession and the legal right to sell what you're selling. This promise is breached, if at all, at the moment of transfer.

Covenant against encumbrances. You may have the lawful right to convey the property, but someone else owns some piece (geographic or conceptual) of the property. You're promising that you've disclosed all such encumbrances. For example, you're promising there is no undisclosed utility easement on the property. Like the above covenants, this promise is breached, if at all, at the moment of transfer.

Covenant of quiet enjoyment. You're promising that you will defend against someone who claims title. This obligation arises, if

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<sup>1</sup> The "good lead doctrine" requires that a description provide a way to discover with certainty the land granted. For example, granting "all of my land" in Clarke County does just that. Granting "some of my land" in Clarke County provides no way of knowing what was granted.

<sup>2</sup> The enforceable promises in deeds are known as "warranties," but they're no different from promises or terms in a contract.

at all, only when someone actually disturbs the grantee's ownership. (This is the key to understanding the *Brown v. Lober* case.<sup>3</sup>)

Deeds are important for an additional reason: they can provide notice to others as to the ownership status of real estate. You can't carry land around with you, wear it, get your arms around it, or kill it (well, sadly, you kind of can). It's hard to signify to others that you own land. Fencing and cultivation provide some notice. But the ownership of land is necessarily abstract. How can I tell whether I'm being ripped off by a purported seller of land: how do I know that he or she owns that land and hasn't already granted the same land to someone else.

A system whereby the ownership of land can be determined by searching records helps solve the problem of uncertainty in land ownership. The idea is to place deeds, meeting the requirements above, in a centralized, public location. Because each deed records the grantor and grantee, you can, with an appropriate index, trace title down through preceding owners, presumably all the way to a patent from the sovereign.<sup>4</sup>

Suppose I want to know whether the seller has the power to convey the land I wish to buy. I can go to the land office, and look up my seller in a Grantee Index, finding the deed conveying the land to the seller. I would then look in the Grantor Index and look for any conveyances from the seller after he or she received the land (to be sure I'm not buying land that's already been conveyed). Satisfied with that, I then look up my seller's grantor in the Grantee Index. Even though I now know that my seller acquired a deed and didn't convey the land since, how do I know that the seller acquired good title from his or her grantor? So I look up seller's

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<sup>3</sup> In *Brown v. Lober*, the sellers, the Bosts (succeeded by Ms. Lober) did not own all they claimed, namely 2/3 of the subsurface coal. Thus, their promises in their general warranty deed as to seisin and the absence of encumbrances were probably in error. But that was a long time ago... too long under the statute of limitations. And yet, the owners of that encumbrance have not come forward to disturb possession, so the buyers, the Browns, can't yet sue Lober for failing to defend and guaranteeing quiet enjoyment of what was purported to be conveyed.

<sup>4</sup> A patent is just a deed from the sovereign, rather than from a private individual.

grantor in the Grantee Index and find the deed that conveyed the property to him or her. And then I look in the Grantor Index for deeds from that date conveying part or all of the property before the conveyance to my seller.

Sounds complex, but it's pretty mechanical. Upshot is that you keep doing this, going all the way back to the sovereign patent, at that point sure that the title being offered to you is good. The problem is that that may be a long way back. In England, for example, it's not even feasible. And so we have Marketable Title legislation to the rescue, that makes an apparently good title truly good if a search thirty or forty years back yields no contrary grants and if there have been no contrary claims in that time.

Even though all of this gives some assurance, as a buyer investing a lot of money, I will probably want, and my bank will probably insist on, title insurance. This insurance protects me against claims arising from a title problem down the road (as could happen if there was a mistake in the title search, for example). There are companies that help produce the information needed for all this, maintaining their own "title plants," separate from the public land office. These companies collect not only all recorded deeds, but also other public records that may affect title. They keep, and other companies may also produce, "abstract of title," which are the collections of all the documents related to a piece of property.

Despite this effort, things can go wrong. People can fail to record their interests, or record them improperly. What should we do when an unscrupulous grantor grants the same land twice? First, note that the grantor is always on the hook for damages, but let's assume he or she has fled the scene or has not assets to make the disappointed buyers whole.

The common law rule was "first in time, first in right." Based on the idea that one can't give away more than he or she owns, the rule would award the property to the first buyer, and the second buyer would take nothing.

Recording statutes make an exception to this common law rule, giving absolute protection to the first buyer only when he or she

records title right away. There are basically three kinds of statutes that do this, and each works a little differently. We will go over some examples in class, but here is a description of the statutes:

- The race statute: The first grantee to record a deed from the grantor prevails against all other grantees, regardless of the order in which the grants were received. This sets up a “race” to the land office.
- The notice statute: The *last* purchaser who took without notice of any other grants is the winner. Recording constitutes notice. And so the first purchaser can always protect himself in such a jurisdiction by recording right away. But if he fails to do so, and grantor grants the same land to another who has no idea of the first grant, that later grantee will win the land.
- The race-notice statute: The last purchaser wins *if* she had no notice at the time of the grant *and* records first. This differs from notice in, for example, the following scenario: A takes Blackacre from O. O then grants Blackacre again to B, who has no idea about the earlier grant, which is not yet recorded. A then records, before B records. In a notice jurisdiction, B would win, as the last purchaser without notice. In a race-notice jurisdiction, A would win, because although B had no notice of the grant to A, B failed to record first.

As mentioned above, recorded deeds generally give notice. But problems can arise if the deed is “outside of the chain of title.” For example, O grants to A before the grant from X to O. B will not find the deed to A if only looking for grants from O after the grant from X to O. We will read such a case in this section to see how this might happen.

**Brown v. Lober, 75 Ill.2d 547 (1979)**

Maureen M. Lober, Litchfield (Gerald Patrick Huber, Raymond, of counsel), for appellant.

Paul McWilliams, of McWilliams & McWilliams, Litchfield,  
for appellees.

UNDERWOOD, Justice:

Plaintiffs instituted this action in the Montgomery County circuit court based on an alleged breach of the covenant of seisin in their warranty deed. The trial court held that although there had been a breach of the covenant of seisin, the suit was barred by the 10-year statute of limitations in section 16 of the Limitations Act (Ill. Rev. Stat. 1975, ch. 83, par. 17). Plaintiffs' post-trial motion, which was based on an alleged breach of the covenant of quiet enjoyment, was also denied. A divided Fifth District Appellate Court reversed and remanded. We allowed the defendant's petition for leave to appeal.

The parties submitted an agreed statement of facts which sets forth the relevant history of this controversy. Plaintiffs purchased 80 acres of Montgomery County real estate from William and Faith Bost and received a statutory warranty deed (Ill. Rev. Stat. 1957, ch. 30, par. 8), containing no exceptions, dated December 21, 1957. Subsequently, plaintiffs took possession of the land and recorded their deed.

On May 8, 1974, plaintiffs granted a coal option to Consolidated Coal Company (Consolidated) for the coal rights on the 80-acre tract for the sum of \$6,000. Approximately two years later, however, plaintiffs "discovered" that they, in fact, owned only a one-third interest in the subsurface coal rights. It is a matter of public record that, in 1947, a prior grantor had reserved a two-thirds interest in the mineral rights on the property. Although plaintiffs had their abstract of title examined in 1958 and 1968 for loan purposes, they contend that until May 4, 1976, they believed that they were the sole owners of the surface and subsurface rights on the 80-acre tract. Upon discovering that a prior grantor had reserved a two-

thirds interest in the coal rights, plaintiffs and Consolidated renegotiated their agreement to provide for payment of \$2,000 in exchange for a one-third interest in the subsurface coal rights. On May 25, 1976, plaintiffs filed this action against the executor of the estate of Faith Bost, seeking damages in the amount of \$4,000.

The deed which plaintiffs received from the Bosts was a general statutory form warranty deed meeting the requirements of section 9 of “An Act concerning conveyances” (Ill. Rev. Stat. 1957, ch. 30, par. 8). That section provides:

Every deed in substance in the above form, when otherwise duly executed, shall be deemed and held a conveyance in fee simple, to the grantee, his heirs or assigns, with covenants on the part of the grantor, (1) that at the time of the making and delivery of such deed he was lawfully seized of an indefeasible estate in fee simple, in and to the premises therein described, and had good right and full power to convey the same; (2) that the same were then free from all incumbrances; and (3) that he warrants to the grantee, his heirs and assigns, the quiet and peaceable possession of such premises, and will defend the title thereto against all persons who may lawfully claim the same. And such covenants shall be obligatory upon any grantor, his heirs and personal representatives, as fully and with like effect as if written at length in such deed.

Ill. Rev. Stat. 1957, ch. 30, par. 8.

The effect of this provision is that certain covenants of title are implied in every statutory form warranty deed. Subsection 1 contains the covenant of seisin and the covenant of good right to convey. These covenants, which are considered synonymous, assure the grantee that the grantor is, at the time of the conveyance, lawfully seized and has the power to convey an estate of the quality and quantity which he professes to convey.

Subsection 2 represents the covenant against incumbrances. An incumbrance is any right to, or interest in, land which may subsist in a third party to the diminution of the value of the estate, but consistent with the passing of the fee by conveyance.

Subsection 3 sets forth the covenant of quiet enjoyment, which is synonymous with the covenant of warranty in Illinois. By this covenant, “the grantor warrants to the grantee, his heirs and assigns, the possession of the premises and that he will defend the title granted by the terms of the deed against persons who may lawfully claim the same, and that such covenant shall be obligatory upon the grantor, his heirs, personal representatives, and assigns.” *Biver v. Martin* (1920), 294 Ill. 488, 497.

Plaintiffs’ complaint is premised upon the fact that “William Roy Bost and Faith Bost covenanted that they were the owners in fee simple of the above described property at the time of the conveyance to the plaintiffs.” While the complaint could be more explicit, it appears that plaintiffs were alleging a cause of action for breach of the covenant of seisin. This court has stated repeatedly that the covenant of seisin is a covenant *In praesenti* and, therefore, if broken at all, is broken at the time of delivery of the deed. *Tone v. Wilson* (1876), 81 Ill. 529; *Jones v. Warner* (1876), 81 Ill. 343.

Since the deed was delivered to the plaintiffs on December 21, 1957, any cause of action for breach of the covenant of



seisin would have accrued on that date. The trial court held that this cause of action was barred by the statute of limitations. No question is raised as to the applicability of the 10-year statute of limitations (Ill. Rev. Stat. 1975, ch. 83, par. 17). We conclude, therefore, that the cause of action for breach of the covenant of seisin was properly determined by the trial court to be barred by the statute of limitations since plaintiffs did not file their complaint until May 25, 1976, nearly 20 years after their alleged cause of action accrued.

In their post-trial motion, plaintiffs set forth as an additional theory of recovery an alleged breach of the covenant of quiet enjoyment. The trial court, without explanation, denied the motion. The appellate court reversed, holding that the cause of action on the covenant of quiet enjoyment was not barred by the statute of limitations. The appellate court theorized that plaintiffs' cause of action did not accrue until 1976, when plaintiffs discovered that they only had a one-third interest in the subsurface coal rights and renegotiated their contract with the coal company for one-third of the previous contract price. The primary issue before us, therefore, is when, if at all, the plaintiffs' cause of action for breach of the covenant of quiet enjoyment is deemed to have accrued.

This court has stated on numerous occasions that, in contrast to the covenant of seisin, the covenant of warranty or quiet enjoyment is prospective in nature and is breached only when there is an actual or constructive eviction of the covenantee by the paramount titleholder. *Biver v. Martin* (1920), 294 Ill. 488.

The cases are also replete with statements to the effect that the mere existence of paramount title in one other than the covenantee is not sufficient to constitute a breach of the covenant of warranty or quiet enjoyment: "(T)here must be a union of acts of disturbance and lawful title, to constitute a breach of the covenant for quiet enjoyment, or warranty \*

\* \*.” (*Barry v. Guild* (1888), 126 Ill. 439.) “(T)here is a general concurrence that something more than the mere existence of a paramount title is necessary to constitute a breach of the covenant of warranty.” (*Scott v. Kirkendall* (1878), 88 Ill. 465, 467.) “A mere want of title is no breach of this covenant. There must not only be a want of title, but there must be an ouster under a paramount title.” *Moore v. Vail* (1855), 17 Ill. 185, 189.

The question is whether plaintiffs have alleged facts sufficient to constitute a constructive eviction. They argue that if a covenantee fails in his effort to sell an interest in land because he discovers that he does not own what his warranty deed purported to convey, he has suffered a constructive eviction and is thereby entitled to bring an action against his grantor for breach of the covenant of quiet enjoyment. We think that the decision of this court in *Scott v. Kirkendall* (1878), 88 Ill. 465, is controlling on this issue and compels us to reject plaintiffs’ argument.

In *Scott*, an action was brought for breach of the covenant of warranty by a grantee who discovered that other parties had paramount title to the land in question. The land was vacant and unoccupied at all relevant times. This court, in rejecting the grantee’s claim that there was a breach of the covenant of quiet enjoyment, quoted the earlier decision in *Moore v. Vail* (1855), 17 Ill. 185, 191:

“Until that time, (the taking possession by the owner of the paramount title,) he might peaceably have entered upon and enjoyed the premises, without resistance or molestation, which was all his grantors covenanted he should do. They did not guarantee to him a perfect title, but the possession and enjoyment of the premises.”

88 Ill. 465, 468.

Relying on this language in Moore, the Scott court concluded:

We do not see but what this fully decides the present case against the appellant. It holds that the mere existence of a paramount title does not constitute a breach of the covenant. That is all there is here. There has been no assertion of the adverse title. The land has always been vacant. Appellant could at any time have taken peaceable possession of it. He has in no way been prevented or hindered from the enjoyment of the possession by any one having a better right. It was but the possession and enjoyment of the premises which was assured to him, and there has been no disturbance or interference in that respect. True, there is a superior title in another, but appellant has never felt "its pressure upon him."

88 Ill. 465, 468-69.

Admittedly, *Scott* dealt with surface rights while the case before us concerns subsurface mineral rights. We are, nevertheless, convinced that the reasoning employed in *Scott* is applicable to the present case. While plaintiffs went into possession of the surface area, they cannot be said to have possessed the subsurface minerals. "Possession of the surface does not carry possession of the minerals \* \* \*." (Citation.) To possess the mineral estate, one must undertake the actual removal thereof from the ground or do such other act as will apprise the community that such interest is in the exclusive use and enjoyment of the claiming party." *Failoni v. Chicago & North Western Ry. Co.* (1964), 30 Ill.2d 258, 262.

Since no one has, as yet, undertaken to remove the coal or otherwise manifested a clear intent to exclusively “possess” the mineral estate, it must be concluded that the subsurface estate is “vacant.” As in *Scott*, plaintiffs “could at any time have taken peaceable possession of it. (They have) in no way been prevented or hindered from the enjoyment of the possession by any one having a better right.” (88 Ill. 465, 468.) Accordingly, until such time as one holding paramount title interferes with plaintiffs’ right of possession (E.g., by beginning to mine the coal), there can be no constructive eviction and, therefore, no breach of the covenant of quiet enjoyment.

What plaintiffs are apparently attempting to do on this appeal is to extend the protection afforded by the covenant of quiet enjoyment. However, we decline to expand the historical scope of this covenant to provide a remedy where another of the covenants of title is so clearly applicable. As this court stated in *Scott v. Kirkendall* (1878), 88 Ill. 465, 469:

To sustain the present action would be to confound all distinction between the covenant of warranty and that of seisin, or of right to convey. They are not equivalent covenants. An action will lie upon the latter, though there be no disturbance of possession. A defect of title will suffice. Not so with the covenant of warranty, or for quiet enjoyment, as has always been held by the prevailing authority.

The covenant of seisin, unquestionably, was breached when the Bosts delivered the deed to plaintiffs, and plaintiffs then had a cause of action. However, despite the fact that it was a matter of public record that there was a reservation of a two-thirds interest in the mineral rights in the earlier deed, plaintiffs failed to bring an action for breach of the covenant of seisin within the 10-year period following

delivery of the deed. The likely explanation is that plaintiffs had not secured a title opinion at the time they purchased the property, and the subsequent examiners for the lenders were not concerned with the mineral rights. Plaintiffs' oversight, however, does not justify us in overruling earlier decisions in order to recognize an otherwise premature cause of action. The mere fact that plaintiffs' original contract with Consolidated had to be modified due to their discovery that paramount title to two-thirds of the subsurface minerals belonged to another is not sufficient to constitute the constructive eviction necessary to a breach of the covenant of quiet enjoyment.

Finally, although plaintiffs also have argued in this court that there was a breach of the covenant against incumbrances entitling them to recovery, we decline to address this issue which was argued for the first time on appeal. It is well settled that questions not raised in the trial court will not be considered by this court on appeal. *Kravis v. Smith Marine, Inc.* (1975), 60 Ill.2d 141.

Accordingly, the judgment of the appellate court is reversed, and the judgment of the circuit court of Montgomery County is affirmed.

**Sabo v. Horvath, 559 P.2d 1038 (Alaska 1975)**

Trigg T. Davis, Owens, Davis & Bartlett, Anchorage, for appellants.

Suzanne Pestinger, Birch, Jermain, Horton & Bittner, Anchorage, for appellee.

Before BOOCHEVER, Chief Justice, and RABINOWITZ, CONNOR, ERWIN and BURKE, Justices.

BOOCHEVER, Chief Justice.

This appeal arises because Grover C. Lowery conveyed the same five-acre piece of land twice—first to William A. Horvath and Barbara J. Horvath and later to William Sabo and Barbara Sabo. Both conveyances were by separate

documents entitled ‘Quitclaim Deeds.’ Lowery’s interest in the land originates in a patent from the United States Government under 43 U.S.C. s 687a (1970) ( ‘Alaska Homesite Law’). Lowery’s conveyance to the Horvaths was prior to the issuance of patent, and his subsequent conveyance to the Sabos was after the issuance of patent. The Horvaths recorded their deed in the Chitna Recording District on January 5, 1970; the Sabos recorded their deed on December 13, 1973. The transfer to the Horvaths, however, predated patent and title, and thus the Horvaths’ interest in the land was recorded ‘outside the chain of title.’ Mr. Horvath brought suit to quiet title, and the Sabos counterclaimed to quiet their title.

In a memorandum opinion, the superior court ruled that Lowery had an equitable interest capable of transfer at the time of his conveyance to the Horvaths and further said the transfer contemplated more than a ‘mere quitclaim’-it warranted patent would be transferred. The superior court also held that Horvath had the superior claim to the land because his prior recording had given the Sabos constructive notice for purposes of AS 34.15.290.<sup>1</sup> The Sabos’ appeal raises the following issues:

1. Under 43 U.S.C. s 687a (1970), when did Lowery obtain a present equitable interest in land which he could convey?
2. Are the Sabos, as grantees under a quitclaim deed, ‘subsequent innocent purchaser(s) in good faith’?

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<sup>1</sup> AS 34.15.290 states:

A conveyance of real property in the state hereafter made, other than a lease for a term not exceeding one year, is void as against a subsequent innocent purchaser or mortgagee in good faith for a valuable consideration of the property or a portion of it, whose conveyance is first duly recorded. An unrecorded instrument is valid as between the parties to it and as against one who has actual notice of it.

3. Is the Horvaths' first recorded interest, which is outside the chain of title, constructive notice to Sabo?

We affirm the trial court's ruling that Lowery had an interest to convey at the time of his conveyance to the Horvaths. We further hold that Sabo may be a 'good faith purchaser' even though he takes by quitclaim deed. We reverse the trial court's ruling that Sabo had constructive notice and hold that a deed recorded outside the chain of title is a 'wild deed' and does not give constructive notice under the recording laws of Alaska.<sup>2</sup>

The facts may be stated as follows. Grover C. Lowery occupied land in the Chitna Recording District on October 10, 1964 for purposes of obtaining Federal patent. Lowery filed a location notice on February 24, 1965, and made his application to purchase on June 6, 1967 with the Bureau of Land Management (BLM). On March 7, 1968, the BLM field examiner's report was filed which recommended that patent issue to Lowery. On October 7, 1969, a request for survey was made by the United States Government. On January 3, 1970, Lowery issued a document entitled 'Quitclaim Deed' to the Horvaths; Horvath recorded the deed on January 5, 1970 in the Chitna Recording District. Horvath testified that when he bought the land from Lowery, he knew patent and title were still in the United States Government, but he did not rerecord his interest after patent had passed to Lowery.

Following the sale to the Horvaths, further action was taken by Lowery and the BLM pertaining to the application

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<sup>2</sup> Because we hold Lowery had a conveyable interest under the Federal statute, we need not decide issues raised by the parties regarding after-acquired property and the related issue of estoppel by deed.

for patent<sup>3</sup> and culminating in issuance of the patent on August 10, 1973.

Almost immediately after the patent was issued, Lowery advertised the land for sale in a newspaper. He then executed a second document also entitled 'quitclaim' to the Sabos on October 15, 1973. The Sabos duly recorded this document on December 13, 1973.

Luther Moss, a representative of the BLM, testified to procedures followed under the Alaska Homesite Law (43 U.S.C. s 687a (1970)). After numerous steps,<sup>4</sup> a plat is approved and the claimant notified that he should direct publication of his claim. In this case, Lowery executed his conveyance to the Horvaths after the BLM field report had recommended patent.

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<sup>3</sup> On February 16, 1970, special instructions were given regarding survey. On June 14, 1972, mineral deposit reservations were made. On December 7, 1972, Lowery published his application. Affidavit of posting was made on March 15, 1973, and on June 28, 1973, the BLM notified Lowery that \$12.50 payment must be made for the land.

<sup>4</sup> The entire process from the time the claimant decides on a homesite until the patent is passed is quite involved. A notice of location is filed with the BLM by the claimant. After filing of the notice of location, the claim normally proceeds within a five-year statutory period until the claimant is notified that he should submit application to purchase. After application to purchase, BLM requests a field report on the matter, and a realty specialist examines the land. He writes a report and makes his recommendation concerning compliance with the appropriate statute. If the field examiner recommends approval, a request for survey is prepared. The claim is then surveyed, and the plat of survey is forwarded to Washington, D. C. for approval. After it is approved and accepted by the Chief, Division of Cadastral Survey, it is returned to the Alaska State Office for filing. The claimant is then notified that he should direct publication of his claim in the nearest newspaper. In the case of a special survey, publication continues throughout a nine-week period. The newspaper submits proof of publication to the case file, and the claimant must submit an affidavit of posting to purchase the claim along with the appropriate map and his application for purchase. After all this is completed, the matter is finally reviewed. All reservations to the United States Government are summarized, and a final certificate is prepared. Upon signing of the final certificate, a patent is typed, reviewed several times, signed and sealed and the patent number is affixed. The patent is then mailed certified mail to the claimant.



The first question this court must consider is whether Lowery had an interest to convey at the time of his transfer to the Horvaths. Lowery's interest was obtained pursuant to patent law 43 U.S.C. s 687a (1970) commonly called the 'Alaska Homesite Law'.<sup>5</sup> Since Lowery's title to the

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<sup>5</sup> 43 U.S.C. s 687a (1970) states:

*Rights to purchase; price and limit of acreage; access to water front*

Any citizen of the United States twenty-one years of age, or any association of such-citizens, or any corporation incorporated under the laws of the United States or of any State or Territory authorized on May 14, 1898, by law to hold lands in the Territories, thereafter in the possession of and occupying public lands in Alaska in good faith for the purposes of trade, manufacture, or other productive industry, may each purchase one claim only not exceeding eighty acres of such land for any one person, association, or corporation, at \$2.50 per acre, upon submission of proof that said area embraces improvements of the claimant and is needed in the prosecution of such trade, manufacture, or other productive industry, such tract of land not to include mineral or coal lands except as provided in section 270-1 of this title, and ingress and egress shall be reserved to the public on the waters of all streams, whether navigable or otherwise: Provided, That any citizen of the United States twenty-one years of age employed by citizens of the United States, associations of such citizens, or by corporations organized under the laws of the United States, or of any State of Territory, whose employer is engaged in trade, manufacture, or other productive industry may purchase one claim, not exceeding five acres, of unreserved public lands, such tract of land not to include mineral, coal, oil or gas lands except as provided in section 270-1 of this title, in Alaska as a homestead or headquarters, under rules and regulations to be prescribed by the Secretary of the Interior, upon payment of \$2.50 per acre: Provided further, That any citizen of the United States, after occupying land of the character described as a homestead or headquarters, in a habitable house, not less than five months each year for three years, may purchase such tract, not exceeding five acres, in a reasonable compact form, without any showing as to his employment or business, upon payment of \$2.50 per acre, under rules and regulations to be prescribed by the Secretary of the Interior, and in such cases surveys may be made without expense to the applicants in like manner as the survey of settlement claims under sections

property was contingent upon the patent ultimately issuing from the United States Government and since Lowery's conveyance to the Horvaths predated issuance of the patent, the question is 'at what point in the pre-patent chain of procedures does a person have a sufficient interest in a particular tract of land to convey that land by quitclaim deed.' *Willis v. City of Valdez*, 546 P.2d 570, 575 (Alaska 1976).

Here we must determine whether Congress, in passing 43 U.S.C. s 687a (1970), intended to prohibit the prepatent conveyance by Lowery. This court has upheld early conveyances under the Soldiers' Additional Homestead Act, 43 U.S.C. ss 271-74. *Willis v. City of Valdez*, supra at 575. However, cases decided under other patent laws prohibit alienation at early stages in the 'pre-patent chain.'<sup>6</sup> We have found no recorded legislative history of 43 U.S.C. s 687a (1970) which assists us, and case law decided under this statute and its statutory predecessors does not clarify at what point in the prepatent chain alienation is permitted.<sup>7</sup>

We note initially that 43 U.S.C. s 687a (1970) and the regulations administering the Alaska Homesite Law are silent as to alienability. In the context of land patent law, this silence is significant. By comparison, the general homestead laws specifically prohibit alienation prior to final

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270-10 and 270-15 of this title: And provided further,  
That the minimum payment for any such tract shall be  
\$10, and no person shall be permitted to purchase more  
than one tract except upon a showing of good faith and  
necessity satisfactory to the Secretary of the Interior.

<sup>6</sup> *Bailey v. Sanders*, 228 U.S. 603, 609, 33 S.Ct. 602, 57 L.Ed. 985, 989 (1913); *Anderson v. Carkins*, 135 U.S. 483, 487, 10 S.Ct. 905, 34 L.Ed. 272, 274 (1890); *Moffitt v. Bulson*, 96 Cal. 106, 30 P. 1022, 1023 (1893); *Harris v. McCrary*, 17 Idaho 300, 105 P. 558, 559 (1909); *Ronquillo v. Sandoval*, 71 N.M. 459, 379 P.2d 611, 613 (1962); *McDonald v. Lambert*, 43 N.M. 27, 85 P.2d 78, 85 (1938); *Howard v. Standolind Oil & Gas Co.*, 197 Okl. 269, 169 P.2d 737, 741-42 (1946).

<sup>7</sup> *United States v. Buchanan*, 232 U.S. 72, 76, 34 S.Ct. 237, 58 L.Ed. 511, 514 (1914); *Russian-American Packing Co. v. United States*, 199 U.S. 570, 26 S.Ct. 157, 50 L.Ed. 314 (1905).

proof by requiring the filing of an affidavit which states under oath that 'no part of such land has been alienated... '43 U.S.C. s 164 (1964). Homestead regulations further specify nonalienation prior to affidavit and final proof.<sup>8</sup> Cases decided under patent laws which contain specific prohibition against alienation have uniformly held that an attempted conveyance prior to final proof precludes patent from issuing from the United States Government, and such conveyances are held entirely void and unenforceable between the parties.<sup>9</sup>

The importance of the Alaska Homesite Law's silence with respect to alienation is again underlined by the fact that Congress extended the anti-alienation provision of the general homestead laws to the Alaska Homestead Act, 43 U.S.C. s 270 (1970).<sup>10</sup>

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<sup>8</sup> General Homestead Regulation, 43 C.F.R. s 2511.2(a) (1975) states:  
Alienation of all or part of claim; ....

(1) The alienation of all or part of the land embraced in a homestead prior to making proof except for the public purposes mentioned ... will prevent the entryman from making satisfactory proof, since he is required to swear that he has not alienated any part of the land ... .

<sup>9</sup> See note 5, supra.

<sup>10</sup> The Alaska Homestead Act specifically states:

The right of any homestead settler to transfer any portion of the land so settled upon, as provided by section 174 of (Title 43), shall be restricted and limited within the Territory of Alaska as follows: ..., and all contracts by the settlor made before his receipt of patent from the Government, for the conveyance of the land homesteaded by him or her, except as herein provided, shall be held null and void.

The regulations promulgated pursuant to Alaska Homestead Act, 43 C.F.R. s 2567.7(c) (1975) state:

In Alaska as elsewhere in the United States, a forfeiture of the claim results from a transfer of any part of the land or of any interest therein before the submission of the proof, with certain exceptions specified by law.

It is clear from the provision in the Alaska Homestead Act, the general homestead laws, and the regulations promulgated pursuant to them, that Congress and the BLM knew how specifically to prohibit alienation. Their failure to prohibit alienation in the Alaska Homestead Law or regulations therefore is quite significant. In *Willis v. Valdez*, supra at 574 n.7, we cited *Barnes v. Poirier*, 64 F. 14, 18 (8th Cir. 1894), which points to the significance of the absence of a specific alienation clause in the Soldiers' Additional Homestead statute. Numerous cases relating to United States land patents under other statutes hold that the silence of land patent statutes is determinative of the issue of alienability.<sup>11</sup> Significantly, the United States Supreme Court has stated:

There is no requirement ... that the entryman shall make oath that he has not alienated any interest in the land. The policy of the government to require such affidavit when it intends to make it a condition precedent to granting a title was indicated in the homestead act, and could readily have been pursued by a similar provision in the timber culture act if it was intended to extend the principle to that statute ... .

... If the entryman has complied with the statute and made the entry in good faith, in accordance with the terms of the law and the oath required of him upon making such entry, and has done

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<sup>11</sup> *Sylvester v. Washington*, 215 U.S. 80, 86, 30 S.Ct. 25, 54 L.Ed. 101, 105 (1909); *Adams v. Church*, 193 U.S. 510, 516-17, 24 S.Ct. 512, 48 L.Ed. 769, 771-72 (1904); *Lamb v. Davenport*, 85 U.S. (18 Wall.) 307, 314, 21 L.Ed. 759, 761 (1873); *Phillips v. Carter*, 135 Cal. 604, 67 P. 1031, 1032 (1902) (Desert Land Act of 1877); and *McKennon v. Winn*, 1 Okl. 327, 33 P. 582, 585 (1893) (Federal Townsite Claim Act).

nothing inconsistent with the terms of the law, we find nothing in the fact that, during his term of occupancy, he has agreed to convey an interest, to be conveyed after patent issued, which will defeat his claim and forfeit the right acquired by planting the trees and complying with the terms of the law. Had Congress intended such result to follow from the alienation of an interest after an entry in good faith, it would have so declared in the law. (citation omitted)

*Adams v. Church*, 193 U.S. at 515-17, 24 S.Ct. at 514-515, 48 L.Ed. at 771-72.

It should also be noted that prior to the conveyance to the Horvaths, Lowery had complied with a substantial portion of his obligation under the statute and regulations. He had filed his notice of location and his application to purchase and had lived on the land the required amount of time. A BLM field examiner's report had recommended patent be issued. It is true that various other events were necessary prior to the issuance of the patent. After the conveyance, a survey was conducted, various mineral reservations claimed, application to purchase was published and the payment of \$12.50 was made to the BLM. We do not think that the mere fact that steps remained before issuance of patent precluded the existence of an alienable interest, where there has been basic compliance with the statutory demands.

In *Willis v. City of Valdez*, *supra* at 578, we held that one who later secured a patent under the Solders' Additional Homestead Act had an interest in land which was alienable at the time that he requested a survey. Here, Lowery had complied with numerous requirements under the Homestead Law including those of occupancy, and the BLM had

recommended issuance of the patent. Since 43 U.S.C. s 687a (1970) does not prohibit alienation, we hold that at the time Lowery executed the deed to the Horvaths he had complied with the statute to a sufficient extent so as to have an interest in the land which was capable of conveyance.

Since the Horvaths received a valid interest from Lowery, we must now resolve the conflict between the Horvaths' first recorded interest and the Sabos' later recorded interest.

The Sabos, like the Horvaths, received their interest in the property by a quitclaim deed. They are asserting that their interest supersedes the Horvaths under Alaska's statutory recording system. AS 34.15.290 provides that:

A conveyance of real property ... is void as against a subsequent innocent purchaser ... for a valuable consideration of the property ... whose conveyance is first duly recorded. An unrecorded instrument is valid ... as against one who has actual notice of it.

Initially, we must decide whether the Sabos, who received their interest by means of a quitclaim deed, can ever be 'innocent purchaser(s)' within the meaning of AS 34.15.290. Since a 'quitclaim' only transfers the interest of the grantor, the question is whether a 'quitclaim' deed itself puts a purchaser on constructive notice. Although the authorities are in conflict over this issue, the clear weight of authority is that a quitclaim grantee can be protected by the recording system, assuming, of course, the grantee purchased for valuable consideration and did not otherwise have actual or constructive knowledge as defined by the

recording laws.<sup>12</sup> We choose to follow the majority rule and hold that a quitclaim grantee is not precluded from attaining the status of an ‘innocent purchaser.’

In this case, the Horvaths recorded their interest from Lowery prior to the time the Sabos recorded their interest. Thus, the issue is whether the Sabos are charged with constructive knowledge because of the Horvaths’ prior recordation. Horvath is correct in his assertion that in the usual case a prior recorded deed serves as constructive notice pursuant to AS 34.15.290, and thus precludes a subsequent, recordation from taking precedence. Here, however, the Sabos argue that because Horvath recorded his deed prior to Lowery having obtained patent, they were not given constructive notice by the recording system. They contend that since Horvaths’ recordation was outside the chain of title, the recording should be regarded as a ‘wild deed’.

It is an axiom of hornbook law that a purchaser has notice only of recorded instruments that are within his ‘chain of

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<sup>12</sup> See Note, Deeds-Quitclaim Grantee as a Bona Fide Purchaser, 28 Ore.L.Rev. 258 n. 1 (1949) and the many cases cited therein. See generally, Annot., 59 A.L.R. 632 (1929); Annot., 162 A.L.R. 556, 560-62 (1946); 77 Am.Jur.2d Vendor and Purchaser, ss 711-13. On the other hand, there is also authority which holds that a quitclaim grantee cannot be a good faith purchaser. See 28 Ore.L.Rev. 258, at 259 n. 2. See also the territorial case of *Crossly v. Champion Mining Co.*, 1 Alaska 391 (1901). There it was held that a grantee accepting a quitclaim deed with full knowledge of a prior unrecorded deed was not a subsequent innocent purchaser in good faith. This case would not be conclusive with respect to quitclaim grantees who record under a recording system and without actual knowledge. See also *Wickwire v. City and Borough of Juneau*, 557 P.2d 783, fn. 7 (Alaska 1976), holding that the right to recover damages for condemnation is not an interest in real property which passes by quitclaim deed.

title.<sup>13</sup> If a grantor (Lowery) transfers prior to obtaining title, and the grantee (Horvath) records prior to title passing, a second grantee who diligently examines all conveyances under the grantor's name from the date that the grantor had secured title would not discover the prior conveyance. The rule in most jurisdictions which have adopted a grantor-grantee index system of recording is that a 'wild deed' does not serve as constructive notice to a subsequent purchaser who duly records.<sup>14</sup>

Alaska's recording system utilizes a 'grantor-grantee' index. Had Sabos searched title under both grantor's and grantee's names but limited his search to the chain of title subsequent to patent, he would not be chargeable with discovery of the pre-patent transfer to Horvath.

On one hand, we could require Sabo to check beyond the chain of title to look for pretitle conveyances. While in this particular case the burden may not have been great, as a general rule, requiring title checks beyond the chain of title could add a significant burden as well as uncertainty to real estate purchases. To a certain extent, requiring title searches of records prior to the date of a grantor acquired title would thus defeat the purposes of the recording system.

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<sup>13</sup> 1 R. Patton & C. Patton, *Patton on Land Titles* s 69, at 230-33 (2d ed. 1957). *Cities Service Oil Co. v. Adair*, 273 F.2d 673, 676 (10th Cir. 1959); *Stafford v. Ballinger*, 199 Cal.App.2d 289, 18 Cal.Rptr. 568, 572 (1962); *Pierson v. Bill*, 138 Fla. 104, 189 So. 679, 684 (1939); *Jenkins v. Bates*, 230 Miss. 406, 92 So.2d 655, 657 (1957); *Baker v. Koch*, 114 Ohio App. 519, 183 N.E.2d 434, 437 (1960); *Portman v. Earnhart*, 343 S.W.2d 294, 297 (Tex.Civ.App.1960); *Lone Star Gas Co. v. Sheaner*, 197 S.W.2d 855, 857 (Tex.Civ.App.1957); *Hyson v. Dodge*, 198 Va. 792, 96 S.E.2d 792, 796 (1957).

<sup>14</sup> 1 R. Patton & C. Patton, *Patton on Land Title* s 69, at 230-33 (2d ed. 1957); *Lacey v. Humphres*, 196 Ark. 72, 116 S.W.2d 345, 347 (1938); *Etchison v. Dail*, 182 Ark. 350, 31 S.W.2d 426, 427 (Ark.1930); *Brown v. Copp*, 105 Cal.App.2d 1, 232 P.2d 868, 871 (1951); *Hawley v. McCabe*, 117 Conn. 558, 169 A. 192, 194 (1933); *Ward v. Parks*, 166 Ga. 149, 142 S.E. 690, 692 (1928); *Manson v. Berkman*, 356 Ill. 20, 190 N.E. 77, 79 (1934); *Blumenthal v. Serota*, 129 Me. 187, 151 A. 138, 141 (1930); *Smith v. Williams*, 132 Okl. 141, 269 P. 1067, 1073 (1928); *Brown v. Ackerman*, 17 S.W.2d 771 (Tex.Civ.App.1929).



The records as to each grantor in the chain of title would theoretically have to be checked back to the later of the grantor's date of birth or the date when records were first retained.

On the other hand, we could require Horvath to rerecord his interest in the land once title passes, that is, after patent had issued to Lowery. As a general rule, rerecording an interest once title passes is less of a burden than requiring property purchasers to check indefinitely beyond the chain of title.

It is unfortunate that in this case due to Lowery's double conveyances, one or the other party to this suit must suffer an undeserved loss. We are cognizant that in this case, the equities are closely balanced between the parties to this appeal. Our decision, however, in addition to resolving the litigants' dispute, must delineate the requirements of Alaska's recording laws.

Because we want to promote simplicity and certainty in title transactions, we choose to follow the majority rule and hold that the Horvaths' deed, recorded outside the chain of title, does not give constructive notice to the Sabos and is not 'duly recorded' under the Alaskan Recording Act, AS 34.15.290. Since the Sabos' interest is the first duly recorded interest and was recorded without actual or constructive knowledge of the prior deed, we hold that the Sabos' interest must prevail. The trial court's decision is accordingly.

REVERSED.

#### **4.3. Adverse Possession**

##### **Brown v. Gobble, 474 S.E.2d 489 (W. Va. 1996)**

Mark E. Wills, Wills & Sadler, Princeton, for Appellees.

Robert H. Miller, II, Katz, Kantor & Perkins, Bluefield, for Appellants.

CLECKLEY, Justice.

This case involves the doctrines of adverse possession and tacking. David L. Gobble and Sue Ann Gobble, appellants/defendants below, appeal from a final order of the Circuit Court of Mercer County. At the conclusion of a bench trial the circuit court granted judgment for a strip of land to Gary S. Brown and Mitzi Brown, appellees/plaintiffs below. In prosecuting this appeal, the defendants allege two assignments of error: (1) it was error for the circuit court to apply a clear and convincing evidence standard of proof to the doctrine of adverse possession, and (2) the circuit court committed error in finding that the evidence failed to prove adverse possession.

#### I. FACTUAL AND PROCEDURAL BACKGROUND

The plaintiffs instituted this action by filing a complaint on August 25, 1994. The complaint sought to have the defendants enjoined from interfering with the plaintiffs' intended use of a two-foot-wide tract of land that formed a boundary running between the adjoining properties of the parties. The defendants answered the complaint and filed a counterclaim alleging ownership to the tract of land by adverse possession.

The record reveals that the defendants purchased their property by deed dated April 24, 1985. At the time of this land purchase a fence was in place which ran along the rear boundary of defendants' property. The two-foot-wide tract of land in question here, was enclosed by the fence and visually appeared to be part of the defendants' property. When the defendants bought their land, they were informed by their real estate agent that their property ran up to and included the fence. The call references in their deed "read" as though the two-foot-wide tract of land was

part of the conveyance.<sup>1</sup> The defendants believed the two-foot-wide tract of land was part of their property, and utilized it consistent with ownership rights up until the filing of this law suit.

The plaintiffs purchased their property by deed dated April 28, 1989. Shortly before making this purchase, the plaintiffs had a survey of the property done. The survey revealed that the fenced-in two-foot-wide tract of land was part of plaintiffs' property.<sup>2</sup> Although the plaintiffs were aware at the time of the purchase of their property that the two-foot-wide tract of land was, in fact, theirs, they did nothing to show ownership to the tract until around August, 1994. It was in August of 1994, that the plaintiffs decided to build a road along the two-foot-wide tract of land. To do this meant cutting down several trees that were along the tract.<sup>3</sup> The defendants apparently attempted to prevent the plaintiffs from building the road by asserting that they owned the tract of land. The plaintiffs thereafter instituted the present suit. The trial of this matter was held by the circuit court, sitting as factfinder, on December 13, 1994. The trial court made findings of fact and conclusions of law, wherein it held that "the defendants have failed to

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<sup>1</sup> The pertinent call references of defendants' deed provide:

thence leaving the said Willowbrook Road N 71° 28' E 184.80 feet to a *fence post* in the line of said private driveway, thence S 32° 33' E 133.80 feet to a *fence post* in the line of said driveway, thence S 17° 04' W 13 feet to a *fence post* in the line of said private driveway[.]

(Emphasis added.)

<sup>2</sup> The pertinent call references of plaintiffs' deed provide:

thence S. 62° 00' W. 31.41 feet crossing a road to a *fence post* corner of the David Gobble parcel; thence running with the David Gobble parcel the following calls: N. 17° 32' E. 13.00 feet to a *fence post*; thence N. 32° 05' W. 133.80 feet to a *fence post*[.]

(Emphasis added.)

<sup>3</sup> The road was going to provide access to an animal clinic the plaintiffs had constructed on their property.

show by clear and convincing evidence their ownership by way of adverse possession[.]”

## II. DISCUSSION

The contentions raised on appeal require us to scrutinize the record and determine whether the evidence was sufficient to prove adverse possession by the *clear and convincing standard* that we explicitly have adopted today. We note at the outset that the standard of review for judging a sufficiency of evidence claim is not appellant friendly. Following a bench trial, the circuit court’s findings, based on oral or documentary evidence, shall not be overturned unless clearly erroneous, and due regard shall be given to the opportunity of the circuit judge to evaluate the credibility of the witnesses. Under this standard, if the circuit court’s account of the evidence is plausible in light of the record viewed in its entirety, we may not reverse it, even though convinced that had we been sitting as the trier of fact, we would have weighed the evidence differently. We will disturb only those factual findings that strike us wrong with the “force of a five-week-old, unrefrigerated dead fish.” *United States v. Markling*, 7 F.3d 1309, 1319 (7th Cir.1993). Nor is the scope of our review broadened because the burden of proof is clear and convincing. Indeed, the burden of proof has an impact only if the evidence is in equipoise. Under these well established principles, we now review the errors raised by the defendants.

### A. Standard of Proof for Adverse Possession Claims

The first argument raised by the defendants is that the circuit court committed error by requiring them to prove adverse possession by clear and convincing evidence. Although neither party presents any binding precedent of this Court, the defendants contend that the proper standard

for proving adverse possession is by a preponderance of the evidence, and that this is implicitly established by some of our cases. The defendants cite language in our decision in *Naab v. Nolan*, 174 W.Va. 390, 392 (1985), wherein we stated:

The circuit court found by a *preponderance of the evidence* the existence of facts sufficient to establish title by adverse possession[.] We agree with the court's decision.

(Emphasis added.)

The plaintiffs contend that the above language in *Naab* is not controlling for two reasons. First, the quote is not intended to be a statement of law, but is merely part of the discussion from the court below, and there was no explicit acceptance of this standard by the Court. Second, the standard of proof was not disputed on appeal and, therefore, this Court was not asked to decide the issue. The plaintiffs take the position that we have yet, definitively, to establish a standard of proof for adverse possession, and would further urge that we adopt the clear and convincing standard.<sup>4</sup>

There is a minority view that a preponderance of the evidence is sufficient to establish adverse possession. [citations to cases in Missouri, Nebraska, Ohio, and Arkansas] There is little reason given for adopting this standard other than it is the usual rule in civil cases.

On the other hand, the view adopted by a majority of jurisdictions is that adverse possession must be shown by clear and convincing evidence. [citations to cases in a large number of states]

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<sup>4</sup> This Court approved in passing an adverse possession preponderance of the evidence jury instruction given by the trial court in *Selman v. Roberts*, 185 W.Va. 80, 86 n. 6(1991).

It is appropriate, in our opinion, that adverse possession be proved by a more stringent standard than a mere preponderance of the evidence. First, West Virginia appears to have been leaning toward the majority rule. Even before the turn of the century, this Court had indicated that “clear” evidence was needed to establish adverse possession. In Syllabus Point 2 of *Boggs v. Bodkin*, 32 W.Va. 566 (1889), this Court explicitly stated: “whether he has had ten years’ adversary possession of the land, he must, ... specifically establish *by clear* evidence, that he has had such adversary possession for ten years ... .” (emphasis added). Moreover, we agree with the plaintiffs that it would be inconsistent for this Court to adopt a preponderance of the evidence standard for adverse possession, in light of the fact that we have adopted a clear and convincing standard for proving an easement. See Syl. pt. 3, *Norman v. Belcher*, 180 W.Va. 581 (1989).

Second, on policy grounds there is sound and reasonable justification for the majority view. The function of a standard of proof is to “instruct the factfinder concerning the degree of confidence our society thinks he [or she] should have in the correctness of a factual conclusion for a particular kind of adjudication.” *In re Winslip*, 397 U.S. 358, 370 (1970) (Harlan, J. Concurring). “The standard [of proof] serves to allocate the risk of error between the litigants and to indicate the relative importance attached to the ultimate decision.” *Addington v. Texas*, 441 U.S. 418, 423 (1979).

While the preponderance standard applies across the board in civil cases, a higher standard is needed where fairness and equity require more persuasive proof. Although the standard clear and convincing is less commonly used, it nonetheless is no stranger to West Virginia civil cases. In *Wheeling Dollar Sav. & Trust Co. v. Singer*, 162 W.Va. 502, 510 (1978), this Court stated that “clear and convincing” is the measure or degree of proof that will produce in the

mind of the factfinder a firm belief or conviction as to the allegations sought to be established. It should be the highest possible standard of civil proof. *Cramer v. Dep't of Hmgs.*, 180 W.Va. 97, 99 n. 1 (1988). The interest at stake in an adverse possession claim is not the mere loss of money as is the case in the normal civil proceedings. Rather, it often involves the loss of a homestead, a family farm or other property associated with traditional family and societal values. To this extent, most courts have used the clear and convincing standard to protect these important property interests. See *Stevenson v. Stein*, 412 Pa. 478, 482 (1963) (to prove adverse possession "credible, clear and definitive proof" is needed). Adopting the clear and convincing standard of proof is more than a mere academic exercise. At a minimum, it reflects the value society places on the rights and interests being asserted.

The bottom line is that the function of the legal process is to minimize the risk of erroneous decisions. See *Mathews v. Eldridge*, 424 U.S. 319, 335 (1976). The law should not allow the land of one to be taken by another, without a conveyance or consideration, merely upon slight presumption or probabilities. The relevant evidence in an adverse action must necessarily expand over a ten year period. A preponderance standard, in our judgment, would create the risk of increasing the number of cases whereby land is erroneously taken from the title owner under spurious adverse possession claims. This heightened standard of clear and convincing is one way to impress the factfinder with the importance of the decision, and thereby reduce the chances that spurious claims of adverse possession will be successful. Having concluded that the preponderance standard falls short of meeting the demands of fairness and accuracy in the factfinding process in the adjudication of adverse possession claims, we hold that the burden is upon the party who claims title by adverse possession to prove by clear and convincing evidence all

elements essential to such title. To the extent that a different standard is intimated in our previous decisions, we herein expressly reject such intimations.

#### B. The Sufficiency of the Evidence

The next argument raised by the defendants is that their evidence was sufficient to establish adverse possession under either a preponderance of the evidence standard or, on the other hand, under the clear and convincing evidence standard. Of course, we now must determine whether the record supports the trial court's findings under the clear and convincing standard.

It is well settled in this jurisdiction that in a case tried without the aid of a jury, the trial court, and not the appellate court, is the judge of the weight of the evidence. Actually, in a nonjury trial, the trial judge has usually been regarded as a surrogate for the jury, and his or her findings are accorded corresponding weight. Subject only to W.Va.R.Civ.P. 52(a)'s clearly erroneous standard, this standard precludes a reviewing court from reversing a finding of the trier of fact simply because the reviewing court would have decided the case differently. In fact, it is clear that the burden on an appellant attempting to show clear error is especially strong when the findings are primarily based upon oral testimony and the circuit court has viewed the demeanor and judged the credibility of the witnesses. Accordingly, the circuit court's factual findings come here well armed with the polished buckle and shield of the "clearly erroneous" standard embodied in Rule 52(a). Because of the weight to be given to evidence is peculiarly within the province of the trial court, it is the trial court and not this Court that draws the distinction between evidence which is clearly convincing and that which merely preponderates. However, the question whether the circuit court considered the proper material elements for adverse



possession is a question of law, subject to our *de novo* review.

Were we given the task, we would not hesitate to find that the record before this Court demonstrates overwhelmingly that adverse possession has been proven by clear and convincing evidence. However, our decisions have made plain that an appellate court is not the appropriate forum for a resolution of the persuasive quality of evidence. To the contrary, our opinions have suggested that a reviewing court ought not to disturb such a finding unless, on the whole of the record, this Court forms a strong, unyielding belief that a mistake has been made. In plain terms, we should not overrule a circuit court's finding or conclusion as to whether the burden of persuasion has been met unless the evidence is so one-sided that it may be said that a reasonable factfinder could not have gone the way of the circuit court. In order to sharpen the focus of our inquiry, we first illuminate the legal framework and elucidate the requirements that attend a proper showing of adverse possession.

Regarding the doctrine of adverse possession, we stated in *Naab*, 174 W.Va. at 392, the following:

The doctrine of adverse possession is firmly established in our property law and accompanies W. Va.Code 55-2-1 in settling land disputes equitably and efficiently. This doctrine enables one who has been in possession of a piece of real property for more than ten years to bring an action asserting that he is now the owner of that piece of property even when title rests in another. In Syllabus Point 3 of *Somon v. Murphy Fabrication and Erection Co.*, 160 W.Va. 84, 232 S.E.2d 524 (1977) this Court stated:

One who seeks to assert title to a tract of land under the doctrine of adverse possession must prove each of the following elements for the requisite statutory period: (1) That he has held the tract adversely or hostilely; (2) That the possession has been actual; (3) That it has been open and notorious (sometimes stated in the cases as visible and notorious); (4) That possession has been exclusive; (5) That possession has been continuous; (6) That possession has been under claim of title or color of title.

We also held in Syllabus Point 4 of *Somon*, that:

Where one by mistake occupies land up to a line beyond his actual boundary, believing it to be the true line, such belief will not defeat his right to claim that he holds such land adversely or hostilely under the doctrine of adverse possession.<sup>5</sup>

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<sup>5</sup> Thus, the law in West Virginia is that where a person, acting under a mistake as to the true boundary lines between his or her land and that of another, takes possession of land believing it to be his or her own, up to the mistaken line, claims a prescriptive right to it and so holds, the holding is adverse, and, if continued for the requisite period may ripen into adverse possession. The fact that the one who takes possession under these circumstances had no intention of taking what did not belong to him or her, does not effect the operation of this rule. In all cases, the intention and not the mistake is the test by which the character of the possession is determined.

In addition to recognizing the common law doctrine of adverse possession, we have long recognized the principle of “tacking.” . . . .

With the above principles of law in view, we now turn to the evidence presented below. The plaintiffs called three witnesses during their case-in-chief. Plaintiff Mr. Brown testified that he and his wife purchased property in 1989, and that their deed gave them ownership of the two-foot-wide tract. The plaintiffs called Dana Pettrey, the surveyor of their property. Mr. Pettrey testified that his survey in 1989, revealed that the two-foot-wide tract of land was part of the plaintiffs’ property. The plaintiffs also called defendant Mrs. Gobble for the purpose of showing that the defendants did not have possession of the two-foot-wide tract ten years prior to the month of August, 1995, when the plaintiffs first exercised ownership rights to the two-foot-wide tract. During the plaintiffs’ case-in-chief, the following exchange occurred between defendant Mrs. Gobble and counsel for plaintiffs:

Q. Mrs. Gobble, you have not lived on that property for 10 years, have you?

A. No, sir.

Q. It won’t be 10 years until April, 1995?

A. Yes, sir.

The defendants do not contend that they are the lawful owners of the two-foot-wide tract of boundary land as a result of call references in their deed. That is, they do not claim possession under color of title. They have alleged ownership through claim of title or right.<sup>6</sup> The defendants

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<sup>6</sup> In *Somon*, 160 W.Va. at 91-92, 232 S.E.2d at 529, we distinguished claim of title and color of title as follows:

also do not contend that they have personally possessed the two-foot-wide tract for the requisite ten-year period. Instead, they contend that they have established adverse possession by tacking on the time periods that their predecessors in title claimed the two-foot-wide tract. We have held that “tacking” permits adding together the time period that successive adverse possessors claim property, and that should this period of time added together be more than ten years, adverse possession may be allowed.

To establish the element of “tacking” the defendants presented evidence that Edward and Virgie Blevins (the “Blevins”) were the original owners of the property they purchased in 1985. The Blevins owned the property as far back as 1937, and during the entire time of their ownership they believed the two-foot-wide tract was part of their land, and they exercised dominion and control over the tract consistent with ownership rights. The Blevins sold their property on October 30, 1978, to Norman and Martha Fletcher (the “Fletchers”), believing that they were also conveying the two-foot-wide tract. Mr. Fletcher testified that when they bought the property they believed that they had purchased the two-foot-wide tract, and possessed it consistent with ownership rights. The defendants testified that they bought their property from the Fletchers in 1985, and believed their land purchase included the two-foot-wide tract of boundary land, and that they possessed it consistent with ownership rights, up until the filing of this lawsuit. Based upon this tacking evidence, the defendants contend that they are entitled as a matter of law to add the period 1937-1985, to their nine-and-a-half year claim to the two-

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A claim of title has generally been held to mean nothing more than that the disseisor enters upon the land with the intent to claim it as his own. Whereas, “color of title” imports there is an instrument giving the appearance of title, but which instrument in point of law does not.

(Citations omitted.)

feet-wide tract, which would give them far in excess of ten years adverse possession of the tract.<sup>7</sup>

To establish the element of “hostile” or “adverse” possession by tacking, the defendants called several witnesses who testified that the two-feet-wide tract was fenced off as far back as 1937, that the Blevins placed the fence along the tract, and that the Blevins claimed the tract as theirs.<sup>8</sup> Evidence was presented to show that the Fletchers maintained the fence along the two-feet-wide tract, and that the fence remained in place throughout their ownership of the property. The defendants testified that they purchased their property from the Fletchers in 1985, and that they claimed ownership of the two-feet-wide tract, and that it remained fenced off until the start of the instant law suit.

To establish the element of “actual” possession by tacking, the defendants called several witnesses who testified that

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<sup>7</sup> Based upon the evidence the defendants presented regarding the Blevins and Fletchers, the defendants actually misunderstand the import of their evidence. The evidence seems to suggest that the Blevins may very well have actually established adverse possession to the two-feet-wide tract, because they maintained the tract for over ten years. The Blevins conveyed their adversely possessed property to the Fletchers, and the Fletchers in turn conveyed the same to the defendants. Therefore the tacking involved here does not require analysis of the defendants’ period of ownership, unless it is established that the Blevins did not in fact acquire adverse possession. If it is determined that the Blevins acquired adverse possession of the two-feet-wide tract, the issue then merely becomes whether the Blevins intended to convey the two-feet-wide tract to the Fletchers, and whether the Fletchers intended to convey the two-feet-wide tract to the defendants. See *Doty v. Chalk*, 632 P.2d 644, 646 (Colo.App.1981) (“Title to property acquired by adverse possession matures into an absolute fee interest after the statutory prescriptive period has expired.”). The period of ownership by the defendants becomes irrelevant under this scenario. It is only if a determination is made that the Blevins did not establish adverse possession that the defendants’ period of ownership becomes relevant for tacking on the time period of the Fletchers.

<sup>8</sup> We have held that to establish “hostile” or “adverse” possession, evidence must be presented which shows that possession of disputed property was against the right of the true owner and is inconsistent with the title of the true owner for the entire requisite ten-year period.

the Blevins periodically repaired the fence surrounding the two-foot-wide tract, that they routinely planted a garden along the tract, and that the Blevins constructed and maintained a shed along a portion of the tract. Mr. Fletcher testified that he regularly planted a garden along the tract, that he routinely removed weeds from along the tract and fence, and that he picked blackberries from the area and walnuts from trees that had grown along the tract.<sup>9</sup> The defendants testified that they planted gardens along the tract, that they built a treehouse in one of the trees that had grown along the tract, and that they regularly mowed the grass and weeds in the area.

To establish the element of “open and notorious” possession by tacking, the defendants called several witnesses who testified that during the period that the Blevins owned the defendants’ property, the reputation of the two-foot-wide tract in the community was that it belonged to the Blevins.<sup>10</sup> Mr. Fletcher testified that the reputation in the community was that the two-foot-wide tract was part of his property. The defendants testified that the reputation in the community was that the two-foot-wide tract was part of their property.

To establish the element of “exclusive” possession by tacking, the defendants presented testimony by two of the original owners of plaintiffs’ property.<sup>11</sup> These two witnesses testified that neither the Blevins’ nor the

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<sup>9</sup> We have held that to establish “actual” possession, evidence must be presented which shows that possession of disputed property was used for enjoyment, cultivation, residence or improvements for the entire requisite ten-year period.

<sup>10</sup> We have held that to establish “open and notorious” possession, evidence must be presented which shows that possession of disputed property was in such a manner as to give notice to the true owner that the property is being claimed by another for the entire requisite ten-year period.

<sup>11</sup> We have held that to establish “exclusive” possession, evidence must be presented which shows that possession of disputed property was used only by the occupant and others were not permitted to use it or claim ownership during the entire requisite ten-year period.

Fletchers' claim to the two-foot-wide tract was ever objected to by them or those who owned the property with them. The defendants also presented evidence to show that only the Blevins and Fletchers respectively had control and dominion over the two-foot-wide tract. The defendants also testified that they had exclusive control and dominion over the two-foot-wide tract up until the time of this law suit.

To establish the element of "continuous" possession the defendants presented testimony that the Blevins enclosed, maintained, cultivated and claimed ownership of the two-foot-wide tract up until they sold their property to the Fletchers.<sup>12</sup> Mr. Fletcher testified that he maintained, cultivated and claimed ownership of the two-foot-wide tract up until he sold the property to the defendants. The defendants testified that they maintained, cultivated and claimed ownership of the two-foot-wide tract up until the instant law suit.

To establish the element of "claim of title" the defendants presented evidence to show that neither the Blevins, Fletchers nor the defendants had actual title to the two-foot-wide tract, yet each claimed ownership of it pursuant to all of the above conduct, during their entire respective occupancy.<sup>13</sup>

Based upon the above evidence of tacking and adverse possession, the defendants contend that they established adverse possession under the clear and convincing evidence standard. The trial court found that this evidence did not establish tacking or adverse possession by clear and convincing evidence. The trial court made this finding

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<sup>12</sup> We have held that to establish "continuous" possession, evidence must be presented which shows that possession of disputed property was enclosed, maintained or cultivated during the entire requisite ten-year period.

<sup>13</sup> We have held that to establish "claim of title," evidence must be presented which shows that possession of disputed property was claimed without actual title ownership by the occupant during the entire requisite ten-year period.

notwithstanding the fact that none of the defendants' tacking or adverse possession evidence was challenged or rebutted by the plaintiffs.

Nevertheless, we are reluctant to conclude, though invited to do so by the defendants, that the evidence was so one-sided that no rational trier of fact could find that adverse possession had not been established by clear and convincing evidence. While we agree with the defendants, that the quantity of evidence tends to fall in their favor, in assessing evidence, the trier of fact is the ultimate judge of credibility and is free to accept or reject any testimony it does not find credible. However, when a judge, sitting without jury, decides against the greater amount of the evidence, the judge is obligated to give a fuller explanation for his or her ruling. Under these circumstances, the findings in a bench trial must be sufficiently detailed, reasoned, and logical to enable the reviewing court to trace a persuasive path between the evidence and the judgment. See *Schneiderman v. United States*, 320 U.S. 118, 129-31. Where the determinative factor at trial is the credibility of the witnesses, this requires a trial court to specify what witnesses were not credited and why.

Additionally, though the clear error standard is formidable, it is not a bulldozer that crushes everything in its way. One important qualification is that the jurisprudence of clear error does not inhibit an appellate court's power to correct errors of law, including those that may affect a so-called mixed finding of law and fact that is predicated on the misunderstanding of the governing rule of law. Similarly, the deference accorded to a circuit court may evaporate when, in making its ultimate decision: (1) a relevant factor that should have been given significant weight is not considered; (2) all proper factors, and no improper factors, are considered, but the circuit court in weighing those factors commits an error of judgment; and (3) the circuit



court failed to exercise any discretion at all in issuing its decision. *Banker v. Banker*, 196 W.Va. 535 (1996).

Consistent with this approach, courts must be careful not to wear blinders. The judge must sift the evidence produced at trial and gather enough information to paint a true picture of the attendant facts and circumstances. The trial judge must then make a realistic appraisal of what the picture discloses. We think this analysis exposes the principal flaw in this case. The findings made by the trial court are inadequate to allow this Court to find that all relevant factors were considered. Though helpful, the findings are not all-encompassing. Indeed, the findings of the circuit court ignored the central thrust of the defendants' evidence.

The circuit court either misunderstood or misapplied the theory of the defendants. The defendants do not claim that their actual possession of the property in question is sufficient to establish adverse possession. Rather, they contend that their predecessors in interest met all the necessary prerequisites of adverse possession and under the doctrine of tacking, the predecessors' interest was passed onto the defendants. The circuit court's findings never addressed this aspect of the defendants' case. This conclusion draws sustenance from the circuit court's order which provides in pertinent part:

10. Defendants did not exercise actual dominion over the area between the deed description and fence line.

11. The fence ... was more likely a fence around the plaintiffs' [property] rather than enclosing defendants' property. The defendants did not maintain the fence nor did the defendants make any use of the small

area of land in dispute between the boundary line and fence.

The upshot is that the circuit court failed to make any findings that would dispose of the defendants' tacking claim. As we have stated several times above, a circuit court sitting without a jury cannot paint with too broad a brush. Rule 52(a) requires the trial judge make findings and conclusions of law that are sufficiently detailed to permit a reviewing court to ascertain the factual core of, and the legal foundation for, the ruling below. This bedrock rule has particular force in cases of this genre. Adverse possession claims are often marked by a significant degree of complexity. Typically, the resolution of such claims demands a careful sifting of imbricated and highly ramified facts. The legal principles that must be applied are convoluted, and they almost always touch upon ancient common-law precepts. Accordingly, a trial court must be scrupulous in chronicling the relevant facts and delineating the linkage of those facts and the ultimate conclusion of adverse possession *vel non*. To this end, the circuit court must discuss not only the evidence that supports its decision but also all the substantial evidence contrary to its opinion.<sup>14</sup>

Even though the circuit failed to make adequate findings, and virtually ignored the thrust of the defendants' evidence as to tacking, the defendants are not entitled to an adverse judgment decision on appeal. It must be remembered that

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<sup>14</sup> We take this step reluctantly, mindful that the circuit courts have heavy caseloads. An appellate tribunal should not stand unduly on ceremony, but should fill in the blanks in the circuit court's account when the record and circumstances permit this to be done without short-changing the parties. In this situation, however, the record and the burden of proof do not lend itself to curing the omission in this fashion. We are fortified in this cautious approach by what we envision as the distinct possibility that the circuit court undervalued the import of the tacking doctrine and the defendants' evidence in support of it. Upon remand, the circuit court may summon and utilize the efforts of counsel in submitting detailed and case specific proposed findings of fact and legal conclusions.

we do not sit in *nisi prius*, and at all times the burden of proof remains with the defendants as to adverse possession; plaintiffs' burden is an entry level burden of production, if they have any at all. Thus, once the plaintiffs have proffered enough evidence to raise their title to the land, the ultimate burden of persuading the factfinder that they were the beneficiaries of adverse possession under the tacking theory rests with the defendants. On this basis, we reject the defendants' request for judgment as to their adverse possession claim. As we stated in *Burnside*, 194 W.Va. at 275, "[f]indings of facts are adequate only if they are sufficient to indicate the factual basis for the ultimate conclusions. If an order lacks adequate detail, the case will be remanded for additional specificity."

### III. CONCLUSION

To recapitulate, the circuit court's opinion in many respects deftly navigates the marshy terrain of adverse possession jurisprudence. Yet, we believe that the circuit court's opinion lacks essential clarity in its factual findings. For one thing, the circuit court neither acknowledges nor discusses critical evidence that appears to support establishing adverse possession under the tacking theory. For another thing, it never identified nor adequately explained the evidence upon which it relied to support its ultimate conclusion. And, finally, it omits any meaningful discussion or mention of potentially salient factors such as the persuasive quality of the defendants' overall evidence.

We leave the procedure to be followed on remand to the circuit court's informed discretion, without endeavoring to set an outer limit on its range of options. At a minimum, the circuit court must discuss the evidence we have identified as troubling (or as possibly overlooked), and explain the relationship of this evidence to the issue of tacking and adverse possession. The circuit court need not stop there, however, it is free to reopen the record, to take

additional evidence, and to reconsider any parts of its earlier ruling. To this end, while we neither require or anticipate a new trial, the court may in its discretion permit the parties to supplement the record with additional facts. Accordingly, the judgment of the Circuit Court of Mercer County is reversed and remanded.

**Cahill v. Morrow, 11 A.3d 82 (R.I. 2011)**

James H. Reilly, Esq., for Plaintiff.

Lauren E. Jones, Esq., for Defendant.

JUSTICE INDEGLIA, for the Court.

I: Facts and Procedural History

The property in dispute is located on Gooseberry Road in the Snug Harbor section of South Kingstown, Rhode Island. Identified as lot 19 on assessor's plat 88-1, the land is sandwiched between lot 20, currently owned by Cahill, and lot 18, formerly co-owned by members of the Morrow family. Morrow is the record owner of the subject property, lot 19.

In 1969, Morrow's husband, George Morrow, purchased lot 19,<sup>1</sup> and the same year George and his brothers jointly purchased lot 18. At the time of lot 19's purchase, it was largely undeveloped, marked only by a preexisting clothesline, grass, and trees. Since that time, the Morrrows have not improved or maintained lot 19, but have paid all property taxes assessed to it. As such, instead of vacationing on their lot 19, the Morrrows annually spent two weeks in the summer at the cottages on the adjacent lot 18. During these vacations, the Morrow children and their cousins played on lot 19's grassy area. Around 1985, the

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<sup>1</sup> Morrow became the successor in interest and legal title holder of lot 19 after George passed away in 2003.

Morrows ceased summering on Gooseberry Road,<sup>2</sup> but continued to return at least once a year to view the lot. Morrow stopped visiting lot 19 in October 2002, after her husband became ill, and she did not return again until July 2006.

In 1971, two years after George Morrow purchased lot 19, Cahill's mother bought the land and house designated as lot 20 as a summer residence. Between 1971 and 1975, Cahill and her brother did some work on lot 19. They occasionally cut the grass, placed furniture, and planted trees and flowers on it.

Cahill's mother passed away in 1975, and in 1977, after purchasing her siblings' shares, Cahill became the sole record owner of the lot 20 property. Once she became lot 20's owner, Cahill began living in the house year-round. From that time through 1991, she and her boyfriend, James M. Cronin, testified that they continued to mow lot 19's grass on occasion. In addition, she hung clothing on the clothesline, attached flags to the clothesline pole, used the picnic table,<sup>3</sup> positioned a bird bath and feeder, and planted more flowers and trees. Cahill placed Adirondack chairs on lot 19 and eventually replaced the clothesline and picnic table. In 1987, Cahill held the first annual "cousins' party" allowing her relatives free rein with respect to her property and lot 19 for playing, sitting, and car parking. She also entertained friends and family on lot 19 during other summer days. Mary Frances McGinn, Cahill's cousin, likewise recalled that lot 19 was occupied by Cahill kindred during various family functions throughout this time period. Cahill admitted that she never objected to neighborhood children using lot 19, however.

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<sup>2</sup> In 1991, George Morrow and his joint-owner brothers sold lot 18.

<sup>3</sup> The record was unclear as to who first placed a picnic table on lot 19, but Cahill testified that there was a table on the lot from at least 1981.

During the period of 1991 through 1997, Cahill testified that she planted more flowers and trees, in addition to cutting the grass occasionally. Cahill also stored her gas grill and yard furniture on the lot and had her brother stack lobster pots for decorative purposes. In 1991 or 1992, she began hosting the annual “Cane Berry Blossom Festival,” another outdoor event that used both her lot and lot 19 as the party venue. Like the other gatherings, the festival always took place on a day during a warm-weather month. In 1997 or 1998, she installed a wooden border around the flower beds.

On July 22, 1997, Cahill wrote to George Morrow expressing an interest in obtaining title to lot 19. In the 1997 letter, Cahill stated: “I am interested in learning if your narrow strip of property is available for sale. If so, I would be interested in discussing purchasing it from you.” Cahill continued: “If there is a possibility that you would like to sell it, could you please either call me or send me a note?” Cahill did not receive a response.

In the “late 1990s,” though Cahill is unclear whether this occurred before or after the 1997 letter, a nearby marina sought permission to construct and elevate its property. Cahill attended the related zoning board hearings and expressed her concerns about increased flooding on lot 19 due to the marina elevation. She succeeded in having the marina developer grade part of lot 19 to alleviate flooding. Additionally, Cahill instituted her own trench and culvert drainage measures to divert water off of lot 19 and then reseeded the graded area. By Cahill’s own admission, however, her trenching and reseeded work occurred in 1999 or 2000.

Subsequent to 2001, the new owners of lot 18<sup>4</sup> stored their boat on lot 19 and planted their own flowers and small trees on the property. In 2002, when the town (with approval from George Morrow) erected a stone wall and laid a sidewalk on the Gooseberry Road border of lot 19, Cahill loamed and planted grass on that portion of the lot. Also in 2002, Cahill asked Morrow's two sisters on separate occasions whether George Morrow would be interested in selling lot 19. The Morrrows gave no response to her 2002 inquiries. In 2003, George Morrow passed away.

After making her third inquiry concerning the purchase of lot 19 in 2002, Cahill testified, she continued using the property in a fashion similar to her prior practice until December 2005, when she noticed heavy-machinery tire marks and test pits on the land. Thereafter, she retained counsel and authorized her attorney to send a letter on January 10, 2006 to Morrow indicating her adverse possession claim to a "20-foot strip of land on the northerly boundary" of lot 19. According to a survey of the disputed property, however, the width of lot 19 from the northerly boundary (adjacent to Cahill's property) to lot 18 is 49.97 feet and therefore, more than double what Cahill originally claimed in this letter. Nonetheless, on April 25, 2006, Cahill instituted a civil action requesting a declaration that based on her "uninterrupted, quiet, peaceful and actual seisin and possession" "for a period greater than 10 years," she was the true owner of lot 19 in its entirety. On July 25, 2007, the trial justice agreed that Cahill had proved adverse possession under G.L.1956 § 34-7-1 and vested in her the fee simple title to lot 19.

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## II: Standard of Review

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<sup>4</sup> In approximately 2001, new owners purchased lot 18 from the Morrow brothers' successor.

“This Court gives great weight to the factual findings of a trial justice sitting without a jury in a civil matter, and we will not disturb such findings unless they are ‘clearly erroneous or unless the trial justice misconceived or overlooked material evidence or unless the decision fails to do substantial justice between the parties.’” . . . . “However, ‘[i]n contrast to our deferential stance vis-[a]-vis factual findings made by a trial justice, we review in a *de novo* manner a trial justice’s rulings concerning questions of law.” *Costa*, 996 A.2d at 611 (quoting *Grady v. Narragansett Electric Co.*, 962 A.2d 34, 41 (R.I. 2009)).

### III: Analysis

#### A: The History and Policy Rationale of Adverse Possession

Before we begin our analysis, a brief history of adverse possession may be of assistance. After first using an amalgamation of Roman and Germanic doctrine, our English predecessors in common law later settled upon statutes of limitation to effect adverse possession. *See* Axel Teisen, *Contributions of the Comparative Law Bureau*, 3 A.B.A. J. 97, 126, 127, 134 (1917). In practice, the statutes eliminated a rightful owner’s ability to regain possession after the passing of a certain number of years, thereby vesting de facto title in the adverse possessor. *See* Restatement (Third) *Property: Servitudes* § 2.17, cmt. *b* at 263-64 (2000). For example, a 1623 statute of King James I restricted the right of entry to recover possession of land to a period of twenty years. 10 *Thompson on Real Property* § 87.01 at 74-75 (2d Thomas ed. 1998) (citing An Act for Limitation of Actions, and Avoiding of Suit in Law, 1623, 21 Jac. I., c. 16). Essentially, in England, the “[o]riginal policy supporting the development of adverse possession reflected society’s unwillingness to take away a ‘right’ which an adverse possessor thought he had. Similarly, society felt



the loss of an unknown right by the title owner was minimal.” William G. Ackerman & Shane T. Johnson, Comment, *Outlaws of the Past: A Western Perspective on Prescription and Adverse Possession*, 31 Land & Water L.Rev. 79, 83 (1996). As an overarching principle, however, the English adhered to an irrefutable truth that “neither fraud nor might can make a title where there wanteth right.” *J & M Land Co. v. First Union National Bank*, 166 N.J. 493, 766 A.2d 1110, 1114 (2001) (quoting *Altham’s Case*, 8 Coke Rep. 150b, 153b, 77 Eng. Rep. 701, 707 (1610)).

In the United States, although the 1623 statute of King James I “came some years after the settling of Jamestown (the usual date fixed as the crystalizing of the common law in America), its fiat is generally accepted as [our] common law. Hence ‘adverse possession’ for 20 years under the common law in this country passes title to the adverse possessor with certain stated qualifications.” 10 *Thompson on Real Property* § 87.01 at 75. Today, all fifty states have some statutory form of adverse possession, typically requiring proof that “possession was actual, hostile, open and notorious, exclusive, and continuous for the period of the statute of limitations. Color of title and payment of taxes can also be elements in some cases.” Jeffrey Evans Stake, *The Uneasy Case for Adverse Possession*, 89 Geo. L.J. 2419, 2423 (2001); see Ackerman, 31 Land & Water L.Rev. at 84 n. 42, 111 (collecting adverse possession statutes for the fifty states).

Given the doctrine’s widespread codification in this country, adverse possession is certainly “part of our adoptive consciousness.” Ackerman, 31 Land & Water L.Rev. at 84. Courts and commentators generally ascribe to “four traditional justifications or clusters of justifications which support transferring the entitlement to the [adverse possessor] after the statute of limitations runs: the problem of lost evidence, the desirability of quieting titles, the interest in discouraging sleeping owners, and the reliance

interests of [adverse possessors] and interested third persons.” Thomas W. Merrill, *Property Rules, Liability Rules, and Adverse Possession*, 79 Nw. U.L.Rev. 1122, 1133 (1984); see also *Finley v. Yuba County Water District*, 99 Cal.App.3d 691, 160 Cal.Rptr. 423, 427 (1979) (summarizing the rationales supporting adverse possession). Effectively, our society has made a policy determination that “all things should be used according to their nature and purpose” and when an individual uses and preserves property “for a certain length of time, [he] has done a work beneficial to the community.” Teisen, 3 A.B.A. J. at 127. For his efforts, “his reward is the conferring upon him of the title to the thing used.” *Id.* Esteemed jurist Oliver Wendell Holmes, Jr. went a step further than Teisen, basing our society’s tolerance of adverse possession on the ideal that “[a] thing which you have enjoyed and used as your own for a long time, whether property or an opinion, takes root in your being and cannot be torn away without your resenting the act and trying to defend yourself, however you came by it.” *O Centro Espirita Beneficiente Uniao Do Vegetal v. Ashcroft*, 389 F.3d 973, 1016 (10th Cir.2004) (quoting Oliver Wendell Holmes, Jr., *The Path of the Law*, 10 Harv. L.Rev. 457, 477 (1897)).

Regardless of how deeply the doctrine is engrained in our history, however, courts have questioned “whether the concept of adverse possession is as viable as it once was, or whether the concept always squares with modern ideals in a sophisticated, congested, peaceful society.” *Finley*, 160 Cal.Rptr. at 427. Commentators have also opined that, along with the articulated benefits of adverse possession, numerous disadvantages exist including the “infringement of a landowner’s rights, a decrease in value of the servient estate, and the encouraged exploitation and development of land. In addition, they represent the generation of animosity between neighbors, a source of damages to land or loss of land ownership, and the creation of uncertainty

for the landowner.” Ackerman, 31 Land & Water L.Rev. at 92; *see also* Stake, 89 Geo. L.J. at 2432, 2433 (listing also “diminish[ing] utility by discouraging owners from letting others use their land,” wasting the rightful owner’s time and resources to monitor his land, and “creat[ing] an opportunity to steal land” as other costs associated with adverse possession). In reality, “[a]dverse possession [i]s nothing more than a person taking someone else’s private property for his own private use.’ It is hard to imagine a notion more in contravention of the ideals set forth in the U.S. Constitution protecting life, liberty and *property*.” Ackerman, 31 Land & Water L.Rev. at 94-95 (quoting 2 C.J.S. *Adverse Possession* § 2 (1972)).

Although this Court duly recognizes its role as the judicial arm of government tasked with applying the law, rather than making law, it is not without an eyebrow raised at the ancient roots and arcane rationale of adverse possession that we apply the doctrine to this modern property dispute.

#### B: The Trial Justice’s Application of Rhode Island’s Adverse-Possession Precedent

In Rhode Island, obtaining title by adverse possession requires actual, open, notorious, hostile, continuous, and exclusive use of property under a claim of right for at least a period of ten years. *Corrigan v. Nanian*, 950 A.2d 1179, 1179 (R.I.2008) (mem.); *see also* § 34-7-1. “The party who asserts that adverse possession has occurred must establish the required elements by strict proof, that is, proof by clear and convincing evidence.”<sup>5</sup> *Corrigan*, 950 A.2d at 1179

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<sup>5</sup> Clear and convincing evidence is defined in a variety of ways; for example, to establish a fact or an element by clear and convincing evidence a party must persuade the jury that the proposition is highly probable, or must produce in the mind of the factfinder a firm belief or conviction that the allegations in question are true. The clear and convincing evidence standard does not require that the evidence negate all reasonable doubt or that the evidence must be uncontroverted.” 29 Am.Jur.2d *Evidence* § 173 at 188-89 (2008).

(citing *Tavares v. Beck*, 814 A.2d 346, 350 (R.I.2003)); *see also Carnevale v. Dupee*, 853 A.2d 1197, 1199 (R.I.2004).

Here, the trial justice recited the proper standard of proof for adverse possession and then found that Cahill had

“met her burden of establishing all of the elements of an adverse possession claim to lot 19 by her and her mother’s continuous and uninterrupted use of the parcel for well in excess of ten years. She maintained the property, planted and improved the property with shrubs, trees, and other plantings, sought drainage control measures, and used the property as if it were her own since 1971. She established that use not only by her own testimony, but as corroborated by other witnesses, photographs, and expert testimony relative to the interpretation of aerial photographs.”

At trial, as here on appeal, Morrow argued that Cahill’s offers to purchase the property invalidated her claim of right and the element of hostile possession. To dispose of that issue, the trial justice determined that “even assuming that [Cahill’s] inquiry is circumstantial evidence of her knowledge that George Morrow, and subsequently Margaret [Morrow], were the legal title holders of [lot] 19, that does not destroy the viability of this adverse possession claim.” The trial justice relied upon our opinion in *Tavares*, 814 A.2d at 350, to support his conclusion. Recalling that this Court stated in *Tavares* that “even when the claimants know they are nothing more than black-hearted trespassers, they can still adversely possess the property in question under a claim [of] right to do so if they use it openly, notoriously, and in a manner that is adverse to the true owner’s rights for the requisite ten-year period,”

the trial justice found that Cahill's outward acknowledgement of Morrow's record title did not alone "negate her claim of right." He further found that "even if somehow the expression of interest in purchasing lot 19, made initially in 1997, stopped the running of the ten[-]year period under \* \* \* § 34-7-1, the evidence was overwhelming that [Cahill] and her predecessor in title had commenced the requisite ten-year period beginning in 1971."

### C: Issues on Appeal

On appeal, Morrow challenges the trial justice's legal conclusion that Cahill's offers to purchase lot 19 did not extinguish her claim of right, hostile possession, and ultimately, the vesting of her title by adverse possession. Morrow also contends that the trial justice erred in finding that Cahill's testimonial and demonstrative evidence was sufficient to prove adverse possession under the clear and convincing burden of proof standard. We agree that as a matter of law the trial justice failed to consider the impact of Cahill's offers to purchase on the prior twenty-six years of her lot 19 use. As a result, we hold that this failure also affects his factual determinations.

#### 1. 1997 Offer-to-Purchase Letter

In *Tavares*, this Court explained that "requir[ing] adverse possession under a claim of right is the same as requiring hostility, in that both terms simply indicate that the claimant is holding the property with an intent that is adverse to the interests of the true owner." *Tavares*, 814 A.2d at 351 (quoting 16 *Powell on Real Property*, § 91.05[1] at 91-28 (2000)). "Thus, [we said] a claim of right may be proven through evidence of open, visible acts or declarations, accompanied by use of the property in an objectively observable manner that is inconsistent with the rights of the record owner." *Id.* (citing *Picrme v. Sylvestre*, 122

R.I. 85, 91-92, 404 A.2d 476, 479-80 (1979)). Here, the first issue on appeal is how an offer to purchase has an impact on these elements.

To assert her position that Cahill's 1997 offer to purchase lot 19 negates Cahill's claim of right by failing to deny the owner's title, Morrow argues that this Court should adhere to our precedent in *Picerne* and decline to credit the "dicta" in *Tavares* that the trial justice relied upon. Opportunely, however, the instant case permits this Court to affirm both precedents while clarifying a salient point of law regarding the effect offers to purchase have on the adverse possession elements of hostility and claim of right.

In *Picerne*, 122 R.I. at 91-92, 404 A.2d at 479-80, we focused on the narrow issue of whether a taxpayer who lost a home in a tax sale could prove hostile use for purposes of adverse possession. This Court considered whether the taxpayer's affirmative and open acts, such as painting the exterior, installing a new door and windows, and replacing the front stairs put the tax-sale purchaser on sufficient notice that there was a "hostile air." *Id.* at 92, 404 A.2d at 480. We explained that the "[h]ostility of possession necessary to establish adverse possession implies the denial of the owner's title; and possession, however open and long it may be, is not adverse without the denial of the owner's title." *Id.* This Court held that the individuals in possession of the house failed to deny the tax-sale owner's title for at least three years of the ten-year period because their possession was permissive. *Id.* We likewise ruled that the claim had failed because the taxpayer's adverse actions did not meet the requisite ten-year period. *Id.* Without the requisite ten years of denying the owner's title and ten years of possessing adversely to the owner's title, the *Picerne* claimants could not establish adverse possession.

Analogously here, Cahill did not deny Morrow's title when she sent her 1997 letter to George Morrow. Rather, she was outwardly declaring to the rightful owner himself the

viability of his title and fully acknowledging her subservient interest to that owner's title. This manifestation from Cahill interrupted the accrual of her claim. See *Heggen v. Marentette*, 144 N.W.2d 218, 242 (N.D.1966) (“[T]he recognition of the owner’s title by an adverse claimant interrupts the adverse possession.”); *Smith v. Vermont Marble Co.*, 99 Vt. 384, 133 A. 355, 358 (1926) (“Nothing can more effectively interrupt the running of the [adverse possession] statute than an express acknowledgment of the true owner’s title. \* \* \* This recognition of another’s title may be by acts, as well as words. So when one who was wrongfully [using another’s land] \* \* \* yields to the latter’s demands \* \* \* and offer[s] to buy the right, his adverse use is interrupted, and his claim of prescriptive right fails.”); see also *Bowen v. Serksnas*, 121 Conn.App. 503, 997 A.2d 573, 579 (2010) (“[T]he possession of one who recognizes or admits title in another, either by declaration or conduct, is not adverse to the title of such other. \* \* \* Such an acknowledgment of the owner’s title terminates the running of the statutory period, and any subsequent adverse use starts the clock anew.”) (quoting *Allen v. Johnson*, 79 Conn.App. 740, 831 A.2d 282, 286 (2003)); 3 Am.Jur.2d *Adverse Possession* § 104 at 171-72 (2002) (“Although efforts to obtain deeds from other claimants to the property do not disprove the hostile character of a possession, efforts to buy the property from the record owner constitute an acknowledgment of the record owner’s superior title, and thus disprove the adverse holding, because there has been no claim of right.”). Accordingly, applying *Picerne* to the instant facts, we hold that Cahill failed to deny George Morrow’s title by her 1997 letter, thereby halting her adverse-possession claim at that time. See *Picerne*, 122 R.I. at 92, 404 A.2d at 480.

Likewise, in *Tavares*, 814 A.2d at 351, with regard to “establishing hostility and possession under a claim of right,” we explained that “the pertinent inquiry centers on the claimants’ *objective manifestations* of adverse use rather

than on the claimants' *knowledge* that they lacked colorable legal title." (Emphases added.) Essentially, *Tavares* turned on the difference between the adverse possession claimant's "knowledge" regarding the owner's title and his "objective manifestations" thereof. In that case, the adverse-possession claimant surveyed his land and discovered "that he did not hold title to the parcels in question." *Id.* at 350. After such enlightenment, however, the claimant objectively manifested his claim of ownership to the parcels by "posting no-trespass signs, constructing stone walls, improving drainage, and wood cutting." *Id.* at 352. This Court explained that simply having knowledge that he was not the title owner of the parcels was not enough to destroy his claim of right given his objective, adverse manifestations otherwise. *Id.* at 351-52. In fact, we went so far as to state that "even when claimants know that they are nothing more than black-hearted trespassers, they can still adversely possess the property in question under a claim of right to do so if they use it openly, notoriously, and in a manner that is adverse to the true owner's rights for the requisite ten-year period." *Tavares*, 814 A.2d at 351. This statement is legally correct considering that adverse possession does not require the claimant to make "a good faith mistake that he or she had legal title to the land." 16 *Powell on Real Property* § 91.05[2] at 91-23; see 5 Restatement of the Law *Property: Servitudes* § 458, cmt. *d* at 2927 (1944) ("[I]t is not necessary in order that a use be adverse that it be made either in the belief or under a claim that it is legally justified."). However, to the extent that *Tavares's* reference to "black-hearted trespassers" suggests that this Court endorses an invade-and-conquer mentality in modern property law, we dutifully excise that sentiment from our jurisprudence.

In the case before this Court, Cahill went beyond mere knowledge that she was not the record owner by sending the offer-to-purchase letter. As distinguished from the



*Tavares* claimant who did not communicate his survey findings with anyone, Cahill's letter objectively declared the superiority of George Morrow's title to the record owner himself. See *Tavares*, 814 A.2d at 352; see also *Eddy v. Clayton*, 44 So.2d 395, 397 (Miss.1950) ("Moreover, the request of appellant to purchase the land, which was later repeated, is a pointed answer to any contention of an adverse claim, since it was an acknowledgment of a superior title and claim of [the record owner]."); *Chambers v. Bessent*, 17 N.M. 487, 134 P. 237, 240 (1913) ("It may safely be assumed as a general proposition that, if a defendant in possession of disputed territory concede[s] that the true title is in another, and offer to purchase from him, then the continuity of adverse possession is broken.") (quoting *Headerick v. Fritts*, 93 Tenn. 270, 24 S.W. 11, 12 (1893)); *Shanks v. Collins*, 782 P.2d 1352, 1355 (Okla.1989) ("A recognition by an adverse possessor that legal title lies in another serves to break the essential element of continuity of possession.").

In the face of this precedent, Cahill contends that the trial justice accurately applied the law by finding that an offer to purchase does not automatically negate a claim of right in the property. While we agree that this proposition is correct with respect to offers made in an effort to make peace in an ongoing dispute, we disagree that this proposition applies in situations, as here, where no preexisting ownership dispute is evident. For example, the trial justice and Cahill both cited *Richterberg v. Wittich Memorial Church*, 222 F.Supp. 324, 328 (W.D.Okla.1963), to support their view that an offer to purchase should not defeat an otherwise valid claim of adverse possession. However, *Richterberg* dealt with an already disputed claim and offer to compromise. *Id.* (concluding that "[a]n offer of settlement or compromise made with reference to a pending suit is not admissible in evidence" and that "[b]argaining for an outstanding claim or title does not constitute a recognition of the superiority of such claim or title"). Here, there was no dispute ongoing

when Cahill sent the 1997 letter. Her offer was not an olive branch meant to put an end to pending litigation with the Morrors. Rather, it was a clear declaration that Cahill “wanted title to the property” from the record owner. By doing so, she necessarily acknowledged that her interest in lot 19 was subservient to George Morrow’s. Likewise, the trial justice’s and Cahill’s citations to *Manning v. Gregoire*, 97 Or. 394, 191 P. 657, 658 (1920), are equally inapposite because again, unlike Cahill’s letter, the adverse possessor’s offer-to-purchase letter in *Manning* was an attempt “to buy his peace.” See also *Sanderson v. McManus*, 252 S.W.2d 351, 356 (Mo.1952) (“The fact that defendants attempted to purchase a strip 3 feet wide from plaintiffs \* \* \* might have been persuasive evidence against the claim of adverse possession in some circumstances, but is not conclusive here \* \* \*. If this were an effort to settle and adjust the controversy \* \* \* an issue of fact was presented.”). Cahill also incorrectly proffers the holding of *Branch v. Hinson*, 183 So.2d 655, 659-60 (La.Ct.App. 1966), as supporting her position. In *Branch*, after a survey was conducted on the property, “a dispute arose between the adjoining owners as to precisely where the [property] line lay.” *Id.* at 659. Although “on several occasions [the claimant] attempted to purchase the strip in controversy as a means of settling all doubt as to where the correct dividing line lay[,]” the court held that these “offers to purchase did not constitute recognition of [the record owner’s] title \* \* \*, but were merely attempts to compromise a disagreement without acknowledging or recognizing [the record owner’s] title to the land in dispute.” *Id.* at 660. Again, Cahill’s situation is distinguishable from the parties’ plight in *Branch* because there was no preexisting, ongoing dispute between Cahill and Morrow when Cahill sent the letter. Based on this caselaw, Cahill’s 1997 offer for purchase does, in fact, recognize the superior title of the record owner and arrests the accrual of her claim.

... .

As such, Cahill's cited authorities do not convince this Court that an offer to purchase does not destroy the elements of hostility and claim of right when there is no ongoing dispute or outstanding claim. Here, the 1997 letter was not an attempt to make peace with her neighbors as a way to avoid litigation. Rather, Cahill was openly and objectively manifesting direct evidence that George Morrow was the true owner of lot 19 and her interest in the property was subservient to his. This communication negates the requisite claim of right that the doctrine of adverse possession requires and interrupts the accrual of Cahill's claim. See *Heggen*, 144 N.W.2d at 242 (“[T]he recognition of the owner's title by an adverse claimant interrupts the adverse possession.”); see also *Bowen*, 997 A.2d at 579 (“Such an acknowledgment of the owner's title terminates the running of the statutory period, and any subsequent adverse use starts the clock anew.”). This Court holds as a matter of law that Cahill's 1997 letter to George Morrow was an unequivocal offer to purchase that halted her claim of adverse possession at that point.

Accordingly, the trial justice erred by considering any incidents of ownership exhibited by Cahill after the 1997 letter to George Morrow interrupted her claim. Because the “drainage control measures” were instituted in 1999 or 2000 (by Cahill's own admission), the trial justice should not have cited these acts as supporting Cahill's adverse-possession case. Likewise, if the trial justice's reference to Cahill's “maint[enance of] the property” or “improve[ment of] the property with \* \* \* other plantings” implicitly considered her reoaming and reseeding after the town installed the retaining wall and sidewalk in 2002 or her reseeding after the drainage improvements in 1999 or 2000, this reliance also was in error.

## 2. The Impact of Cahill's Offer to Purchase on her Pre-1997 Adverse-Possession Claim

Furthermore, we also conclude that the trial justice should not have assumed that even if Cahill's "inquiry is circumstantial evidence of her knowledge that George Morrow, and subsequently [Morrow], were the legal title holders of [lot] 19, that does not destroy the viability of this adverse possession claim." We agree that an offer to purchase does not automatically invalidate a claim already vested by statute, but we nonetheless hold that the objective manifestations that another has superior title, made after the statutory period and not made to settle an ongoing dispute, are poignantly relevant to the ultimate determination of claim of right and hostile possession during the statutory period. See *Harp v. Christian*, 215 Ark. 833, 223 S.W.2d 778, 779 (1949) ("It is true that an offer to purchase will not divest a title that has already become vested in the adverse claimant, but such testimony may be considered in determining the character of the possession during the statutory period."); *Okuna v. Nakahuna*, 60 Haw. 650, 594 P.2d 128, 132 n. 5 (1979) ("[A]ppellant's conduct subsequent to the expiration of the statutory period of limitations, while not enough to defeat title already acquired by adverse possession, is evidence to be considered in determining whether the prior possession of appellant was in fact hostile."); see also *First National Bank of Marshall v. Beavers*, 602 S.W.2d 327, 330 (Tex.Civ.App.1980) ("[W]here a possessor acknowledges another's superior title \* \* \* after the limitation period has been completed, such acknowledgment does not automatically destroy the title thus obtained, but it is admissible in evidence as tending to show that possession was not in fact adverse.").

Cahill's 1997 offer-to-purchase letter and the two 2002 purchase inquiries (though occurring after a time period statutorily sufficient to convey title by adverse possession) still are relevant as to whether the twenty-six years of

possession prior to 1997 were made under a claim of right. How the offer and inquiries affect the nature and character of Cahill's pre-1997 possession necessarily are questions for the fact-finder to evaluate and are not resolvable by this Court. See *Lowe v. Cox*, 210 Ark. 169, 194 S.W.2d 892, 896 (1946) (holding that "the weight to be given to such recognition [in an offer to purchase] would be a question for the jury, and the court could not declare as a matter of law that the mere fact that defendant had recognized the title of the [plaintiff] entitled plaintiff to a judgment for possession") (quoting *Shirey v. Whitlow*, 80 Ark. 444, 97 S.W. 444, 445 (1906)); *Gontbier v. Horne*, 576 A.2d 745, 748 (Me.1990) (stating that deed requests made after the statutory period "rationally could be considered indicative of the nature of [the claimant's] prior holding during the 20-year [statutory] period [that] \* \* \* [t]he Superior Court acting as the trier of fact was free to determine, as clearly it did, that this evidence indicated that [the claimant] did not possess the parcel under a claim of right during the crucial 20-year period").

### 3. Questions of Fact Remain

Despite the significant deference afforded to the trial justice's findings of fact, such findings are not unassailable. Here, we find clear error in the trial justice's conclusion that "even if somehow the expression of interest in purchasing [lot] 19, made initially in 1997, stopped the running of the ten[-]year period \* \* \* the evidence was overwhelming that [Cahill] and her predecessor in title had commenced the requisite ten-year period beginning in 1971." Given our opinion that some of Cahill's lot 19 activities cannot be considered because of the time frame of their occurrence, we disagree that the trial record can be classified as presenting "overwhelming" evidence of adverse possession.

Specifically, this Court holds that the drainage improvements and lawn reseedings that occurred after the 1997 offer-to-purchase letter cannot be used as evidence of Cahill's adverse possession. Whether the evidence remaining in the record is sufficient to constitute clear and convincing proof that Cahill perfected her claim prior to 1997 remains a question of fact. On remand, the trial justice is directed to limit his consideration to pre-1997 events and make specific determinations whether Cahill's intermittent flower and tree planting, flag flying, clothesline replacing, lawn chair and beach-paraphernalia storing, and annual party hosting are adequate. Furthermore, given our ruling today, the trial court must evaluate the nature of Cahill's and her predecessor's twenty-six-year acts of possession in the harsh light of the fact that Cahill openly manifested the existence of George Morrow's superior title on three occasions. Lastly, this Court instructs the trial court to determine the impact of Cahill's initial demand, made in the letter of January 10, 2006, from her counsel to Morrow, on the claim of right and hostility elements. Cahill's 2006 letter staked a claim only to "a 20-foot strip," less than half the area of lot 19, while the later-filed 2006 complaint declared Cahill's right to the entire parcel. How Cahill's change of heart colors the adverse nature of her possession is a question that must be addressed by the finder of fact.

....

JUSTICE FLAHERTY, dissenting.

I respectfully dissent from the holding of the majority in this case. Before setting forth my reasons for doing so, however, I take this opportunity to express my approval of the Court's scholarly opinion with respect to the origin and philosophy underpinning the doctrine of adverse possession. In summary, I agree with the majority's observations about the efficacy of adverse possession in a modern world. The doctrine is a legal anachronism

reminiscent of a time when landowners lived on or near their land and thus could observe encroachments on their property. Also, it is certainly worth noting that during the period when the adverse-possession doctrine developed, our society believed that it was in the public interest that land be used productively rather than being allowed to lie fallow. Neither of those situations is the case at present in our more mobile society. However, adverse possession remains the law in this state until the Legislature sees fit to change it.

A: The 1997 Letter

Simply put, I do not agree that the correspondence between plaintiff and defendant in which plaintiff offers to purchase defendant's interest in lot 19 is the smoking gun the majority perceives it to be. As is clear from a fair reading of plaintiff's testimony, she believed that she owned the property as a result of her longtime use of and dominion over it. But her testimony also demonstrates that she drew a crisp distinction between whatever ownership rights she may have acquired and record title, which she recognized continued to reside in the Morrrows. In my opinion, the trial justice correctly found that the "fact that the plaintiff beginning in 1997 inquired as to the Morrow's willingness to consider a sale of the lot to her may certainly show that she was aware of the Morrow's record title. That alone, however, does not negate her claim of right." In *Tavares v. Beck*, 814 A.2d 346, 351 (R.I.2003), we held that the trial justice improperly factored a party's subjective knowledge into a claim-of-right analysis. In that case, we clarified that "a claim of right to own or use property does not arise from the claimants' mistaken belief that they hold title to the land, but rather from their objective acts of ownership evidencing an intent to use and possess the premises in a manner adverse to the owner of record." *Id.* at 351-52. Further, we held that "[t]his remains true even in

a situation in which the claimants know that they do not hold record title to the property in question \* \* \*.” *Id.* at 352. Such is the case here. Therefore, the 1997 letter was not a “silver bullet,” but simply another piece of evidence that should have been, and properly was, considered by the trial justice.

Even if that letter were as significant as the majority contends, there is no doubt that it was sent after the statutory period had run. It is beyond dispute that plaintiffs correspondence could not serve to divest her of title if she had already acquired it by adverse possession. Rather, as this Court has discussed about the elements of exclusivity and claim of right, “in order for a defendant to successfully defend against an adverse possession claim of disputed land, ‘there would have to be evidence indicating that the defendants or others had made improvements to the land or, at the very least, had used the land in a more significant fashion than merely walking across it.’” *Anthony v. Searle*, 681 A.2d 892, 898 (R.I.1996) (quoting *Gammons v. Caswell*, 447 A.2d 361, 368 (R.I. 1982)). There certainly was credible evidence for the trial justice to find that plaintiff had used the property as her own for well over twenty years before she corresponded with Mr. Morrow in 1997. Further, there was a stark absence of evidence that the Morrows “used the land in a more significant fashion than merely walking across it.” *Id.* There is, in my opinion, ample support for this finding in the record, and the trial justice’s finding is not clearly wrong.

#### B: The Factual Findings

Likewise, it is my view that there is sufficient evidence in the record that plaintiffs use of the property satisfied the statutory requirements of actual, open, notorious and hostile use for a period of at least ten years. As we have said in numerous cases, to establish the requisite hostility, the adverse possessor “need only establish a use



‘inconsistent with the right of the owner without permission asked or given, \* \* \* such as would entitle the owner to a cause of action against the intruder [for trespass].’” *Tavares*, 814 A.2d at 351 (quoting 16 *Powell on Real Property*, § 91.05[1] at 91-23 (2000)). Similarly, to satisfy the requirement of open and notorious use, a claimant must demonstrate that “the use to which the land is put must be similar to that which would ordinarily be made by owners of similarly situated real estate.” *Id.* at 352 (citing *Sherman v. Goloskie*, 95 R.I. 457, 466, 188 A.2d 79, 84 (1963)). Furthermore, it is appropriate for the trial court to “tak[e] properly into account the geophysical nature of [the] land.” *Carnevale v. Dupee*, 853 A.2d 1197, 1201 (R.I.2004) (quoting *Anthony*, 681 A.2d at 898).

The majority makes much of the fact that the plaintiff’s use of the land was somewhat sporadic and seasonal in nature. However, this is consistent with how owners of a vacant lot adjoining a home in a beach area of the state would use this type of property. To this point our Court has said, “[y]ear-round occupation is not required to prove actual and continuous possession.” *Lee v. Raymond*, 456 A.2d 1179, 1183 (R.I.1983). And, this Court also has held “that in determining whether there has been actual possession of property, there must be considered its character and locality, and the uses and purposes for which it is naturally adapted \* \* \*.” *Sherman*, 95 R.I. at 466, 188 A.2d at 84 (quoting *Goen v. Sansbury*, 219 Md. 289, 149 A.2d 17, 21-22 (1959)). There was uncontradicted testimony that the plaintiff cut the grass, planted flowers, improved the flower beds, and entertained on the property. This is entirely compatible with the type of use that would be expected of the owner of unimproved land. Moreover, this Court repeatedly has made the statement that “[c]ultivating land, planting trees, and making other improvements in such a manner as is usual for comparable land have been successfully relied on as proof of the required possession.”

*Acampora v. Pearson*, 899 A.2d 459, 467 (R.I. 2006) (quoting *Anthony*, 681 A.2d at 898).

I realize that because he discounted the legal effect of the 1997 letter from the plaintiff to the defendant inquiring about a possible sale of the property, the trial justice referred to some improvements that were made after the letter was sent. But, even discounting that consideration, the trial justice found “overwhelming evidence” that the plaintiff had exercised dominion over lot 19 as an owner would for well in excess of ten years.<sup>6</sup> Viewing this case through the prism of our deferential standard of review, I am unable to conclude that the trial justice was clearly wrong when he found that the plaintiffs use of that land for a period exceeding two decades met the legal requirements to establish that she had acquired lot 19 by adverse possession. I therefore would affirm the judgment of the Superior Court.

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<sup>6</sup> It is true that the trial justice did not make use of the terms “strict proof” or “clear and convincing evidence” in his decision, but to me, evidence that is found to be “overwhelming” easily surpasses that criteria.

## Problems

1. Is tacking likely to be an important issue on remand in *Gobble*?
2. How was the “open and notorious” element proved in *Gobble*?  
How could it be proved in *Cabill*?
3. Explain, succinctly, the difference between the “clear error” standard and the “clear and convincing evidence” standard.
4. If the Browns had granted the Gobbles permission to maintain the strip as soon as they discovered the error, would the Gobbles still have an AP claim? Why or why not?

## Answers

1. Is tacking likely to be an important issue on remand in *Gobble*?

See fn. 7. Because all of the evidence goes to the satisfaction of the elements beginning as far back as 1937 by the Blevins, adverse possession was almost certainly established before the Gobbles even acquired the property. Tacking is the adding of the period of one adverse possessor’s possession of property to that of the possessor’s successor in order to meet the statutory period. That wouldn’t be necessary here if the Blevins adversely possessed for the necessary period. Remember, once you meet the elements for the statutory period, the property is yours. No formal act need be done. We can’t be absolutely certain that tacking is irrelevant to this case, because the court sent the case back down to the trial court for either a more detailed discussion of its decision or the taking of more evidence. Thus, tacking may well become a live issue. It’s important to note, though, that tacking wasn’t really relevant to the WVa Supreme Court’s decision.

2. How was the “open and notorious” element proved in *Gobble*?  
How could it be proved in *Cabill*?

Straight from the case. The Gobbles called witnesses, including the Fletchers and the Gobbles, who testified that the reputation in the community was that the strip belonged

to the Blevins/Fletchers/Gobbles. How might this be done in *Cabill*?

3. Explain, succinctly, the difference between the “clear error” standard and the “clear and convincing evidence” standard.

Clear error is the standard of review that appellate courts typically apply on reviewing individual findings of fact by a trial court. Unless the appellate court, reviewing only the cold record, finds clear error, they will uphold a factual finding even if it seems like it’s probably wrong. (Remember the dead fish standard from the *Gobble* case.) The clear and convincing evidence standard is a standard of proof that a litigant must meet in order establish a fact in the trial court. As we saw, this standard, rather than the usual “preponderance standard,” which means 50% plus a scintilla, must be met when proving adverse possession.

4. If the Browns had granted the Gobbles permission to maintain the strip as soon as they discovered the error, would the Gobbles still have an AP claim? Why or why not?

Though further facts will be developed on remand, it’s almost certainly true that the Gobbles’ AP claim doesn’t depend on their having met the AP elements during their own period of possession. If there was AP, it very likely occurred back when the Blevins owned the land. Since AP already occurred, permission from the Browns was irrelevant. Yes, normally permission defeats AP, but that’s not true if AP has already occurred, meaning the statutory period has already passed, at the time permission is granted.

**Carpenter v. Ruperto, 315 N.W.2d 782 (Iowa 1982).**

James R. Bowers, Jr. and Keith E. Uhl of Scalise, Scism, Gentry, Brick & Brick, Des Moines, for appellant.

John D. Hudson and Timothy R. Williams of Carney, Hudson, Williams & Green, Des Moines, for appellees.

Considered by UHLENHOPP, P. J., and McCORMICK,  
ALLBEE, LARSON, and SCHULTZ, JJ.

McCORMICK, JUSTICE

Plaintiff Virginia Carpenter appeals from an adverse decree in her action to quiet title to land adjacent to her residential premises based on a theory of adverse possession. Defendants Charles L. Ruperto, Edith C. Ruperto, and Tom McCormick cross-appeal from a portion of the decree awarding plaintiff limited relief on equitable grounds. We affirm on the merits of the appeal and dismiss the cross-appeal for want of jurisdiction.

The determinative question on the appeal is whether the trial court misinterpreted the law governing the claim of right element in finding plaintiff failed to carry her burden of proof. The determinative question on the cross-appeal is whether it was timely.

Because the case was tried in equity, we find the facts anew. The evidence is largely undisputed.

Plaintiff and her husband moved in 1951 to a home which they purchased in southeast Des Moines. Plaintiff's husband subsequently died, but plaintiff has lived on the premises continuously. Her lot has a frontage of 40 feet and is 125 feet long. It is legally described as:

Lot One Hundred Forty-Four (144) in  
Gray's Subdivision of Lots Fifty (50)  
and Sixty-Two (62) in BROOKS AND  
COMPANY, an Addition, now  
included in and forming a part of the  
City of Des Moines, Iowa.

A larger undeveloped lot bounded plaintiff's property to the north. It is described as:

The East 125 Feet of the North 474  
Feet of Lot Sixty-Two (62) in

BROOKS AND COMPANY'S  
ADDITION TO THE CITY OF  
DES MOINES, now included in and  
forming a part of the City of Des  
Moines, Iowa.

Defendants and their predecessors have held record title to this lot at all material times.

The property which plaintiff claims to have acquired by adverse possession is the south 60 feet of defendants' lot. Thus, the property in dispute is a 60 by 125 foot parcel adjacent to the north boundary of plaintiff's lot.

When plaintiff and her husband moved into their home in July 1951, the lot north of their property was a cornfield. Although plaintiff was not certain of the location of the northern boundary of her lot, she knew her lot's dimensions, and she knew it did not include the cornfield. In 1952 the corn was not planted as far south on the adjacent lot. Concerned about rats and the threat of fire, and desiring additional yard for their children, plaintiff and her husband cleared several feet of the property to the north, graded it, and planted grass seed on it. Since that time plaintiff has used the land as an extension of her yard. She planted peony bushes on it during the 1950's, installed a propane tank on it approximately 30 feet north of her lot in 1964, constructed a dirt bank on the city right of way to divert water from that parcel in 1965, and put in a driveway infringing five feet onto the land in 1975.

The remainder of defendants' lot was planted in corn until approximately 1957. The lot was owned by Abraham and Beverly Rosenfeld from July 1960 until February 1978. During that period the only use Rosenfelds made of the property was to store junk and debris on it. Except for the strip used by plaintiff, the lot was overgrown with brush and weeds. The Rosenfelds paid all taxes and special assessments on the property. Plaintiff and her husband at

one time obtained the Rosenfelds' permission to keep a horse on the lot. On one occasion in the 1960's plaintiff examined the plat of defendants' lot in the courthouse to see if it ran all the way to a street to the north.

When defendant McCormick purchased his interest in the lot in 1978, he was aware of the possibility of a boundary dispute because of the location of plaintiff's propane tank and driveway. He and the other defendants were unsuccessful in their efforts to settle the dispute with plaintiff, who subsequently brought this action.

In seeking to establish her ownership of the disputed parcel, plaintiff alleged she had "for more than thirty (30) years last past been in open, exclusive, hostile, adverse and actual possession under claim of right." The trial court held in part that she did not establish her possession was under a claim of right. The court reasoned that a claim of right must be made in good faith and that plaintiff was not in good faith because she knew someone else had title to the land. Although the court found plaintiff had not proved her claim of adverse possession, it ordered defendants to "do equity" by deeding to her the strip of land her driveway was on and to pay the costs of moving the propane tank to her lot. The appeal and cross-appeal followed.

#### I. The appeal.

The doctrine of adverse possession is based on the ten-year statute of limitations for recovery of real property in section 614.1(5), The Code. One claiming title by adverse possession must establish hostile, actual, open, exclusive and continuous possession, under a claim of right or color of title, for at least ten years, by clear and positive proof. Because the law presumes possession under regular title, the doctrine is strictly construed. These and other governing principles are explained in *I-80 Associates, Inc. v. Chicago, Rock Island and Pacific Railroad*, 224 N.W.2d 8, 10-11 (Iowa 1974).

As permitted, plaintiff relied on claim of right rather than color of title. In contending the trial court erred in finding she failed in her proof of this element, she attacks the viability of the principal case relied on by the trial court, *Goulding v. Shonquist*, 159 Iowa 647, 141 N.W. 24 (1913). Its facts are analogous to those here.

In *Goulding* the individual also cleared land adjacent to his house. The land was overrun with brush and willows and was frequented by hunters. After clearing it, the individual used the land as a pasture and garden. In finding he did not establish good faith claim of right, the court said:

When he moved into his present property, the lands in question were objectionable because they were frequented by hunters, and for that reason he and his wife thought they ought to clear them up. He says he supposed they were part of the old river bed or waste land upon which anyone could enter. No other facts are offered by defendant as a reason for entering into the possession of the land at that time. Whether the title to the land was in the state or some other person, the defendant knew that he had no title and that he had no claim of title, and no right whatever to enter into the possession, and his possession was not in good faith for that reason.

*Id.* at 651, 141 N.W. at 25. The court quoted a statement from *Litchfield v. Sewell*, 97 Iowa 247, 251, 66 N.W. 104, 106 (1896), that “that there can be no such thing as adverse possession where the party knows he has no title, and that, under the law, he can acquire none by his occupation.”

Plaintiff argues that it is inconsistent to say ownership can be acquired by claim of right as an alternative to color of



title and at the same time say ownership cannot be acquired by a person who knows he does not have title. She also argues that the good faith requirement was eliminated by the court's decision in *I-80 Associates, Inc.* Although we agree it is an overstatement to say ownership cannot be acquired by a person who knows he does not have title, plaintiff is incorrect in her argument that good faith is not an essential component of claim of right. Moreover, we agree with the trial court that plaintiff did not prove this element of her adverse possession claim.

The overbreadth of the statement that title cannot be obtained through adverse possession by one who knows he has no title is demonstrated in *Litchfield*, *Goulding* and subsequent decisions. In *Litchfield* the court rejected the adverse possession claim of a person in possession of land under a quitclaim deed from a squatter. In finding an absence of good faith, the court noted the adverse possession doctrine "has no application to one who actually knows that he has no claim, or title, or right to a title." 97 Iowa at 250, 66 N.W. at 106. Under this holding a mere squatter or one who claims under a squatter cannot have a good faith claim of right to the property, but mere knowledge by the person that he has no title is not preclusive. A claim of right by a squatter is a false claim. To permit a squatter to assert a claim of right would put a premium on dishonesty. See 4 H. Tiffany, *Real Property* s 1147 at 792 (3d ed. 1975). One of the main purposes of the claim of right requirement is "to bar mere squatters from the benefits of adverse possession."<sup>7</sup> R. Powell, *Real Property* P 1015 (Rohan ed. 1981).

As in *Litchfield*, the possessor in *Goulding* not only knew that he had no title but that he had no claim of title or any right to enter into possession of the property. He was a mere squatter.

Knowledge of a defect in title is not alone sufficient to preclude proof of good faith:

One is not deprived of the benefit of the statute of limitations merely because his claim of right is unenforceable or his title is known to be defective. The doctrine of adverse possession presupposes a defective title. It is not based on, but is hostile to, the true title. If the statute were to run only in favor of a valid title, it would serve no purpose. The holder of such a title has no need to invoke the statute. Where bad faith is held to negative an alleged claim of right, it is only another way of saying that such claim has been disproved.

Creel v. Hammans, 234 Iowa 532, 535, 13 N.W.2d 305, 307 (1944).

Nevertheless, when knowledge of lack of title is accompanied by knowledge of no basis for claiming an interest in the property, a good faith claim of right cannot be established. For example, a mere exchange of quitclaim deeds by persons who know legal title is in another will not support a claim of right:

It is evident the claim and possession of George C. Abel could not have been in good faith. There was no reason why he and his brother should believe they had any right to divide and apportion between themselves the real estate of their father while he was an insane patient in the state hospital. They must be held to have known the quitclaim deeds they exchanged gave them no title. At best, they proceeded upon what proved to be an unfounded assumption that their father would never be discharged from the adjudication of insanity. No claim of ownership by adverse possession will be sustained upon such a

foundation. Plaintiff's position at this point does not appeal to a court of equity.

Abel v. Abel, 245 Iowa 907, 920, 65 N.W.2d 68, 75 (1954).

The good faith requirement was not an issue in I-80 Associates, Inc. The discussion of claim of right in that case concerned mode of proof and did not include a comprehensive definition of the element. See 224 N.W.2d at 11. The requirement of good faith was implicitly reaffirmed in a subsequent case, Pearson v. City of Guttenberg, 245 N.W.2d 519, 532 (Iowa 1976). We now confirm that good faith, as explained in this case, is essential to adverse possession under a claim of right.

We believe plaintiff failed to prove a good faith claim of right in the present case. She knew her lot did not include the cornfield north of it. She knew someone else had title to it and she had no interest in it or claim to it. This is not a case of confusion or mistake. At the time she entered possession of the disputed land, plaintiff knew she had no legal right to do so. To say that one can acquire a claim of right by merely entering possession would recognize squatter's rights. Possession for the statutory period cannot be bootstrapped into a basis for claiming a right to possession.

We hold that the trial court was right in rejecting plaintiff's claim.

## II. The cross-appeal.

Under Iowa R.App. 5(a), a "cross-appeal may be taken within the thirty days for taking an appeal or in any event within five days after the appeal is taken." Defendants did not take their cross-appeal within the thirty days for taking an appeal. Nor did they take their cross-appeal within five days after plaintiff filed her notice of appeal with the clerk of the district court. They argue, however, that the rule should be interpreted to allow a cross-appeal within five

days after receipt of a copy of the notice of appeal. They provided an affidavit to show their cross-appeal was taken within five days after their attorney received a copy of the notice of appeal in the mail.

The rule is not susceptible to the interpretation urged by defendants. The five-day period commences when an appeal is “taken.” Under rule 6(a), the appeal is “taken and perfected by filing a notice with the clerk of court where the order, judgment or decree was entered, signed by appellant or his attorney.” Therefore the five-day period began on the date the notice of appeal was filed with the clerk, and the cross-appeal was taken too late. Compliance with the time limitations for taking a cross-appeal is mandatory and jurisdictional. See *Hogan v. Chesterman*, 279 N.W.2d 12 (Iowa 1979). Because the cross-appeal was untimely, we did not acquire jurisdiction of it, and it must be dismissed.

AFFIRMED ON THE APPEAL; DISMISSED ON THE CROSS-APPEAL.

**Howard v. Kunto, 477 P.2d 210 (Ct. App. Wash 1970).**

GLENN E. CORREA, SHELTON, FOR APPELLANT.

R. F. DOTSCH, PHILIP W. RICHARDSON, OLYMPIA, FOR RESPONDENT.

PEARSON, JUDGE.

Land surveying is an ancient art but not one free of the errors that often creep into the affairs of men. In this case, we are presented with the question of what happens when the descriptions in deeds do not fit the land the deed holders are occupying. Defendants appeal from a decree quieting title in the plaintiffs of a tract of land on the shore of Hood Canal in Mason County.

At least as long ago as 1932 the record tells us that one McCall resided in the house now occupied by the appellant-defendants, Kunto. McCall had a deed that described a 50-

foot-wide parcel on the shore of Hood Canal. The error<sup>1</sup> that brings this case before us is that 50 feet described in the deed is not the same 50 feet upon which McCall's house stood. Rather, the described land is an adjacent 50-foot lot directly west of that upon which the house stood. In other words, McCall's house stood on one lot and his deed described the adjacent lot.<sup>2</sup> Several property owners to the west of defendants, not parties to this action, are similarly situated.

Over the years since 1946, several conveyances occurred, using the same legal description and accompanied by a transfer of possession to the succeeding occupants. The Kuntos' immediate predecessors in interest, Millers, desired to build a dock. To this end, they had a survey performed which indicated that the deed description and the physical occupation were in conformity. Several boundary stakes were placed as a result of this survey and the dock was constructed, as well as other improvements. The house as well as the others in the area continued to be used as summer recreational retreats.

The Kuntos then took possession of the disputed property under a deed from the Millers in 1959. In 1960 the respondent-plaintiffs, Howard, who held land east of that of the Kuntos, determined to convey an undivided one-half interest in their land to the Yearlys. To this end, they

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<sup>1</sup> Plaintiff's survey, the validity of which is challenged by defendant, demonstrates the error.

<sup>2</sup> Defendant's deed and chain of title purported to convey

The West fifth (50) feet of the East two hundred (200) feet of Government Lot two (2), Section nineteen (19); and the West fifty (50) feet of the East two hundred (200) feet of Government Lot one (1), Section thirty (30); all in Township twenty-two (22), North, of Range two (2) West, W.M.; ...

The land defendants and their predecessors occupied, according to the survey, was the 'West 50 feet of the east 150 feet of Government Lot 2, in Section 19, Township 22 North, of Range 2 West of W.M. ...

undertook to have a survey of the entire area made. After expending considerable effort, the surveyor retained by the Howards discovered that according to the government survey, the deed descriptions and the land occupancy of the parties did not coincide. Between the Howards and the Kuntos lay the Moyers' property. When the Howards' survey was completed, they discovered that they were the record owners of the land occupied by the Moyers and that the Moyers held record title to the land occupied by the Kuntos. Howard approached Moyer and in return for a conveyance of the land upon which the Moyers' house stood, Moyer conveyed to the Howards record title to the land upon which the Kunto house stood. Until plaintiffs Howard obtained the conveyance from Moyer in April, 1960, neither Moyer nor any of his predecessors ever asserted any right to ownership of the property actually being possessed by Kunto and his predecessors. This action was then instituted to quiet title in the Howards and Yearlys. The Kuntos appeal from a trial court decision granting this remedy.

At the time this action was commenced on August 19, 1960,<sup>3</sup> defendants had been in occupance of the disputed property less than a year. The trial court's reason for denying their claim of adverse possession is succinctly stated in its memorandum opinion: "In this instance, defendants have failed to prove, by a preponderance of the evidence, a continuity of possession or estate to permit tacking of the adverse possession of defendants to the possession of their predecessors."

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<sup>3</sup> The inordinate delay in bringing this matter to trial appears from the record to be largely inexcusable. However, neither counsel who tried the case was at fault in any way. We have intentionally declined to consider defendant's motion (probably well founded) to dismiss this case for want of prosecution (Rules of Pleading, Practice and Procedure 41.04W (1950)) for the reason that a new trial of the same issues would be inevitable and in light of our disposition of the case on the merits, defendants are not prejudiced by disregarding the technical grounds.

Finding of fact 6,<sup>4</sup> which is challenged by defendants, incorporates the above concept and additionally finds defendant's possession not to have been "continuous" because it involved only "summer occupancy."

Two issues are presented by this appeal:

(1) Is a claim of adverse possession defeated because the physical use of the premises is restricted to summer occupancy?

(2) May a person who receives record title to tract A under the mistaken belief that he has title to tract B (immediately contiguous to tract A) and who subsequently occupies tract B, for the purpose of establishing title to tract B by adverse possession, use the periods of possession of tract B by his immediate predecessors who also had record title to tract A?

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<sup>4</sup> "In the instant case the defendants' building was not simply over the line, but instead was built wholly upon the wrong piece of property, not the property of defendants, described in Paragraph Four (4) of the complaint herein, but on the property of plaintiffs, described in Paragraph Three of the complaint and herein. That the last three deeds in the chain of title, covering and embracing defendants' property, including defendants' deed, were executed in other states, specifically, California and Oregon. And there is no evidence of pointing out to the grantees in said three deeds, aforesaid, including defendants' deed, of any specific property, other than the property of defendants, described in their deed, and in Paragraph Four (4) of the complaint, and herein; nor of any immediate act of the grantees, including defendants, in said Three (3) deeds, aforesaid, of taking possession of any property, other than described in said three (3) deeds, aforesaid; and the testimony of husband, defendant, was unequivocally that he had no intention of possessing or holding anything other than what the deed called for; and, that there is no showing of any continuous possession by defendants or their immediate predecessors in interest, since the evidence indicates the property was in the nature, for us, as a summer occupancy, and such occupancy and use was for rather limited periods of time during comparatively short portions of the year, and was far from continuous."

In approaching both of these questions, we point out that the evidence, largely undisputed in any material sense, established that defendant or his immediate predecessors did occupy the premises, which we have called tract B, as though it was their own for far more than the 10 years as prescribed in RCW 4.16.020.<sup>5</sup>

We also point out that findings of fact is not challenged for its factual determinations but for the conclusions contained therein to the effect that the continuity of possession may not be established by summer occupancy, and that a predecessor's possession may not be tacked because a legal 'claim of right' did not exist under the circumstances.

We start with the oft-quoted rule that:

(I)o constitute adverse possession, there must be actual possession which is uninterrupted, open and notorious, hostile and exclusive, and under a Claim of right made in good faith for the statutory period.

(Italics ours.) *Butler v. Anderson*, 71 Wash.2d 60, 64, 426 P.2d 467, 470 (1967). *Also see Fadden v. Purvis*, 77 Wash.Dec.2d 22, 459 P.2d 385 (1969) and cases cited therein.

We reject the conclusion that summer occupancy only of a summer beach home destroys the continuity of possession required by the statute. It has become firmly established that the requisite possession requires such possession and

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<sup>5</sup> This statute provides:

(4.16.020) Actions to be commenced within ten years. The period prescribed in RCW 4.16.010 for the commencement of actions shall be as follows: "Within ten years; Actions for the recovery of real property, or for the recovery of the possession thereof; and no action shall be maintained for such recovery unless it appears that the plaintiff, his ancestor, predecessor or grantor was seized or possessed of the premises in question within ten years before the commencement of the action."



dominion ‘as ordinarily marks the conduct of owners in general in holding, managing, and caring for property of like nature and condition.’ *Whalen v. Smith*, 183 Iowa 949, 953, 167 N.W. 646, 647 (1918). *Also see Mesher v. Connolly*, 63 Wash.2d 552, 388 P.2d 144 (1964); *Skoog v. Seymour*, 29 Wash.2d 355, 187 P.2d 304 (1947); *Butler v. Anderson, Supra*; *Fadden v. Purvis, Supra*.

We hold that occupancy of tract B during the summer months for more than the 10-year period by defendant and his predecessors, together with the continued existence of the improvements on the land and beach area, constituted ‘uninterrupted’ possession within this rule. To hold otherwise is to completely ignore the nature and condition of the property. *See Fadden v. Purvis, Supra*.

We find such rule fully consonant with the legal writers on the subject. In F. Clark, *Law of Surveying and Boundaries*, s 561 (3d ed. 1959) at 565: “Continuity of possession may be established although the land is used regularly for only a certain period each year.” Further, at 566:

This rule (which permits tacking) is one of substance and not of absolute mathematical continuity, provided there is no break so as to sever two possessions. It is not necessary that the occupant should be actually upon the premises continually. If the land is occupied during the period of time during the year it is capable of use, there is sufficient continuity.

We now reach the question of tacking. The precise issue before us is novel in that none of the property occupied by defendant or his predecessors coincided with the property described in their deeds, but was contiguous.

In the typical case, which has been subject to much litigation, the party seeking to establish title by adverse

possession claims More land than that described in the deed. In such cases it is clear that tacking is permitted.

In *Buchanan v. Cassell*, 53 Wash.2d 611, 614, 335 P.2d 600, 602 (1959) the Supreme Court stated:

This state follows the rule that a purchaser may tack the adverse use of its predecessor in interest to that of his own where the land was intended to be included in the deed between them, but was mistakenly omitted from the description.

*El Cerrito, Inc. v. Ryndak*, 60 Wash.2d 847, 376 P.2d 528 (1962).

The general statement which appears in many of the cases is that tacking of adverse possession is permitted if the successive occupants are in 'privity.' See *Faubion v. Elder*, 49 Wash.2d 300, 301 P.2d 153 (1956). The deed running between the parties purporting to transfer the land possessed traditionally furnishes the privity of estate which connects the possession of the successive occupants. Plaintiff contends, and the trial court ruled, that where the deed does not describe Any of the land which was occupied, the actual transfer of possession is insufficient to establish privity.

To assess the cogency of this argument and ruling, we must turn to the historical reasons for requiring privity as a necessary prerequisite to tacking the possession of several occupants. Very few, if any, of the reasons appear in the cases, nor do the cases analyze the relationships that must exist between successive possessors for tacking to be allowed. See W. Stoebuck, *The Law of Adverse Possession In Washington* in 35 Wash.L.Rev. 53 (1960).

The requirement of privity had its roots in the notion that a succession of trespasses, even though there was no

appreciable interval between them, should not, in equity, be allowed to defeat the record title. The 'claim of right,' 'color of title' requirement of the statutes and cases was probably derived from the early American belief that the squatter should not be able to profit by his trespass.<sup>66</sup>

However, it appears to this court that there is a substantial difference between the squatter or trespasser and the property purchaser, who along with several of his neighbors, as a result of an inaccurate survey or subdivision,<sup>27</sup> occupies and improves property exactly 50 feet to the east of that which a survey some 30 years later demonstrates that they in fact own. It seems to us that there is also a strong public policy favoring early certainty as to the location of land ownership which enters into a proper interpretation of privity.

On the irregular perimeters of Puget Sound exact determination of land locations and boundaries is difficult and expensive. This difficulty is convincingly demonstrated in this case by the problems plaintiff's engineer encountered in attempting to locate the corners. It cannot be expected that every purchaser will or should engage a surveyor to ascertain that the beach home he is purchasing lies within the boundaries described in his deed. Such a practice is neither reasonable nor customary. Of course, 50-foot errors in descriptions are devastating where a group of adjacent owners each hold 50 feet of waterfront property.

The technical requirement of 'privity' should not, we think, be used to upset the long periods of occupancy of those who in good faith received an erroneous deed description. Their 'claim of right' is no less persuasive than the

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<sup>66</sup> The English common law does not require privity as a prerequisite for tacking. See F. Clark, *Law of Surveying and Boundaries*, s 561 (3d ed. 1959) at 568.

<sup>27</sup> Defendants' deed and chain of title had an alternate description referring to an unrecorded plat called the Navy Yard Additions 1 and 2.

purchaser who believes he is purchasing More land than his deed described.

In the final analysis, however, we believe the requirement of 'privity' is no more than judicial recognition of the need for some reasonable connection between successive occupants of real property so as to raise their claim of right above the status of the wrongdoer or the trespasser. We think such reasonable connection exists in this case.

Where, as here, several successive purchasers received record title to tract A under the mistaken belief that they were acquiring tract B, immediately contiguous thereto, and where possession of tract B is transferred and occupied in a continuous manner for more than 10 years by successive occupants, we hold there is sufficient privity of estate to permit tacking and thus establish adverse possession as a matter of law.

We see no reason in law or in equity for differentiating this case from *Faubion v. Elder*, 49 Wash.2d 300, 301 P.2d 153 (1956) where the appellants were claiming More land than their deed described and where successive periods of occupation were allowed to be united to each other to make up the time of adverse holding. To the same effect *See Naher v. Farmer*, 60 Wash. 600, 111 P. 768 (1910), and cases cited therein; *Buchanan v. Cassell*, 53 Wash.2d 611, 335 P.2d 600 (1959) and cases cited therein; *El Cerrito, Inc. v. Ryndak*, 60 Wash.2d 847, 376 P.2d 528 (1962); See 17 A.L.R.2d 1128 (1951). This application of the privity requirement should particularly pertain where the holder of record title to tract B acquired the same with knowledge of the discrepancy.

Judgment is reversed with directions to dismiss plaintiffs' action and to enter a decree quieting defendants' title to the disputed tract of land in accordance with the prayer of their cross-complaint.

**ARMSTRONG, P.J., and PETRIE, J., concur.**

**Nome 2000 v. Fagerstrom, 799 P.2d 304 (Alaska 1990)**

Constance Cates Ringstad, Paul A. Barrett, Call, Barrett & Burbank, Fairbanks, for appellants.

Jon R. Larson, Larson, Timbers & Van Winkle, Inc., Nome, for appellees.

Before MATTHEWS, C.J., and RABINOWITZ, BURKE, COMPTON and MOORE, JJ.

MATTHEWS, CHIEF JUSTICE.

This appeal involves a dispute over a tract of land measuring approximately seven and one-half acres, overlooking the Nome River (hereinafter the disputed parcel).<sup>1</sup> Record title to a tract of land known as mineral survey 1161, which includes the disputed parcel, is held by Nome 2000.

On July 24, 1987, Nome 2000 filed suit to eject Charles and Peggy Fagerstrom from the disputed parcel. The Fagerstroms counterclaimed that through their use of the parcel they had acquired title by adverse possession.

A jury trial ensued and, at the close of the Fagerstroms' case, Nome 2000 moved for a directed verdict on two grounds. First, it maintained that the Fagerstroms' evidence of use of the disputed parcel did not meet the requirements of the doctrine of adverse possession. Alternatively, Nome 2000 maintained that the requirements for adverse possession were met only as to the northerly section of the parcel and, therefore, the Fagerstroms could not have acquired title to the remainder. The trial court denied the motion. After Nome 2000 presented its case, the jury found that the Fagerstroms had adversely possessed the entire parcel. The court then entered judgment in favor of the Fagerstroms.

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<sup>1</sup> A diagram of the disputed parcel is attached as an appendix to this opinion.

On appeal, Nome 2000 contests the trial court's denial of its motion for a directed verdict and the sufficiency of the evidence in support of the jury verdict. It also challenges two evidentiary rulings made by the trial court and the trial court's award of attorney's fees to the Fagerstroms.

#### I. FACTUAL BACKGROUND<sup>2</sup>

The disputed parcel is located in a rural area known as Osborn. During the warmer seasons, property in Osborn is suitable for homesites and subsistence and recreational activities. During the colder seasons, little or no use is made of Osborn property.

Charles Fagerstrom's earliest recollection of the disputed parcel is his family's use of it around 1944 or 1945. At that time, he and his family used an abandoned boy scout cabin present on the parcel as a subsistence base camp during summer months. Around 1947 or 1948, they moved their summer campsite to an area south of the disputed parcel. However, Charles and his family continued to make seasonal use of the disputed parcel for subsistence and recreation.

In 1963, Charles and Peggy Fagerstrom were married and, in 1966, they brought a small quantity of building materials to the north end of the disputed parcel. They intended to build a cabin.

In 1970 or 1971, the Fagerstroms used four cornerposts to stake off a twelve acre, rectangular parcel for purposes of a

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<sup>2</sup> Because Nome 2000 challenges the trial court's denial of its motion for a directed verdict, and the sufficiency of the evidence underlying the jury verdict, we are constrained to view the evidence in a light most favorable to the Fagerstroms. See *Kavorkian v. Tommy's Elbow Room, Inc.*, 694 P.2d 160, 163 (Alaska 1985); *Levar v. Elkins*, 604 P.2d 602, 603 (Alaska 1980). Our statement of the facts is made from this viewpoint.

Native Allotment application.<sup>3</sup> The northeast and southeast stakes were located on or very near mineral survey 1161. The northwest and southwest stakes were located well to the west of mineral survey 1161. The overlap constitutes the disputed parcel. The southeast stake disappeared at an unknown time.

Also around 1970, the Fagerstroms built a picnic area on the north end of the disputed parcel. The area included a gravel pit, beachwood blocks as chairs, firewood and a 50-gallon barrel for use as a stove.

About mid-July 1974, the Fagerstroms placed a camper trailer on the north end of the disputed parcel. The trailer was leveled on blocks and remained in place through late September. Thereafter, until 1978, the Fagerstroms parked their camper trailer on the north end of the disputed parcel from early June through September. The camper was equipped with food, bedding, a stove and other household items.

About the same time that the Fagerstroms began parking the trailer on the disputed parcel, they built an outhouse and a fish rack on the north end of the parcel. Both fixtures remained through the time of trial in their original locations.<sup>4</sup> The Fagerstroms also planted some spruce trees, not indigenous to the Osborn area, in 1975-76.

During the summer of 1977, the Fagerstroms built a reindeer shelter on the north end of the disputed parcel.

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<sup>3</sup> Federal law authorizes the Secretary of the Interior to allot certain non-mineral lands to Native Alaskans. See Act of May 17, 1906, 34 Stat. 197, as amended, Act of August 2, 1956, 70 Stat. 954; repealed by the Alaska Native Claims Settlement Act, § 18, with a savings clause for applications pending on December 18, 1971, 43 U.S.C. § 1617(a) (1982); modified by the Alaska National Interest Lands Conservation Act, § 905, 43 U.S.C. § 1634 (1982). As a result of her application, Peggy was awarded two lots (lots 3 and 12) which border the disputed parcel along its western boundary. (See Appendix.)

<sup>4</sup> The outhouse was blown over one winter by strong winds, but was re-erected the following summer with additional supports.

The shelter was about 8x8 feet wide, and tall enough for Charles Fagerstrom to stand in. Around the shelter, the Fagerstroms constructed a pen which was 75 feet in diameter and 5 feet high. The shelter and pen housed a reindeer for about six weeks and the pen remained in place until the summer of 1978.

During their testimony, the Fagerstroms estimated that they were personally present on the disputed parcel from 1974 through 1978, “every other weekend or so” and “[a] couple times during the week ... if the weather was good.” When present they used the north end of the parcel as a base camp while using the entire parcel for subsistence and recreational purposes. Their activities included gathering berries, catching and drying fish and picnicking. Their children played on the parcel. The Fagerstroms also kept the property clean, picking up litter left by others.

While so using the disputed parcel, the Fagerstroms walked along various paths which traverse the entire parcel. The paths were present prior to the Fagerstroms’ use of the parcel and, according to Peggy Fagerstrom, were free for use by others in connection with picking berries and fishing. On one occasion, however, Charles Fagerstrom excluded campers from the land. They were burning the Fagerstroms’ firewood.

Nome 2000 placed into evidence the deposition testimony of Dr. Steven McNabb, an expert in anthropology, who stated that the Fagerstroms’ use of the disputed parcel was consistent with the traditional Native Alaskan system of land use. According to McNabb, unlike the non-Native system, the traditional Native system does not recognize exclusive ownership of land. Instead, customary use of land, such as the Fagerstroms’ use of the disputed parcel, establishes only a first priority claim to the land’s resources. The claim is not exclusive and is not a matter of ownership, but is more in the nature of a stewardship. That is, other members of the claimant’s social group may share in the



resources of the land without obtaining permission, so long as the resources are not abused or destroyed. McNabb explained that Charles' exclusion of the campers from the land was a response to the campers' use of the Fagerstroms' personal property (their firewood), not a response to an invasion of a perceived real property interest.<sup>5</sup>

Nevertheless, several persons from the community testified that the Fagerstroms' use of the property from 1974 through 1977 was consistent with that of an owner of the property. For example, one Nome resident testified that since 1974 "[the Fagerstroms] cared for [the disputed parcel] as if they owned it. They made improvements on it as if they owned it. It was my belief that they did own it."

During the summer of 1978, the Fagerstroms put a cabin on the north end of the disputed parcel. Nome 2000 admits that from the time that the cabin was so placed until the time that Nome 2000 filed this suit, the Fagerstroms adversely possessed the north end of the disputed parcel. Nome 2000 filed its complaint on July 24, 1987.

## II. DISCUSSION

### A.

The Fagerstroms' claim of title by adverse possession is governed by AS 09.10.030, which provides for a ten-year limitations period for actions to recover real property.<sup>6</sup> Thus, if the Fagerstroms adversely possessed the disputed parcel, or any portion thereof, for ten consecutive years, then they have acquired title to that property. See *Hubbard*

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<sup>5</sup> However, Charles Fagerstrom testified that when he excluded the campers he felt that they were "on our property." He also testified that during the mid to late 70's he would have "frown[ed]" upon people camping on "my property."

<sup>6</sup> A seven-year period is provided for by AS 09.25.050 when possession is under "color and claim of title." The Fagerstroms do not maintain that their possession was under color of title.

*v. Curtis*, 684 P.2d 842, 849 (Alaska 1984) (“[T]itle automatically vests in the adverse possessor at the end of the statutory period.”). Because the Fagerstroms’ use of the parcel increased over the years, and because Nome 2000 filed its complaint on July 24, 1987, the relevant period is July 24, 1977 through July 24, 1987.

We recently described the elements of adverse possession as follows: “In order to acquire title by adverse possession, the claimant must prove, by clear and convincing evidence, ... that for the statutory period ‘his use of the land was continuous, open and notorious, exclusive and hostile to the true owner.’” *Smith v. Krebs*, 768 P.2d 124, 125 (Alaska 1989) (citations omitted). The first three conditions—continuity, notoriety and exclusivity—describe the physical requirements of the doctrine. See R. Cunningham, W. Stoebuck and D. Whitman, *The Law of Property* § 11.7 at 758-60, 762-63 (1984). The fourth condition, hostility, is often imprecisely described as the “intent” requirement. *Id.* at 761.

On appeal, Nome 2000 argues that as a matter of law the physical requirements are not met absent “significant physical improvements” or “substantial activity” on the land. Thus, according to Nome 2000, only when the Fagerstroms placed a cabin on the disputed parcel in the summer of 1978 did their possession become adverse. For the prior year, so the argument goes, the Fagerstroms’ physical use of the property was insufficient because they did not construct “significant structure[s]” and their use was only seasonal. Nome 2000 also argues that the Fagerstroms’ use of the disputed parcel was not exclusive because “[o]thers were free to pick the berries, use the paths and fish in the area.” We reject these arguments.

Whether a claimant’s physical acts upon the land are sufficiently continuous, notorious and exclusive does not necessarily depend on the existence of significant improvements, substantial activity or absolute exclusivity.

Indeed, this area of law is not susceptible to fixed standards because the quality and quantity of acts required for adverse possession depend on the *character* of the land in question. Thus, the conditions of continuity and exclusivity require only that the land be used for the statutory period as an average owner of similar property would use it. *Alaska National Bank v. Linck*, 559 P.2d 1049, 1052 (Alaska 1977) (One test for determining continuity of possession is to ask whether the land was used as an average owner would use it.); *Peters v. Juneau-Douglas Girl Scout Council*, 519 P.2d 826, 831 (Alaska 1974) (“[P]ossession need not be absolutely exclusive; it need only be a type of possession which would characterize an owner’s use.”). Where, as in the present case, the land is rural, a lesser exercise of dominion and control may be reasonable. See *Linck*, 559 P.2d at 1052 (citing *Cooper v. Carter Oil Co.*, 7 Utah 2d 9, 316 P.2d 320 (1957) for the proposition that “pasturing of sheep for three weeks a year is sufficient where land is suitable only for grazing”), 1053 (citing *Monroe v. Rawlings*, 331 Mich. 49, 49 N.W.2d 55, 56 (1951) for the proposition that “6 visits per year to hunting cabin plus some timber cutting found sufficient where land was wild and undeveloped”); *Peters*, 519 P.2d at 831 (citing *Pulcifer v. Bishop*, 246 Mich. 579, 225 N.W. 3 (1929) for the proposition that exclusivity is not destroyed as to beach property commonly used by others).

The character of the land in question is also relevant to the notoriety requirement. Use consistent with ownership which gives visible evidence of the claimant’s possession, such that the reasonably diligent owner “could see that a hostile flag was being flown over his property,” is sufficient. *Shilts v. Young*, 567 P.2d 769, 776 (Alaska 1977). Where physical visibility is established, community repute is

also relevant evidence that the true owner was put on notice.<sup>7</sup> *Id.*

Applying the foregoing principles to this case, we hold that the jury could reasonably conclude that the Fagerstroms established, by clear and convincing evidence, continuous, notorious and exclusive possession for ten years prior to the date Nome 2000 filed suit.<sup>8</sup> We point out that we are concerned only with the first year, the summer of 1977 through the summer of 1978, as Nome 2000 admits that the requirements of adverse possession were met from the summer of 1978 through the summer of 1987.

The disputed parcel is located in a rural area suitable as a seasonal homesite for subsistence and recreational activities. This is exactly how the Fagerstroms used it during the year in question. On the premises throughout the entire year were an outhouse, a fish rack, a large reindeer pen (which, for six weeks, housed a reindeer), a picnic area, a small quantity of building materials and some trees not indigenous to the area. During the warmer season, for about 13 weeks, the Fagerstroms also placed a camper trailer on blocks on the disputed parcel. The Fagerstroms and their children visited the property several times during the warmer season to fish, gather berries, clean the premises, and play. In total, their conduct and improvements went well beyond “mere casual and occasional trespasses” and instead “evinced a purpose to exercise exclusive dominion over the property.” See *Peters*,

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<sup>7</sup> The function of the notoriety requirement is to afford the true owner an opportunity for notice. However, actual notice is not required; the true owner is charged with knowing what a reasonably diligent owner would have known. *Linck*, 559 P.2d at 1053.

<sup>8</sup> Neither the trial court’s denial of Nome 2000’s motion for a directed verdict nor the jury’s verdict should be disturbed if reasonable jurors could have concluded that the requirements for adverse possession were met. See *Kavorkian*, 694 P.2d at 163; *Municipality of Anchorage v. Baugh Construction & Engineering Co.*, 722 P.2d 919, 927 (Alaska 1986).

519 P.2d at 830. That others were free to pick berries and fish is consistent with the conduct of a hospitable landowner, and undermines neither the continuity nor exclusivity of their possession. See *id.* at 831 (claimant “merely acting as any other hospitable landowner might” in allowing strangers to come on land to dig clams).

With respect to the notoriety requirement, a quick investigation of the premises, especially during the season which it was best suited for use, would have been sufficient to place a reasonably diligent landowner on notice that someone may have been exercising dominion and control over at least the northern portion of the property. Upon such notice, further inquiry would indicate that members of the community regarded the Fagerstroms as the owners. Continuous, exclusive, and notorious possession were thus established.

Nome 2000 also argues that the Fagerstroms did not establish hostility. It claims that “the Fagerstroms were required to prove that they intended to claim the property as their own.” According to Nome 2000, this intent was lacking as the Fagerstroms thought of themselves not as owners but as stewards pursuant to the traditional system of Native Alaskan land usage. We reject this argument and hold that all of the elements of adverse possession were met.

What the Fagerstroms believed or intended has nothing to do with the question whether their possession was hostile. See *Peters*, 519 P.2d at 832 (with respect to the requirement of hostility, the possessor’s “beliefs as to the true legal ownership of the land, his good faith or bad faith in entering into possession ... are all irrelevant.”); *The Law of Property* at 761 (citing, *inter alia*, *Peters* for the view “of most decisions and of nearly all scholars, that what the possessor believes or intends should have nothing to do with [hostility]”). Hostility is instead determined by application of an *objective* test which simply asks whether the possessor

“acted toward the land as if he owned it,” without the permission of one with legal authority to give possession. *Hubbard*, 684 P.2d at 848 (citing *Peters*, 519 P.2d at 832). As indicated, the Fagerstroms’ actions toward the property were consistent with ownership of it, and Nome 2000 offers no proof that the Fagerstroms so acted with anyone’s permission. That the Fagerstroms’ objective manifestations of ownership may have been accompanied by what was described as a traditional Native Alaskan mind-set is irrelevant. To hold otherwise would be inconsistent with precedent and patently unfair.

Having concluded that the Fagerstroms established the elements of adverse possession, we turn to the question whether they were entitled to the entire disputed parcel. Specifically, the question presented is whether the jury could reasonably conclude that the Fagerstroms adversely possessed the southerly portion of the disputed parcel.<sup>9</sup>

Absent color of title,<sup>10</sup> only property actually possessed may be acquired by adverse possession. *Bentley Family Trust v. Lynx Enterprises, Inc.*, 658 P.2d 761, 768 (Alaska 1983) and *Linck*, 559 P.2d at 1052-53 n. 8. See also *Krebs*, 768 P.2d at 126 and n. 7 (recognizing the possibility that the requirements of adverse possession may be met only as to a portion of a disputed parcel). Here, from the summer of 1977 through the summer of 1978, the Fagerstroms’ only activity on the southerly portion of the land included use of the pre-existing trails in connection with subsistence and recreational activities, and picking up litter. They claim that these activities, together with their placement of the cornerposts, constituted actual possession of the southerly

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<sup>9</sup> See *supra* n. 8.

<sup>10</sup> “Color of title exists only by virtue of a written instrument which purports to pass title to the claimant, but which is ineffective because of a defect in the means of conveyance or because the grantor did not actually own the land he sought to convey.” *Hubbard*, 684 P.2d at 847. As noted above, see n. 6, the Fagerstroms do not claim the disputed parcel by virtue of a written instrument.

portion of the parcel. Nome 2000 argues that this activity did not constitute actual possession and, at most, entitled the Fagerstroms to an easement by prescription across the southerly portion of the disputed parcel.

Nome 2000 is correct. The Fagerstroms' use of the trails and picking up of litter, although perhaps indicative of adverse use, would not provide the reasonably diligent owner with visible evidence of another's exercise of dominion and control. To this, the cornerposts add virtually nothing. Two of the four posts are located well to the west of the disputed parcel. Of the two that were allegedly placed on the parcel in 1970, the one located on the southerly portion of the parcel disappeared at an unknown time. The Fagerstroms maintain that because the disappearing stake was securely in place in 1970, we should infer that it remained for a "significant period." Even if we draw this inference, we fail to see how two posts on a rectangular parcel of property can, as the Fagerstroms put it, constitute "[t]he objective act of taking physical possession" of the parcel. The two posts simply do not serve to mark off the boundaries of the disputed parcel and, therefore, do not evince an exercise of dominion and control over the entire parcel. Thus, we conclude that the superior court erred in its denial of Nome 2000's motion for a directed verdict as to the southerly portion. This case is remanded to the trial court, with instructions to determine the extent of the Fagerstroms' acquisition in a manner consistent with this opinion.

....

Affirmed in part, reversed in part, and remanded.

APPENDIX (omitted)