

Washington Journal of Law, Technology & Arts

University of Washington School of Law

VOL. 11

SUMMER 2015

NO. 2

CONTENTS

Real-Time Sports Data and the First Amendment <i>Ryan M. Rodenberg, John T. Holden & Asa D. Brown</i>	63
From <i>Inwood</i> to Internet and Beyond: Assessing the Web Host-User Relationship in Contributory Online Trademark Infringement <i>Julie Liu</i>	105
Paying for Nude Celebrities: Testing the Outer Limits of <i>Roommates.com, Accusearch, and Section 230 Immunity</i> <i>Christian Kaiser</i>	125
Graffiti and the Visual Artists Rights Act <i>Amy Wang</i>	141

Washington Journal of Law, Technology & Arts

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REAL-TIME SPORTS DATA AND THE FIRST AMENDMENT

Ryan M. Rodenberg, John T. Holden & Asa D. Brown

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Cite as: 11 Wash. J.L. Tech. & Arts 63 (2015)
<http://digital.lib.washington.edu/dspace-law/handle/1773.1/1476>

ABSTRACT

Technological advancements have created an emergent challenge for organizations attempting to monetize real-time information. Real-time data as a commodity is especially relevant in the sports industry. Sports leagues increasingly seek to control the dissemination of real-time data in conjunction with lucrative distribution agreements. We analyze the legal status of real-time sports data under both intellectual property law and the First Amendment, with our case-by-case analysis extending to spectators, gamblers, journalists, and non-gambling entrepreneurs. Although we conclude that the First Amendment protections are broad across all four categories, particularly when the underlying sporting event takes place on public land, we find discrete areas where sports leagues and event organizers may claim certain types of real-time data as proprietary, bolstering their ability to sell such data and preventing others from doing the same.

TABLE OF CONTENTS

Introduction.....	65
I. First Amendment Free speech Protection Generally	69
A. State Action Doctrine	71
B. Tiers of Free Speech Protection.....	73
II. Courtsiding and Monetizing Real-Time Sports Data	75
A. Real-Time Data Dissemination and Sports Gambling	79
B. Intellectual Property Concerns	82
1. Overview of Intellectual Property Law and Related Rights	83
2. Trilogy of Sports Data Cases	86
a. <i>NBA v. Motorola</i> (1997).....	88
b. <i>Morris v. PGA Tour</i> (2004).....	92
c. <i>CBC v. Major League Baseball Advanced Media</i> (2007).....	95
C. First Amendment Rights and Real-Time Sports Data	96
Conclusion	101

INTRODUCTION

“We’re incredibly protective of our live game rights . . .”
– NBA commissioner Adam Silver¹

“It’s a particularly Orwellian concept to ‘own data’ . . .”
– Journalist Will Leitch²

The commodification of real-time information is one of the most important business issues in the global sports industry.³ An outgrowth concern is the ability of sports organizations to control the dissemination of real-time data, especially when sports gambling is involved. This paper examines the First Amendment implications of sports organizations’ attempts to monetize the distribution of real-time sports data while simultaneously trying to limit others’ ability to do so.⁴

Technological advancements have allowed spectators, professional sports gamblers, journalists, and business-minded innovators to attend sporting events and disseminate real-time information through several mediums. Such transmission of data

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¹ Matt Dollinger, *Fifty notes, quotes and anecdotes from 2015 MIT Sloan conference*, SPORTS ILLUSTRATED (Mar. 1, 2015), <http://www.si.com/nba/2015/03/01/mit-sloan-sports-analytics-conference-nba-adam-silver-daryl-morey?page=4&devicetype=default>.

² Will Leitch, *Watch At Your Own Risk*, SPORTS ON EARTH (Feb. 25, 2013), <http://www.sportsonearth.com/article/41964604/>.

³ See Robert Freeman & Peter Scher, *Fantasy Meets Reality: Examining Ownership Rights In Player Statistics*, 2 ENT. & SPORTS LAWYER (2006), available at http://www.americanbar.org/content/newsletter/publications/law_trends_news_practice_area_e_newsletter_home/fantasymeetsreality.html. The emphasis here on real-time sports data is distinguishable from historical sports information of the type typically found in a newspaper box score.

⁴ Although legal issues pertaining to courtsiding are international, our focus is narrowly on the United States. For a non-technical global introduction, see Craig Dickson, “*Courtsiding*” in *Sport: Cheating, Sharp Practice or Merely Irritating?*, LAW IN SPORT (Mar. 13, 2015), <http://www.lawinsport.com/articles/item/courtsiding-in-sport-cheating-sharp-practice-or-merely-irritating>.

from inside the stadium to outside the arena is faster than a television broadcast, which is subject to a multi-second delay while censors screen for prohibited material.⁵ Some sports leagues momentarily embargo the public domain distribution of such data to protect lucrative revenue streams derived from the direct sale to time-sensitive third parties, such as betting companies.⁶ These delays allow gamblers, for example, to place wagers in a dead space in time where sportsbooks, exchanges, and fellow gamblers may be reacting late to what is taking place in real-time.

The high-speed dissemination of real-time data, in the wagering context, acts to “predict the future” by allowing the gambler to place bets before the information is absorbed by others, in terms of accurate odds or prices. This practice has been termed “courtsiding,” with the most coverage to date in tennis.⁷ The term

⁵ See Brian Palmer, *How Does Live Television Censorship Work?*, SLATE (Oct. 1, 2012), http://www.slate.com/articles/news_and_politics/explainer/2012/10/fox_news_live_suicide_how_do_you_censor_live_television_.html.

⁶ See Danielle Rossingh, *Gamblers May Lose Edge as Tennis Tours Sell Live Scores*, BLOOMBERG (Sept. 28, 2011), <http://www.bloomberg.com/news/articles/2011-09-28/tennis-tours-sell-live-scores-to-curb-illegal-data-collection-raise-funds>. See also Daniel Kaplan, *ATP, WTA renew Enetpulse live-scoring deal*, SPORTS BUS. J. (Sept. 22, 2014), <http://www.sportsbusinessdaily.com/Journal/Issues/2014/09/22/Leagues-and-Governing-Bodies/ATP-WTA-data.aspx>. In contrast, when the National Football League entered into a global data dissemination deal with Switzerland-based Sportradar, the league emphasized that such data were not intended for gambling customers. See Daniel Kaplan & Eric Fisher, *NFL buys stake in stats firm*, SPORTS BUS. J. (Apr. 20, 2015), <http://www.sportsbusinessdaily.com/Journal/Issues/2015/04/20/Leagues-and-Governing-Bodies/NFL-sportradar.aspx>.

⁷ See BRAD HUTCHINS, *GAME, SET, CASH! INSIDE THE SECRET WORLD OF INTERNATIONAL TENNIS TRADING* (Nero 2014) (discussing the author’s experience working various international tennis events as a courtsider). See also Carl Bialik, *Inside the Shadowy World of High-Speed Tennis Betting*, FIVETHIRTYEIGHT SPORTS (May 29, 2014), <http://fivethirtyeight.com/features/inside-the-shadowy-world-of-high-speed-tennis-betting/> (describing the value of quick information in the wagering market); Greg Bishop & John Martin, *Tennis’s New Concern: Data Harvesting*, N.Y. TIMES, Jan. 22, 2014, at B12. The term “courtsider” is synonymous with “pitchesider,” the chosen nomenclature in the context of cricket. See Andrew Wu, *‘Pitchesider’ seeks to overturn Cricket Australia ban*, THE SYDNEY MORNING HERALD (Jan. 20, 2015), <http://www.smh.com.au/sport/cricket/pitchesider-seeks-to-overturn-cricket-australia-ban-20150120-12ub0f.html>; Reuters, *Cricket-‘Courtsiders’ evicted*

“courtsider” has almost exclusively been associated with gambling. In this paper, we use the word “courtsider” generally to denote someone disseminating real-time sports data, whether there is any nexus to wagering or not. Sports organizations have alternatively deemed the dissemination of real-time data by unapproved third parties as impermissible, illegal, or a threat to sports’ integrity.⁸

We examine the practice of courtsiding from a United States legal perspective. Recent statements by NBA commissioner Adam Silver advocating for the adoption of a nationwide legalized sports wagering scheme have brought increased attention to sports gambling and, in turn, have generated considerable discussion regarding the ownership of data.⁹ Disputes over proprietary data and game-related rights have been litigated for decades, resulting in sometimes conflicting decisions.¹⁰ In order to inhibit the

from first World Cup game, REUTERS (Feb. 14, 2015), <http://uk.reuters.com/article/2015/02/14/cricket-world-corruption-idUKL4N0VO07M20150214>. In more official-sounding parlance, courtsiders are sometimes labeled “live data entry specialists” and work for sports leagues or data dissemination companies.

⁸ A leading commentator analyzed the various integrity issues and legal claims in a high-profile courtsiding incident. See Scott Ferguson, *Courtsiding at the Aussie Open has nothing to do with match-fixing*, SPORTISMADEFORBETTING.COM (Jan. 15, 2014), <http://www.sportismadeforbetting.com/2014/01/courtsiders-at-aussie-open-has-nothing.html>.

⁹ See Mason Levinson & Scott Soshnick, *NBA’s Silver Says Legal Sports Gambling in U.S. Is Inevitable*, BLOOMBERG (Sept. 4, 2014, 8:06 AM), <http://www.bloomberg.com/news/2014-09-04/nba-s-silver-says-legal-sports-gambling-in-u-s-is-inevitable.html>. See also David Purdum, *I’m not pro sports gambling. I’m just a realist*, ESPN (Feb. 5, 2015), http://espn.go.com/chalk/story/_/id/12262502/gambling-issue-adam-silver-wants-sports-gambling-legalized-other-leagues-join-him. See also Adam Silver, *Legalize Sports Betting*, N.Y. TIMES, Nov. 14, 2014, at A23. As a follow-up to Adam Silver’s *New York Times* op-ed, Dallas Mavericks owner Mark Cuban stated: “We’ll charge the casinos for information sources” See Tim McMahan, *Mark Cuban: No betting ‘hypocritical,’* ESPN (Nov. 23, 2014), http://espn.go.com/nba/story/_/id/11921944/mark-cuban-agrees-adam-silver-sports-betting-legalized-united-states.

¹⁰ See, e.g., *CBC v. MLBAM*, 505 F.3d 818 (8th Cir. 2007); *Morris Commc’n Corp. v. PGA Tour, Inc.*, 364 F.3d 1288 (11th Cir. 2004); *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997); *Kregos v. Assoc. Press*, 3 F.3d 656 (2d Cir. 1993); *NFL v. McBee & Bruno’s*, 792 F.2d

transmission of real-time data by others, sports leagues have attempted to incorporate (quasi-)contractual terms in their ticket purchase agreements,¹¹ spectator notices,¹² and media credentials.¹³

726 (8th Cir. 1986); *United States Golf Ass'n v. St. Andrews Sys.*, 749 F.2d 1028 (3d Cir. 1984); *NFL v. Governor of Delaware*, 435 F. Supp. 1372 (D. Del. 1977); *Baltimore Orioles v. MLBPA*, 805 F.2d 663 (7th Cir. 1986); *Pittsburgh Athletic Co. v. KQV Broad. Co.*, 24 F. Supp. 490 (W.D. Penn. 1938); *Twentieth Century Sporting Club, Inc. v. Transradio Press Serv., Inc.*, 300 N.Y.S. 159, 165 Misc. 71 (1937); *Detroit Base-Ball v. Deppert*, 27 N.W. 856 (Mich. 1886). For examples of recent sports data legal disputes outside the United States, see *Football DataCo Ltd. v. Stan James PLC and Sportradar GmbH*, [2013] EWCA Civ 27, *WC2A 2LL and Akuate Internet Services Pvt v. Star India Pvt*, 2013 I.I.C. 45 (Del.) 103-104. Two historical cases from Australia are also illustrative. See *Victoria Park Racing & Recreation Grounds Co. Ltd. v. Taylor*, [1937] HCA 45, 58 CLR 479; *Sports and General Press Agency Ltd. v. Our Dogs Publishing Co. Ltd.*, [1916] 2 K.B. 880.

¹¹ Some tickets to sporting events have “small print” on the back of the ticket that purportedly amounts to a contractual agreement. For example, the following text was included on the reverse side of ticket for a minor league professional tennis tournament in the United States: “No ticket holder may continually collect, disseminate, transmit, publish or release from the grounds of the Tournament any match scores or related statistical data during match play (from the commencement of a match through its conclusion) for any commercial, betting or gambling purposes.” See Tallahassee Challenger Ticket for Admission (Apr. 25 – May 2, 2015) (on file with authors). In a potentially ironic twist, the charging of money for a ticket may weaken a sports league’s “free riding” claim under the five-part *NBA v. Motorola* test discussed *infra* Part III.B(2)(a).

¹² For example, a sign with the following text was posted at a minor league professional tennis tournament in the United States: “Notice to All Spectators: Match scores may not be continuously collected, disseminated, transmitted, published or released from the grounds of the tournament during match play for commercial, betting or gambling purposes.” See Tallahassee Challenger Spectator Notice (Apr. 25 – May 2, 2015) (on file with authors).

¹³ In relevant part, such language includes “Bearer agrees to: . . . (iii) . . . refrain from disseminating, transmitting, publishing or releasing from the grounds of the Tournament any live match score or live related statistical data until 30 seconds after the actual occurrence of the incident of match play or action that leads to such live score update (e.g. a point being scored), and that such use shall solely be for news reporting and editorial use” See Tallahassee Challenger Press Pass 2015 (on file with authors). In 2013, the PGA Tour adopted similar restrictions via the media credentialing process: “. . . our media regulations prohibit the use of real-time, play-by-play transmission in

We discuss the scope of relevant free speech protections and differentiate between the various types of protected speech. Our analysis adds a sports-specific layer¹⁴ to the growing literature on First Amendment considerations in connection with data,¹⁵ software,¹⁶ prediction markets,¹⁷ algorithms,¹⁸ machines,¹⁹ and the marketplace of ideas.²⁰ We also provide an illustration of how a courtsiding conflict may arise with respect to the dissemination of real-time sports data and competing claims of ownership. Finally, we critically analyze four primary scenarios regarding the use of real-time sports data and the resulting free speech implications.

I. FIRST AMENDMENT FREE SPEECH PROTECTION GENERALLY

Free speech protections under the First Amendment are vast. The Supreme Court recently held that “speech on public issues occupies the highest rung of the hierarchy of First Amendment values, and is entitled to special protection.”²¹ In the same case, the Supreme Court found:

Speech deals with matters of public concern when it

digital outlets. In order to enforce these regulations, beginning this year, we will revoke the on-site credentials of all journalists affiliated with outlets that post play-by-play coverage, whether those posts are originating from tournament site or otherwise.” See Charlie Hanger, *Let the Live Blog be live*, GOLF.COM (Jan. 25, 2013), <http://www.golf.com/tour-and-news/pga-tour-play-play-ban-hurts-golf-tournament-coverage>.

¹⁴ Emerging literature has investigated whether sport itself is speech. See Genevieve Lakier, *Sport As Speech*, 16 U. PA. J. CONST. L. 1109 (2014); Jason J. Cruz, *Sport and Spectacle: Should MMA Be Protected Under the First Amendment?* 17 U. DENV. SPORTS & ENT. L.J. 63 (2015).

¹⁵ Jane Bambauer, *Is Data Speech?*, 66 STAN. L. REV. 57 (2014).

¹⁶ Dan L. Burk, *Software as Speech*, 8 SETON HALL CONST. L.J. 683 (1998).

¹⁷ Miriam A. Cherry & Robert L. Rogers, *Prediction Markets and the First Amendment*, 2008 U. ILL. L. REV. 833 (2008).

¹⁸ Stuart Minor Benjamin, *Algorithms and Speech*, 161 U. PA. L. REV. 1445 (2013).

¹⁹ Tim Wu, *Machine Speech*, 161 U. PA. L. REV. 1495 (2013).

²⁰ Shubha Ghosh, *Informing and Reforming the Marketplace of Ideas: The Public-Private Model for Data Production and the First Amendment*, 2013 UTAH L. REV. 653 (2012).

²¹ *Snyder v. Phelps*, 131 S. Ct. 1207, 1215 (2011).

can be fairly considered as relating to any matter of political, social, or other concern to the community, or when it is a subject of legitimate news interest; that is, a subject of general interest and of value and concern to the public.²²

Citing three cases,²³ Fox Broadcasting and the Big Ten Network, as *amici* in *In Re NCAA Student-Athlete Name & Likeness Licensing Litigation*, recently posited that “[c]ourts broadly construe ‘matters of public concern’ to encompass news reports about all manner of subjects of interest to substantial portions of the public, including news about sports and entertainment.”²⁴

The decision in *Snyder v. Phelps* established a two-prong test for the determination of when speech is a matter of public concern.²⁵ The Court found that speech is of a public concern “when it can ‘be fairly considered as relating to any matter of political, social, or other concern to the community,’” or when the speech is “a subject of legitimate news interest; that is, a subject of general interest and of value and concern to the public.”²⁶ The challenge left after *Snyder*, as set forth by Professor Clay Calvert, is that the Court’s decision neglects to differentiate between the two prongs.²⁷ One of Calvert’s critiques is that the second prong of the Court’s test does not define “legitimate news interest,” which raises ambiguity as to whether the Court is describing a “reasonable” news interest or whether alternatively, the Court is describing a news interest that abides by professional journalistic

²² *Id.* at 1216.

²³ *Hilton v. Hallmark Cards*, 599 F.3d 894, 908 (9th Cir. 2010); *Cardtoons, L.C. v. Major League Baseball Players Ass’n*, 95 F.3d 959, 969 (10th Cir. 1996); *Shulman v. Group W Prod.*, 18 Cal. 4th 200, 220 (1998).

²⁴ Brief for Fox Broadcasting Company & Big Ten Network, LLC as *Amici Curiae* Supporting Defendant, *NCAA Student-Athlete Name & Likeness Licensing Litig.*, No. 09-CV-01967 CW (NC), (N.D. Cal. Dec. 19, 2013).

²⁵ *See Snyder*, 131 S. Ct. at 1216.

²⁶ *Id.* (citing *Connick v. Myers*, 461 U.S. 138 (1983) and *San Diego v. Roe*, 543 U.S. 77 (2004)).

²⁷ *See* Clay Calvert, *Defining “Public Concern” After Snyder v. Phelps: A Pliable Standard Mingles with News Media Complicity*, 19 *VILL. SPORTS & ENT. L.J.* 39, 54 (2012).

standards.²⁸

According to Calvert, the Supreme Court's decision in *Snyder* may have also expanded the bounds of what constitutes matters of public concern.²⁹ Calvert notes that in a recent case involving a televised suicide on Fox News, an Arizona judge determined that the First Amendment and newsworthiness of the preceding car chase protected Fox News from claims that they had subjected a viewer to a tort of intentional infliction of emotional distress ("IIED").³⁰ While the two-prong test utilized in *Snyder* may have expanded the scope of First Amendment protection for media companies, and even granted additional protection to defendants in IIED claims, the *Snyder* progeny has done little to explore the scope of legitimate news interests and whether an individual live reporting sports scores is engaged in a form of protected speech.³¹

A. State Action Doctrine

Whenever there is discussion of free speech protection, the threshold issue of governmental action must be analyzed.³² The state action doctrine requires a governmental actor to be infringing on an individual's free speech.³³ Without this initial step, there can be no constitutional issue.³⁴ The United States Constitution is "not

²⁸ *Id.* at 18. For example, the Washington Supreme Court in *Dawson v. Daly*, 845 P.2d 995, 1004 (Wash. 1993) found that "legitimate" was synonymous with "reasonable."

²⁹ See Clay Calvert, *Public Concern and Outrageous Speech: Testing the Inconsistent Boundaries of IIED and the First Amendment Three Years After Snyder v. Phelps*, 17 J. Con. L. 437 (2014).

³⁰ See *id.* at 450-51.

³¹ The *Snyder* holding has been observed by a number of scholars to be pro-defendant. See *id.* at 451.

³² "[W]e say that state action may be found if, though only if, there is such a 'close nexus between the State and the challenged action' that seemingly private behavior 'may be fairly treated as that of the State itself.'" *Brentwood Acad. v. Tenn. Secondary Sch. Athletic Ass'n*, 531 U.S. 288, 295 (2001) (citing *Jackson v. Metro. Edison Co.*, 419 U.S. 345, 351 (1974)).

³³ See *Cent. Hardware Co. v. N.L.R.B.*, 407 U.S. 539, 547 (1972) (stating "the First and Fourteenth Amendments are limitations on state action, not on action by the owner of private property used only for private purposes").

³⁴ The state action doctrine is a penumbra in Constitutional jurisprudence—

intended to protect individual rights against individual invasion.”³⁵ Regarding courtsiding at live sporting events, the state action concern would play a pivotal role for a court’s analysis. A court would have to determine if the location where the alleged speech infringement took place was subject to protection.³⁶ An underlying sporting event taking place on public land or at a taxpayer-funded stadium would almost certainly satisfy the state action requirement, especially if duly authorized law enforcement personnel were present on-site. Once a determination that Constitutional protection has been triggered, the court would need to determine what type of speech, if any, was being infringed. This leads to the next issue of whether or not the dissemination of real-time sports data by a spectator, journalist, gambler, or businessperson would be considered free speech for purposes of this analysis.

While some professional sporting events are played in privately-owned stadiums, a large number of collegiate and professional sports are played in publicly-owned stadiums, likely implicating the First Amendment.³⁷ Professor Howard Wasserman has noted the challenges faced by public universities in limiting fan

worthy of lengthy theoretical debate and analysis. We only wish to acknowledge it as a threshold issue. *See generally* *Marsh v. Ala.*, 326 U.S. 501 (1946); *Mahoney v. Babbitt*, 105 F.3d 1452, 1456 (D.C. Cir. 1997); Erwin Chemerinsky, *Rethinking State Action*, 80 NW. L. REV. 503 (1985).

³⁵ The Constitution cannot be used by individuals against other individuals, but only to “nullify and make void all state legislation and state action which impairs the privileges of citizens of the United States” *See* *The Civil Rights Cases*, 109 U.S. 3 (1883). *See also* *United States v. Morrison*, 549 U.S. 598, 599 (2000).

³⁶ Sports arenas are publicly owned, privately owned (but sometimes subsidized by governmental entities), or are the product of a co-venture between governmental and non-governmental actors. There is at least one annual professional tennis tournament held on federal land at the William H.G. Fitzgerald Tennis Center in Rock Creek Park, which is located in the District of Columbia and subject to the regulatory authority of the National Park Service.

³⁷ Professional sports stadiums, even if privately-owned, may transition into a limited public forum by virtue of being open to the public during specific times and/or utilizing law enforcement officers to enforce stadium regulations. *See* Shane Kotlarsky, *What’s All the Noise About: Did the New York Yankees Violate Fan’s First Amendment Right by Banning Vuvulezas in Yankee Stadium?*, 20 JEFFREY S. MOORAD SPORTS L.J. 1 (2013).

speech, stating that:

[G]overnment never has been permitted to protect captive auditors by doing what a stadium speech code entails: singling out particular profane or offensive oral messages for selective restriction while leaving related messages on the same subject, uttered at the same volume, undisturbed.³⁸

The analysis with respect to publicly-owned and operated stadiums is whether the limited public forum has attempted to regulate speech in a manner that is content neutral, “[a]lthough the government can define the contours of a forum, it cannot define them to allow some viewpoints and not others.”³⁹ A prohibition against courtsiding generally would likely present a challenging problem for organizers, given that in a number of instances a nefarious courtsider may be acting in the same manner, even using the same mediums and disseminating the same message as a spectator relaying information about a game to a friend. Crafting a specific set of restrictions aimed at the gambling courtsider would also likely promulgate additional constitutional questions related to enforcement.⁴⁰

B. Tiers of Free Speech Protection

Whenever a person’s free speech is allegedly infringed by

³⁸ Howard M. Wasserman, *Cheers, Profanity and Free Speech*, 31 J.C. & U.L. 377, 380 (2005).

³⁹ *See id.* at 387. The limited public forum doctrine is born out of *Greer v. Spock*, 424 U.S. 828 (1976), which held that despite being governmentally-owned, military bases are not public forums. The decision meant that for government-controlled property with limited access, the government could discriminate against certain types of activity, but cannot discriminate in a content-specific manner unless that restriction served a compelling government interest and was narrowly tailored to reach that end. *See* Robert C. Post, *Between Governance and Management: The History and Theory of the Public Forum*, 34 UCLA L. REV. 1713, 1750 (1987).

⁴⁰ For example, if stadium personnel attempted to examine a particular individual’s cell phone or conduct a more thorough examination than customary security screenings upon entrance, the Fourth Amendment may be implicated.

governmental action, the classification of the speech must be determined.⁴¹ The determination of the type of speech corresponds to a commensurate level of protection.⁴² At the bottom of the list is categorically unprotected speech.⁴³ This includes speech such as obscenity, defamation, fighting words, or of the type likely to incite lawlessness.⁴⁴ A court will categorically deny First Amendment protection for any speech shown to fall within one of these categories.⁴⁵ Commercial speech is deemed to have First Amendment protection so long as it passes the *Central Hudson* four-prong test.⁴⁶ Finally, the most protected speech is that of

⁴¹ See *Cent. Hardware Co. v. N.L.R.B.*, 407 U.S. 539, 547 (1972).

⁴² This refers to the different levels of scrutiny the court will apply to reviewing the legislation and its effect on the protected speech. Protected speech is reviewed under a “strict scrutiny” analysis where the State has the burden of showing it has a compelling state interest in infringing on the individual’s free speech and there is no less restrictive means of accomplishing the compelling interest. Commercial speech (discussed *infra* Part II.B) is reviewed under an “intermediate scrutiny” analysis. Finally, speech that is deemed as unprotected speech is subject to rational basis review where the plaintiff has the burden of proving there is no rational basis for the legislation. See *United States v. O'Brien*, 391 U.S. 367, 376 (1968) (discussing the application of the various standards of review when reviewing issues of free speech protection).

⁴³ See *Ashcroft v. Free Speech Coal.*, 535 U.S. 234 (2002) (discussing the distinction between suppression of protected free speech and unprotected speech).

⁴⁴ See generally *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 330 (1974); *Miller v. Cal.*, 413 U.S. 15, 24 (1973); *Brandenburg v. Ohio*, 395 U.S. 444, 449 (1969); and *Chaplinsky v. State of N.H.*, 315 U.S. 568, 571 (1942). None of these categories are applicable in the context of real-time sports data.

⁴⁵ The Supreme Court has created balancing tests in each of these situations to determine whether the speech is said to fall within one of these categories and therefore not be extended protection under the First Amendment. See, e.g., *Miller*, 413 U.S. at 24 (creating the *Miller* test to determine whether certain obscene speech lacks scientific, literary, artistic, or political values or rather appeals to the prurient interest); *Gertz*, 418 U.S. at 330 (discussing the standard of proof required to claim a newspaper’s speech was defamatory); *Brandenburg*, 395 U.S. at 449 (discussing the distinction between mere advocacy and speech likely to incite imminent lawlessness); *Chaplinsky*, 315 U.S. at 571 (discussing the distinction between protected free speech and unprotected “fighting words”).

⁴⁶ See *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n*, 447 U.S. 557, 564 (1980), which elucidated that corporate entities are protected as to their commercial speech so long as:

individuals engaging in political, social, or cultural discourse.⁴⁷ Such speech is the bedrock of the First Amendment and carries with it the greatest protection. Indeed, a person who legitimately obtains information is permitted to use it under this branch of First Amendment jurisprudence.⁴⁸

This hierarchy of protected speech is relevant in the discussion of real-time sports data at live events. Disseminating real-time sports data for business or gambling purposes likely falls into the commercial speech category, provided it complies with the Wire Act as discussed *infra* Part III.A. Distribution of real-time data by non-commercial sports fans or journalists would probably move into the most protected category of free speech activities.

II. COURTSIDING AND MONETIZING REAL-TIME SPORTS DATA

The practice of courtsiding has become increasingly common worldwide.⁴⁹ In tennis, for example, the commodification of technological gaps is well-documented.⁵⁰ The most vocal objections have come from sports leagues also looking to monetize

[T]he communication is neither misleading nor related to unlawful activity, the government's power is more circumscribed. The State must assert a substantial interest to be achieved by restrictions on commercial speech. Moreover, the regulatory technique must be in proportion to that interest. The limitation on expression must be designed carefully to achieve the State's goal.

⁴⁷ See *Dennis v. United States*, 341 U.S. 494, 503 (1951) (recognizing the importance of free discourse and debate to create the wisest governmental policies).

⁴⁸ See *Florida Star v. B.J.F.*, 491 U.S. 524 (1989); *Smith v. Daily Mail Publ'g Co.*, 443 U.S. 97 (1979); *Cox Broad. Corp. v. Cohn*, 420 U.S. 469 (1975). This extends to entertainment-related news as well. See *Joseph Burnstyn, Inc. v. Wilson*, 343 U.S. 495 (1952); *Winters v. New York*, 333 U.S. 507, 510 (1948).

⁴⁹ See Dickson, *supra* note 4.

⁵⁰ See Australian Associated Press, *Briton charged with courtsiding 'attends tournaments around world,'* THE GUARDIAN (Jan. 23, 2014), <http://www.theguardian.com/world/2014/jan/23/briton-charged-with-courtsiding-attends-tournaments-around-world>. See also Bialik, *supra* note 7.

real-time sports data.⁵¹ Indeed, a spokeswoman for tennis ATP World Tour posited: “[t]here are a lot of unauthorized people out there collecting our data, either scraping it off our website or television or sitting in the stands, keying in every shot, often with errors, and selling it for substantial profit.”⁵² More recently, after an incident where a journalist had her media credentials revoked for using Periscope to disseminate live video during a golf practice round, PGA Tour executive Ty Votaw said: “Who owns those rights? We do, not you. If you want access to those rights, you have to pay for it. When [the journalist] posts unauthorized videos, she’s stealing. I don’t understand how you can’t get that through your head.”⁵³

The process of courtsiding is conceptually simplistic, but operationally complex. It requires calculated logistics, coordination, and speed.⁵⁴ In a straightforward potential scenario, a person will purchase a ticket to a tennis tournament and have a mobile device concealed in his pocket.⁵⁵ As he watches the match,

⁵¹ See Rossingh, *supra* note 6. See also Kaplan & Fisher, *supra* note 6. As discussed in detail *infra* Part III.A, we note that disseminating data for gambling purposes by U.S.-based sports leagues may give rise to implications under the Wire Act, especially if the sports league is an equity owner in a bookmaking or other gambling-related company.

⁵² See Rossingh, *supra* note 6.

⁵³ Alan Shipnuck, *The Real Loser In Wei Vs. PGA Tour Is The Golf Fans*, GOLF (May 2, 2015), <http://www.golf.com/tour-and-news/pga-tour-revokes-stephanie-weis-credentials>.

⁵⁴ For a detailed account of the role speed plays in high-stakes sports wagering, see SEAN PATRICK GRIFFIN, *GAMING THE GAME: THE STORY BEHIND THE NBA BETTING SCANDAL AND THE GAMBLER WHO MADE IT HAPPEN* (Barricade Books 2011). For a discussion of how important data speed is in the analogous activity of high frequency stock trading, see MICHAEL LEWIS, *FLASH BOYS: A WALL STREET REVOLT* (W.W. Norton & Company 2014).

⁵⁵ Daniel Dobson, the British man who was arrested at the Australian Open tennis tournament January 2014 and subsequently released from custody without charges ever being filed, provided details on how he operated as a courtsider:

You would sit on court for as long as you were needed pressing the buttons, which were sewn into my trousers and relay the scores back to London. You’d press one for Djokovic, two for Murray, for example, as fast as you could. The purpose of us being there is that we can send back

he transmits real-time data using a pre-arranged code system to assist a compatriot in placing a wager on a specific match-level

information a lot faster than TV or betting companies can get the data.

Simon Cox, *Why tennis 'courtsiding' was my dream job*, BBC NEWS (Apr. 22, 2015), <http://www.bbc.com/news/magazine-32402945>. Steve High, Dobson's employer at London-based Sporting Data Ltd., provided additional details about the logistics inherent in courtsiding:

We had an automated system whereby the point data would come in and then we would cancel any bets that we had in the market that we deemed were at the wrong price. And then we would place bets straight back into the market that we deemed were now the correct price.

Id. The technology and logistics are similar in cricket:

In cricket, the so-called pitchsiders are able to get their nose in front because of television delays into overseas markets of as long as 12 to 14 seconds. Most overseas gambling organisations will have staff in their offices altering the odds based on scores and television coverage. Punters generally will have to combat a built-in delay of six to eight seconds for in-play wagers to be processed, but that leaves a slight opening for the most enterprising.

Chris Barrett, *How 'pitchsiders' who prey on Big Bash League can make a fortune*, THE SYDNEY MORNING HERALD (Dec. 23, 2014), <http://www.smh.com.au/sport/cricket/how-pitchsiders-who-prey-on-big-bash-league-can-make-a-fortune-20141224-12cz2p.html>. Sporting Data Ltd. issued a press release after Dobson's January 2014 arrest in Australia and drew an analogy between their courtsiding activities and those of the sports leagues:

An interesting side note to the discussion is that what our employee on court was doing is exactly what [tennis] umpires do. They send information from the court back to other organisations that use it to profit from betting. In this case, the organisations are bookmakers and it is done through the tennis authorities' agreement with Enetpulse. However, the principle is identical.

See Sporting Data, *Press Release*, SPORTING DATA LTD. (Jan. 16, 2014) (on file with authors).

outcome or a micro-level “prop bet” via an automated system using complex algorithms and computer software.⁵⁶ This whole process occurs in a matter of seconds and can beat the televised transmission or “official” data stream.⁵⁷ Scholar Jack Anderson described the technology-dependent process as follows:

A recent investigation by the BBC . . . focused on the use of “courtsiders,” who send back live data to syndicates and betting companies while tennis matches are under way. Courtsiding is linked to “in-play” betting, the purpose being to send back information faster than TV or betting companies can get the data and thus manipulate the odds on betting exchanges. The analogy is to high-frequency trading on the stock exchange where facilitated by computer programs, a micro-second advantage can translate into profit.⁵⁸

The concept of courtsiding gives rise to issues about the legal ownership over the real-time data and the ability—vis-à-vis the First Amendment—to restrict the dissemination of such data

⁵⁶ For example, the courtsider will text a “1” if the point is won by the server, or a “2” if the point is won by the returner, or a “3” if the serve is a fault. Based on this real-time information, the remote bettor will place a wager. See HUTCHINS, *supra* note 7.

⁵⁷ The Federal Communications Commission regulates the transmission of live television programs and has a mandatory multi-second delay of the television to allow producers to edit out any impermissible content. See Dominic Rushe, *‘Nipplegate’ dethroned by net neutrality at top of FCC’s comments list*, THE GUARDIAN (Sept. 10, 2014), <http://www.theguardian.com/technology/2014/sep/10/nipplegate-dethroned-net-neutrality-fcc-public-comments>. Sports leagues will also delay their own free real-time data transmission as a way to increase the value of the faster “official” data stream they are selling.

⁵⁸ See Jack Anderson, *Editorial*, 15 INT’L SPORTS L.J. 1 (2015). Attorney Jake Williams provided a concise definition: “Pitchsiding (or courtsiding) is the process of attending a live sporting event and relaying the scores of that event, instantaneously, to another person who uses that information for the purposes of betting.” See Jake Williams, *Pitchsiding*, JAKEWSPORT.COM (June 12, 2015), <http://jakewsport.com/2015/06/12/pitchsiding/>. In addition to in-play betting via online exchanges or sports books, live data also has applications to the emerging real-time fantasy sports industry.

among at least four categories of individuals: (i) tech-savvy and social media-friendly fans unconcerned with commercial interests; (ii) gambling-affiliated courtsiders; (iii) journalists; and (iv) a business person selling scores to an off-site third party not directly involved in gambling.⁵⁹

A. Real-Time Data Dissemination and Sports Gambling

NBA commissioner Adam Silver appears optimistic regarding the prospect of using real-time data for sports wagering.⁶⁰ Ted Leonsis, the owner of NBA team Washington Wizards, provided details: “. . . [W]e’re living in the real-time, technical trading world, and there’s so much betting that goes on . . . People now are going to start to make wagers in a real-time way.”⁶¹ However, there are only four states permitted to offer legal sports betting.⁶² The Department of Justice has used the Wire Act to go after illegal sports gambling at the federal level.⁶³ As such, a requisite question

⁵⁹ See *infra* Table 1.

⁶⁰ Dustin Gouker, *NBA Commish, NHL Owner Bullish On ‘In-Game’ Sports Betting in U.S.?*, LEGAL SPORTS REPORT (Apr. 30, 2015), <http://www.legalsportsreport.com/1256/nba-commish-nhl-owner-bullish-on-in-game-sports-betting-in-u-s/>. In addition to real-time data’s use in traditional sports wagering, real-time data also has applications in fantasy sports. See Ben McGrath, *Dream Teams*, THE NEW YORKER, Apr. 13, 2015, at 26-32. For a near-future look at how technology is shaping sports gambling, see Ryan Rodenberg, *The next generation of gambling technology*, ESPN (June 9, 2015), http://espn.go.com/chalk/story/_id/13043137/what-next-generation-gambling-technology-look-espn-chalk.

⁶¹ Gouker, *supra* note 60.

⁶² In 1992, Congress passed the Professional and Amateur Sports Protection Act (PAPSA) outlawing state-sponsored betting on sporting events except in those states where such betting was legal at the time the law was approved. At least four states—Nevada, Oregon, Delaware and Montana—qualify for this exemption. See John T. Holden, Anastasios Kaburakis & Ryan M. Rodenberg, *Sports Gambling Regulation and Your Grandfather (Clause)*, 26 STAN. L. & POL’Y REV. ONLINE 1 (2014).

⁶³ 18 U.S.C. § 1084 (1961). For a textured history of the Wire Act, see David G. Schwartz, *CUTTING THE WIRE: GAMING PROHIBITION AND THE INTERNET* (University of Nevada Press, 2005). In a 2011 memorandum, the Department of Justice’s Office of Legal Counsel posited that the Wire Act’s reach is “limited to bets or wagers on or wagering communications related to

is whether an individual participating in gambling-related courtsiding is “engaged in the business of betting or wagering” as required by the Wire Act.⁶⁴

The Wire Act “is the main federal anti-bookmaking statute, added in 1961 as part of Attorney General Robert Kennedy’s war on organized crime.”⁶⁵ The phrase “engaged in the business of betting or wagering” is not defined in the Wire Act. In *United States v. Baborian*, the court found that the “Wire Act does not sweep within its prohibition a mere bettor.”⁶⁶ Two years later, the *United States v. Southard* court footnoted: “We take no position on this ruling [by *Baborian*] except to point out that the legislative

sporting events and contests.” See Virginia Seitz, *Whether Proposals by Illinois and New York to Use the Internet and Out-of-State Transaction Processors to Sell Lottery Tickets to In-State Adults Violate the Wire Act*, 35 Op. O.L.C. 1, 2 (Sept. 20, 2011), available at <http://www.justice.gov/sites/default/files/olc/opinions/2011/09/31/state-lotteries-opinion.pdf>. See generally *United States v. Lyons*, 740 F.3d 702 (1st Cir. 2014); *United States v. Cohen*, 260 F.3d 68, 76 (2d Cir. 2001); *United States v. Baborian*, 528 F. Supp 324 (D. R.I. 1981); *United States v. Southard*, 700 F.2d 1 (1st Cir. 1983). A majority of states also prohibit some level of sports-related gambling.

⁶⁴ 18 U.S.C. § 1084(a). In relevant part from the Wire Act:

Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined not more than \$10,000 or imprisoned not more than two years, or both.

Id. For a detailed discussion of this issue, see Ben J. Hayes & Matthew J. Conigliaro, ‘*The Business of Betting or Wagering*’: *A Unifying View of Federal Gaming Law*, 57 DRAKE L. REV. 445 (2009).

⁶⁵ James H. Frey & I. Nelson Rose, *The Role of Sports Information Services in the World of Sports Betting*, 11 ARENA REV. 44 (1987).

⁶⁶ *Baborian*, 528 F. Supp at 331. The *Baborian* court cited *United States v. Marder*, 474 F.2d 1192, 1194 (5th Cir. 1973) for the proposition that “the burden is on the government to establish that [appellant] was in the business of gambling or in common parlance, was a ‘bookie.’”

history is ambiguous on this point at best.”⁶⁷ Such ambiguity has resulted in a litany of cases with sometimes disparate results on this threshold issue,⁶⁸ although the majority of published decisions find that the Wire Act “deals with bookmakers—persons engaged in the business of betting or wagering.”⁶⁹

If a U.S.-based courtsider is deemed to be engaged in the business of betting or wagering under the Wire Act, the courtsider’s transmission of real-time sports data could be a criminal offense and, in turn, be ineligible for First Amendment protection. However, if the courtsider did not fall under the Wire Act and steered clear of any bribery-induced match-fixing illegal under the federal Sports Bribery Act, the underlying conduct does not appear to fall under any federal criminal statute.⁷⁰ Indeed, the Wire Act was specifically drafted to exclude from coverage any

⁶⁷ *Southard*, 700 F.2d at 20 n.24. The rule of lenity, in turn, “requires ambiguous criminal laws to be interpreted in favor of defendants subject to them.” See *United States v. Santos*, 128 S. Ct. 2020, 2025 (2008).

⁶⁸ *United States v. Miller*, 22 F.3d 1075 (11th Cir. 1994); *United States v. Sutura*, 933 F.2d 641 (8th Cir. 1991); *United States v. Scavo*, 593 F.2d 837 (8th Cir. 1979); *United States v. Anderson*, 542 F.2d 428 (7th Cir. 1976); *United States v. Sellers*, 483 F.2d 37 (5th Cir. 1973); *Martin v. United States*, 389 F.2d 895 (5th Cir. 1968); *Truchinski v. United States*, 393 F.2d 627 (8th Cir. 1968); *Cohen v. United States*, 378 F.2d 837 (9th Cir. 1967); *Sagansky v. United States*, 358 F.2d 195, 200 (1st Cir. 1966); *United States v. Kelly*, 254 F. Supp. 9 (S.D.N.Y. 1966).

⁶⁹ *United States v. Tomeo*, 459 F.2d 445, 447 (10th Cir. 1972). Prominent scholars agree:

[The phrase] “the business of betting or wagering” is not a broad, limitless phrase applicable to all businesses whose commercial activities relate to gambling in some way or manner. Rather, the phrase is very precise language directed at businesses that themselves bet or wager with others and thereby risk or stake money in a game or contest that the business may win or lose depending upon an eventuality.

Hayes & Conigliaro, *supra* note 64, at 446.

⁷⁰ The Sports Bribery Act is codified at 18 U.S.C. § 224. For a detailed discussion of the statute’s scope, see John T. Holden & Ryan M. Rodenberg, *Sports Bribery: A Law and Economics Approach*, N. KY. L. REV. (forthcoming 2015) (on file with authors). An analysis of state-level sports gambling crimes is beyond the scope of this article.

“transmission in interstate or foreign commerce of information for use in news reporting of sporting events.”⁷¹ We are not aware of any courtsider being arrested in the United States. Internationally, the only courtsider known to be arrested was quickly released after Australian prosecutors opted not to bring formal charges.⁷²

B. Intellectual Property Concerns

If the practice of courtsiding is not categorically illegal, then the professional sports organizations will be hard pressed to inhibit the dissemination of real-time data without calling upon some other source of authority to do so. To date, that mechanism has been a combination of contractual claims via tickets, signs, media credentialing, and (quasi-)property rights claims.⁷³ The following sections discuss the various legal positions⁷⁴ and analyze how sports leagues try to protect the value of real-time data while simultaneously preventing others from disseminating such data.

⁷¹ 18 U.S.C. § 1084(b) (1961).

⁷² See Michelle Innis & Gerry Mullany, *Charges Dropped Against Briton Accused of Transmitting Tennis Scores*, N.Y. TIMES (Mar. 6, 2014), http://www.nytimes.com/2014/03/07/sports/tennis/charges-dropped-against-briton-accused-of-transmitting-tennis-scores.html?_r=0.

⁷³ Sports leagues have routinely attempted to claim some ownership over real-time sports data connected to live sporting events. See Ryan M. Rodenberg et al., *Whose Game Is It? Sports Wagering and Intellectual Property*, 60 VILL. L. REV. TOLLE LEGE 1 (2014).

⁷⁴ Two comments are in order on this point. First, the concerted attempt by sports leagues to monetize real-time data may give rise to an antitrust issue under the Sherman Act (15 U.S.C. § 1-2) where it could be alleged that one or more sports leagues are restricting competition in the news and/or data dissemination marketplace. Second, the “ticket as contract” argument is tempered by a timing issue. Unlike an arms-length season ticket agreement where all the relevant contractual language is provided *before* the purchase takes place, the data-specific small print on the back of single event tickets is only provided *after* the purchase takes place. As a result, an aggrieved ticket holder in the latter category would have a stronger claim that the ticket language represents an unenforceable contract of adhesion.

1. Overview of Intellectual Property Law and Related Rights

Article I, Section 8, Clause 8, of the United States Constitution grants Congress the power “to promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”⁷⁵ Often referred to as the “Intellectual Property Clause,” it is the source of all congressional power to regulate intellectual property. To be protected, intellectual property must fall under one of the four recognized forms—patents, copyrights, trademarks, or trade secrets.

Within the intellectual property discourse is the “idea/expression” dichotomy—an idea is the underlying “principle” which cannot be protected whereas the “expression” embodying the idea is the tangible embodiment that can be protected.⁷⁶ Facts are not copyrightable expressions because they are considered to be in the public domain.⁷⁷ Indeed, scholars have posited that “[a] fundamental principle of intellectual property is that no one should be given a monopoly on facts, ideas, or other building blocks of knowledge, thought, or communication.”⁷⁸ If one were able to copyright a fact, for example, the opportunity for others to use it would be foreclosed, violating the Intellectual Property Clause.⁷⁹ Whenever a case deals with the protection of facts, ideas, or principles, courts weigh the interest of the person with a potential property interest in the idea against the free-rider

⁷⁵ U.S. CONST. art. I, § 8, cl. 8.

⁷⁶ See *Golan v. Holder*, 132 S. Ct. 873, 890 (2012) (stating that “[d]ue to this [idea/expression] distinction, every idea, theory, and fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication; the author’s expression alone gains copyright protection”). See also *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003).

⁷⁷ See *Feist Publ’ns v. Rural Tel. Serv.*, 499 U.S. 340, 349-50 (1991) (discussing the concept of public dedication of facts as un-copyrightable ‘ideas’).

⁷⁸ Julie E. Cohen & William M. Martin, *Intellectual Property Rights in Data*, in *INFORMATION SYSTEMS AND THE ENVIRONMENT* 45-55, (Deanna J. Richards et al. eds., Wash., DC: Nat’l Academic Press 2001).

⁷⁹ See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 548 (1985) (explaining that while a work as a whole may be copyrighted, non-original elements within that work are not protected).

who wishes to benefit from the use of the information.⁸⁰

The Intellectual Property Clause and the First Amendment are occasionally intertwined, as the former allows for the privatization of speech.⁸¹ It has been observed that because protections, such as copyright, only extend to the manner that an author has chosen to cement her thoughts, and does not apply to the thoughts themselves, it does not run afoul of the First Amendment.⁸² Professor Dianne Zimmerman notes that courts have been unwilling to infringe on the right to publish information in matters that meet the requirements of a “public concern” in all but a limited number of instances, despite the underlying commercial value that the facts may have.⁸³ The Supreme Court has addressed the ownership of raw data, holding in *Feist v. Rural Telephone Service* that data in a telephone book was not subject to copyright protection.⁸⁴

The copyright protections afforded by the Constitution are not impeded by the First Amendment, but they are limited by restrictions requiring that ideas and facts be placed in some form of acceptable copyrightable medium of expression.⁸⁵ The balancing of copyright interests and First Amendment desires is an act that is focused on the method of expression, as opposed to the underlying

⁸⁰ See *Feist*, 499 U.S. at 349-50. See also *Baker v. Selden*, 101 U.S. 99, 100-01 (1879) (holding that “[w]here the truths of a science or the methods of an art are the common property of the whole world, any author may express the one or explain and use the other, in his own way.”); *Harper & Row*, 471 U.S. at 548 (discussing the balancing of proprietary rights in information against the public policy of dedicating certain facts to the public domain).

⁸¹ Dianne L. Zimmerman, *Information as Speech, Information as Goods: Some Thoughts on Marketplaces and the Bill of Rights*, 33 WM. & MARY L. REV. 665 (1992).

⁸² *Id.* at 666.

⁸³ *Id.* at 722. While the dissemination of information for non-commercial purposes has generally been upheld on First Amendment grounds, Zimmerman does note that the matter is regarded differently when an individual is engaged in a commercially competitive business to the speech maker. See also *Int’l News Serv. v. Assoc. Press*, 248 U.S. 215 (1918).

⁸⁴ 499 U.S. at 364.

⁸⁵ See Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147 (1998).

facts and ideas, which compose the end manifestation.⁸⁶ The emerging challenge is whether information can be protected when it is inherently fact and/or idea based.

Professors Nimmer and Krauthaus have examined the concept of information as a commodity, and explained that because information is composed of “data compilation, judgment, and structure,” it bears sufficient similarities to traditionally protected intellectual property mediums.⁸⁷ While copyright protects information products, which result from the compilation, judgment, and design of an author, the protection does not extend to facts.⁸⁸ The inapplicability of copyright to facts renders spurious any claim that a result from a sporting event is subject to copyright protection when an individual such as a courtsider is merely reporting what she sees. While information most certainly has value, even with the growth of technological advancements courts have been unwilling to designate information itself as intellectually protected commercial property.⁸⁹

Within the relevant realm of intellectual property litigation is the concept of free-riding or misappropriation of another’s work product.⁹⁰ Scholar Michael Kenneally notes that most misappropriation claims have their origins in information that is not protectable by the existing intellectual property safeguards.⁹¹ The protections of common-law misappropriation are contingent on commercial advantage, meaning that in order for free-riding to take place both parties must be in competition with one another. The ability of a market actor to monetize real-time sports data is

⁸⁶ *Id.* at 168-69.

⁸⁷ Raymond T. Nimmer & Patricia A. Krauthaus, *Information as a Commodity: New Imperatives of Commercial Law*, 55 LAW & CONTEMP. PROBS. 103, 107 (1992).

⁸⁸ *Id.* at 116.

⁸⁹ *Id.* at 129.

⁹⁰ The concept of free-riding was the divisive issue in *Int’l News Serv. v. Assoc. Press* with the argument that if one party puts sufficient time and money into the development of product (or news story), a business competitor should not be free to then capitalize on another’s work for commercial gain. 248 U.S. 215 (1918).

⁹¹ See Michael E. Kenneally, *Misappropriation and the Morality of Free-Riding*, 18 STAN. TECH. L. REV. (forthcoming 2015).

potentially lucrative.⁹² The NBA, like other sports leagues, has taken the position that real-time information connected to a live sporting event is its property.⁹³ The commodification of real-time data has become increasingly important as a source of revenue for sports leagues. Likewise, those participating in sports wagering, news reporting, and non-gambling analytics also realize a pecuniary benefit from using such information.

2. Trilogy of Sports Data Cases

The commodification of real-time sports information is not a new concept.⁹⁴ Sports leagues have posited that they have proprietary rights in many aspects of live sporting events.⁹⁵

⁹² See Levinson & Soshnick, *supra* note 9.

⁹³ *Id.* See also *NBA v. Motorola*, 105 F.3d 841 (2d Cir. 1997).

⁹⁴ See Louis Klein, *Nat'l Basketball Ass'n v. Motorola, Inc.: Future Prospects for Protecting Real-Time Information*, 64 BROOK. L. REV. 585 (1998) (discussing the importance of real-time data as a future commodity). See also Gary R. Roberts, *The Scope of the Exclusive Right to Control Dissemination of Real-Time Sports Event Information*, 15 STAN. L. & POL'Y REV. 167 (2004).

⁹⁵ In addition to the three cases discussed in this sub-section, there were two non-real-time data cases involving sports leagues' claims of information rights. In 1989, the NBA sued the Oregon Lottery asserting a number of property-related claims. See Associated Press, *N.B.A. Sues Over Lottery*, N. Y. TIMES, (Dec. 22, 1989), <http://www.nytimes.com/1989/12/22/sports/nba-sues-over-lottery.html>. The NBA-Oregon Lottery case was settled out of court on Dec. 17, 1990. See *Nat'l Basketball Ass'n v. Oregon*, 3:90-cv-00389-MA (Jan. 2, 1991); During 1990 Congressional testimony on legislation that was the precursor to the Professional and Amateur Sports Protection Act, former NBA senior vice president and general counsel (and current NHL commissioner) Gary Bettman testified about the NBA's motivations in the Oregon lottery litigation:

The NBA strongly believes that state lotteries that seek to capitalize on the NBA's commercial success are illegal. Using NBA team names (or even their geographic locations)—as well as the team's performances, statistic and results—violates, misappropriates and infringes upon multiple legally recognized NBA property rights.

Legislation Prohibiting State Lotteries from Misappropriating Professional Sports Service Marks: Hearing on S. 1772 Before the Subcomm. on Patents, Copyrights & Trademarks of the S. Comm. on the Judiciary, 101st Cong. 85

However, such claims are tempered by the Supreme Court's holding in *Feist* that facts are not protected under Congress's patent and copyright powers because facts are not "writings" as set

(1990) (summary of testimony of Gary B. Bettman). Bettman also touched on the First Amendment:

The NBA has not taken any legal action against tout services and newspapers that publish point spreads for two reasons. First, the publication of point spreads is not the problem, but merely an outgrowth of the real problem—sports gambling. Without sports betting there would be no demand for these collateral services. Second, given the nature of these activities, and publishers' First Amendment rights to publish information, policing the publication of point spreads would be virtually impossible.

Id. at 95-96. In 1991, former NBA commissioner David Stern testified before Congress and addressed the property rights issue inherent in the Oregon Lottery litigation: "The proposed legislation would also help protect sports leagues' valuable property rights in their games, scores, statistics, and trademarks." *Prohibiting State-Sanctioned Sports Gambling: Hearing on S. 473 and S. 474 Before the Subcomm. on Patents, Copyrights & Trademarks of the S. Comm. on the Judiciary*, 102d Cong. 46 (1991) (summary of testimony of David J. Stern). Stern also addressed the First Amendment in response to a question from Iowa Senator Charles Grassley: "We would actively support any legislation that would prohibit the media from carrying point spreads on our games, if such legislation were permissible under the First Amendment." *Id.* at 57. Prior to the NBA-Oregon Lottery case, the NFL sued to stop Delaware from offering professional football sports betting options claiming, among other things, that the state's "football lottery constitutes an unlawful interference with their property rights." *NFL v. Governor of Delaware*, 435 F. Supp. 1372, 1376 (D. Del. 1977). The District Court disagreed, finding:

The only tangible product of plaintiffs' labor which defendants utilize in the Delaware Lottery are the schedule of NFL games and the scores. These are obtained from public sources and are utilized only after plaintiffs have disseminated them at large and no longer have any expectation of generating revenue from further dissemination.

Id. at 1377. During the course of the litigation, both parties raised a number of First Amendment-related arguments pertaining to property right claims over game scores.

forth in the Constitution.⁹⁶ *Feist* is generally cited for the proposition that facts are for all to use and reside in the public domain.⁹⁷

Three sports-centered cases decided in the past twenty years—*NBA v. Motorola*,⁹⁸ *Morris v. PGA Tour*,⁹⁹ and *CBC v. Major League Baseball Advanced Media*¹⁰⁰—illustrate how courts address this issue and how sports leagues position their property claims vis-à-vis the First Amendment.¹⁰¹ Both *NBA v. Motorola* and *Morris Communications v. PGA Tour* deal with real-time sports data issues directly. We analyze all three cases chronologically below.

a. *NBA v. Motorola* (1997)

In 1996, the NBA filed suit against Motorola and Sports Team Analysis and Tracking Systems (“STATS”) in connection with the defendants’ dissemination of real-time statistical information via a mobile pager system.¹⁰² The Second Circuit ruled against the NBA, reversing the district court and concluding that certain factual information is outside the scope of what is protectable under copyright.¹⁰³ The *NBA v. Motorola* court set forth a five-pronged test for when “hot news” misappropriation survives

⁹⁶ *Feist Publ’ns v. Rural Tel. Serv.*, 499 U.S. 340, 347 (1991) (citing U.S. CONST., art. I, § 8, cl. 8).

⁹⁷ *Id.* at 348.

⁹⁸ *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997).

⁹⁹ *Morris Commc’ns Corp. v. PGA Tour, Inc.*, 364 F.3d 1288 (11th Cir. 2004).

¹⁰⁰ *C.B.C. Distrib. & Mktg., Inc. v. Major League Baseball Advanced Media, L.P.*, 505 F.3d 818 (8th Cir. 2007).

¹⁰¹ For the avoidance of doubt, none of the three cases directly address the dissemination of real-time sports data vis-à-vis the First Amendment.

¹⁰² *Nat’l Basketball Ass’n*, 105 F.3d at 844.

¹⁰³ *Id.* The district court made a handful of factual findings that shaped its conclusions of law. Most notably, the district court found that “[a]lthough NBA relies on [the] public dissemination of real-time NBA game data to enhance public interest in NBA games, it must, in order to preserve the value of its proprietary interest in this information, impose limitations on its dissemination.” See *NBA v. Sports Teams Analysis & Tracking Sys.*, 939 F. Supp. 1071, 1078 (1996).

copyright preemption.¹⁰⁴ The five required elements are:

- (i) the plaintiff generates or gathers information at a cost;
- (ii) the information is time-sensitive;
- (iii) a defendant's use of the information constitutes free-riding on the plaintiff's efforts;
- (iv) the defendant is in direct competition with a product or service offered by the plaintiffs; and
- (v) the ability of other parties to free-ride on the efforts of the plaintiff or others would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened.¹⁰⁵

While being careful to note that it did not address the defendant's First Amendment defense,¹⁰⁶ the Second Circuit nonetheless received considerable briefing on the free speech considerations inherent in the case. Motorola posited that "the First Amendment entitles defendants to reproduce what the District Court itself characterized as 'purely factual information'—such as the score of an NBA game and the time remaining in the game—from the NBA's copyrighted broadcasts."¹⁰⁷ STATS's argument mirrored that of its co-defendant: "the activity which defendants

¹⁰⁴ *Nat'l Basketball Ass'n*, 105 F.3d at 845. See also *Barclays Capital v. TheFlyOnTheWall.com*, 650 F.3d 876, 887 (2d Cir. 2011) (finding that no free-riding occurred when defendant financial information provider engaged in "collecting, collating and disseminating factual information" via its own "network [that] assemble[s] and transmit[s] data . . ."); Anthony J. Dreyer & Stuart D. Levi, *Second Circuit Redefines Elements of 'Hot News' Misappropriation Claims*, SKADDEN (June 29, 2011) (" . . . [A] majority of the [*Barclays*] panel also found that the oft-cited, five-factor 'hot news' test that the Second Circuit identified in . . . *NBA v. Motorola* was dicta . . .").

¹⁰⁵ *Nat'l Basketball Ass'n*, 105 F.3d at 845.

¹⁰⁶ *Id.* at 854 n.10 ("In view of our disposition of this matter [on alternative grounds], we need not address [defendants'] First Amendment and laches defenses."). Indeed, fact patterns attached to courtsiding issues do lend themselves to an ancillary analysis on the basis of laches and unclean hands.

¹⁰⁷ Brief on Behalf of Defendant-Counter-Claimant-Appellant-Cross-Appellee Motorola, Inc. at 32, *Nat'l Basketball Ass'n, Inc. v. Motorola, Inc.*, Nos. 96-7975(L), 96-9123(XAP), 96-7983(CON) (2d. Cir. 1996), 1996 WL 33485426.

undertook—the gathering and reporting of truthful facts of interest to the public on a timely basis—is squarely within the protection of the First Amendment.”¹⁰⁸

The NBA’s response brief aimed to refute Motorola and STATS’s First Amendment arguments. As a preliminary matter, the NBA claimed that its “principal product is the action and excitement of NBA games in progress” and that such “games achieve their greatest value while they are in progress—that is, in ‘real time.’”¹⁰⁹ As to how it regulates real-time information, the league explained that it “has adopted certain limitations with respect to reporting on NBA games in progress in order to ‘preserve the value of its proprietary interests’ in real-time NBA game information.”¹¹⁰

The NBA re-framed the First Amendment argument proffered by Motorola and STATS as follows: “[T]he issue here is not whether the public will receive access to real-time NBA game information, but only whether defendants are entitled to profit from what they have neither created nor paid for.”¹¹¹ More specifically, the NBA said: “Wherever the First Amendment line may rest, defendants’ systematic and continuous taking of detailed real-time NBA games information for their own commercial profits crosses that line.”¹¹² The NBA concluded: “On these facts, an injunction . . . poses no threat whatever to freedom of speech under the First

¹⁰⁸ Brief for Defendant-Appellant-Cross-Appellee Sports Team Analysis and Tracking Systems, Inc., d/b/a STATS, Inc. at 37, Nat’l Basketball Ass’n, Inc. v. Motorola, Inc., Nos. 96-7975(L), 96-9123(XAP), 96-7983(CON) (2d. Cir. 1996), 1996 WL 33485428. STATS self-described: “‘Reporting the newsworthy facts’ about NBA basketball games is part of what STATS does for a living.” *Id.* at 39.

¹⁰⁹ Brief of Appellees-Cross-Appellants the National Basketball Association and NBA Properties, Inc. at 5-6, Nat’l Basketball Ass’n, Inc. v. Motorola, Inc., Nos. 96-7975(L), 96-9123(XAP), 96-7983(CON) (2d. Cir. 1996), 1996 WL 33485427.

¹¹⁰ *Id.* at 7. In a footnote, the NBA explained that “restrictions on the use of real-time NBA game information also apply to ticket holders, who are prohibited from transmitting any information, descriptions, or accounts of games in progress.” *Id.* at 7 n.4.

¹¹¹ *Id.* at 38.

¹¹² *Id.* at 41.

Amendment.”¹¹³

The NBA received support in the form of an amicus brief jointly filed by the NFL, MLB, and NHL.¹¹⁴ The NFL/MLB/NHL triumvirate reiterated a theme running throughout the NBA’s brief: “The most valuable economic asset of any professional sports league is live sports competition.”¹¹⁵ Like the NBA, the NFL, MLB, and NHL took efforts to frame the issue for the Second Circuit:

Protecting sporting events from commercial piracy is completely consistent with the First Amendment. This case involves neither the ability of newspapers, radio and television broadcasters or online news services to provide information about NBA games after they have been completed nor their ability to provide genuine periodic reports on NBA games in progress. The issue presented is whether unauthorized third parties may present systematic and continuous accounts of NBA games in progress. The First Amendment does not grant [Motorola and STATS] any such privilege, nor does it prohibit state law from preserving the commercial value embedded in exclusive control over the distribution of real-time accounts of sporting events.¹¹⁶

In separate reply briefs, Motorola and STATS looked to rebut claims by the NBA and *amici* about the scope of First Amendment protection. Motorola argued that the “First Amendment guarantee

¹¹³ *Id.*

¹¹⁴ Brief for The National Football League, The Office of the Commissioner of Baseball and the National Hockey League as Amici Curiae Supporting the National Basketball Association and NBA Properties, Inc. (Oct. 3, 1996), Nat’l Basketball Ass’n, Inc. v. Motorola, Inc., Nos. 96-7975(L), 96-9123(XAP), 96-7983(CON) (2d. Cir. 1996). The three amici explained that they “share a common interest with the NBA in protecting and preserving for professional sports leagues and their member clubs, the rights to, and commercial value of, exclusive presentation of real-time running accounts of the live professional sporting events that result from their efforts and investments.” *Id.* at 9.

¹¹⁵ *Id.* at 8.

¹¹⁶ *Id.* at 25-26.

of free speech is not limited to the ‘press,’ but extends to all speakers, including corporations that make a profit.”¹¹⁷ Citing *Joseph Burstyn, Inc. v. Wilson*,¹¹⁸ Motorola also claimed that “the Supreme Court has long recognized that the First Amendment applies to media which entertain.”¹¹⁹ STATS’s reply brief was consistent on the point: “The First Amendment protects ‘entertainment’ just as zealously as it protects ‘news.’”¹²⁰

b. *Morris v. PGA Tour* (2004)

In *Morris v. PGA Tour*, “the free riding justification was successfully invoked to prevent a newspaper from reporting real-time golf scores.”¹²¹ The lawsuit was litigated as an antitrust case, with newspaper publisher Morris claiming that an illegal monopoly of the real-time golf score market resulted from the PGA Tour’s refusal to deal.¹²² The court affirmed the district court’s summary

¹¹⁷ Response and Reply Brief on Behalf of Defendant-Counter-Claimant-Appellant-Cross-Appellee Motorola, Inc. at 20, Nat’l Basketball Ass’n, Inc. v. Motorola, Inc., No. 96-7975 (2d. Cir. 1996), 1996 WL 33485430 [hereinafter Response and Reply Brief].

¹¹⁸ 343 U.S. 495, 501 (1952).

¹¹⁹ Response and Reply Brief, *supra* note 117, at 20.

¹²⁰ Reply Brief for Defendant-Appellant-Cross-Appellee Sports Team Analysis and Tracking Systems, Inc., d/b/a STATS, Inc. at 23, Nat’l Basketball Ass’n, Inc. v. Motorola, Inc., Nos. 96-7975(L), 96-9123(XAP), 96-7983(CON) (2d. Cir. 1996), 1996 WL 33485428 (citing *Schad v. Borough of Mount Ephraim*, 452 U.S. 61, 65-66 (1981)).

¹²¹ See Shuba Ghosh, *When Exclusionary Conduct Meets the Exclusive Rights of Intellectual Property: Morris v. PGA Tour and the Limits of Free Riding As an Antitrust Business Justification*, 37 LOY. U. CHI. L.J. 723 (2005-06). Ghosh criticized the *Morris* decision, positing that: “By extending intellectual property-like protection to data under the antitrust law, the Eleventh Circuit created a suspect grant, one that creates monopoly in real-time golf scores.” *Id.* at 744. In connection with the Constitution, Ghosh opined: “By allowing the PGA [Tour] to protect data through an intellectual property-like justification, the Eleventh Circuit ignored the implied limits from the Intellectual Property Clause.” *Id.* at 746.

¹²² *Morris Commc’ns Corp. v. PGA Tour, Inc.*, 364 F.3d 1288 (11th Cir. 2004). For reasons that remain unclear, plaintiff Morris did not assert a First Amendment claim. The Eleventh Circuit footnoted this: “In its argument for summary judgment in the district court, Morris stated that ‘this case is not a First

judgment in favor of the PGA Tour, ruling that the golf tour's move to prevent "free riding" of its in-house real-time scoring system "constitutes a legitimate pro-competitive reason for imposing a restriction [on Morris]."¹²³ The Eleventh Circuit also made clear, at the outset:

Before discussing the antitrust issues in this case, it is important to note what this case is not about. Contrary to the arguments of Morris and its amici curiae, this case is not about copyright law, the

Amendment case . . . [i]t's an antitrust case." *Id.* at n.7.

¹²³ *Id.* at 1296. Citing two pre-*Erie* "ticker cases," *Bd. of Trade v. Christie Grain*, 198 U.S. 236 (1905) and *Moore v. N.Y. Cotton Exch.*, 270 U.S. 593 (1926), the district court provided details on the underpinnings of finding a property right in the golf scores:

The PGA Tour's property right does not come from copyright law, as copyright law does not protect factual information, like golf scores . . . However, the PGA Tour controls the right of access to that information and can place restrictions on those attending the private event, giving the PGA Tour a property right that the Court will protect

. . . .

. . . . Like the "ticker cases," the instant case deals with facts that are not subject to copyright protection. The compiler of the information in both cases collects information, which it created, at a cost. Also, the events occur on private property to which the general public does not have unfettered access, and the creator of the event can place restrictions upon those who enter the private property. The vastly increased speed that the Internet makes available does not change the calculus or the underlying property right. Accordingly, the PGA Tour, like the exchanges in the ticker cases, has a property right in the compilation of scores, but that property right disappears when the underlying information is in the public domain.

Morris v. PGA Tour, 235 F. Supp. 2d 1269, 1281-82 (M.D. Fla. 2002). At the district court level, the judge also made an observation germane to the courtsiding issue: ". . . [A] compiler of information can limit the dissemination of that information through contracts, including contracts found on tickets." *Id.* at 1279 n.19.

Constitution, the First Amendment, or freedom of the press in news reporting.¹²⁴

The court's opening statement followed considerable input from the parties and *amici* on First Amendment-related issues. Citing *PGA Tour v. Martin*,¹²⁵ Plaintiff Morris argued that "PGA events are not held in private domains, but in public venues Additionally, contrary to PGA's argument, private property owners do not have an absolute right to suppress First Amendment activity."¹²⁶ The PGA Tour argued:

Morris and the amici completely misunderstand the district court's decision. The district court's decision that PGA Tour has a protectable property interest in the product of its proprietary scoring system is predicated entirely on its determination that PGA Tour controls the right of access to its private events. And having complete control over access to its private events, PGA Tour also has the right to control access to the information occurring within its private events, at least until that information is publicly disseminated beyond the confines of those events.¹²⁷

The PGA Tour also took a position with important implications at the intersection of courtsiding and the First Amendment:

Despite the amici's histrionics to the contrary, the decision below does not portend an ability of private event producers to prohibit spectators from telling others what they saw at the events or otherwise interfere with those spectators'

¹²⁴ *Id.* at 1292-93.

¹²⁵ 532 U.S. 661 (2001).

¹²⁶ Reply Brief of Appellant at 8 n.8, *Morris Commc'ns Corp. v. PGA Tour, Inc.*, No. 3:00-CV-1128-J-20C (M.D. Fla. July 8, 2003), 2003 WL 23681710.

¹²⁷ Brief of Appellee at 34, *Morris Commc'ns Corp. v. PGA Tour, Inc.*, No. 8:00-CV-387-T-24C (M.D. Fla. June 12, 2003), 2003 WL 23681713.

constitutionally protected freedom of speech.¹²⁸

Hundreds of news organizations as *amici* framed *Morris v. PGA Tour* completely differently, opining that “[t]his case goes to the heart of the media’s ability to timely report the news.”¹²⁹ The *amici* argued:

PGA Tour is attempting to prohibit media from exercising their [First Amendment] right to disseminate the basic facts of golf scores during tournaments [T]he district court’s decision permits PGA Tour unilaterally to abrogate the media’s right to report golf scores simply by inserting a limitation into its press pass credentials and thus impermissibly creates a contractually based substitute for the rights of the copyright holder.¹³⁰

c. *CBC v. Major League Baseball Advanced Media* (2007)

CBC, a fantasy baseball game operator, filed a declaratory judgment action against Major League Baseball Advanced Media “to establish its right to use, without license, the names of and information about major league baseball players in connection with its fantasy baseball products.”¹³¹ The Eighth Circuit balanced right of publicity claims with First Amendment claims and concluded “that the former must give way to the latter.”¹³² Recognizing that the dispute was between private parties, the court found “the state action necessary for first amendment protections exists because the right-of-publicity claim exists only insofar as the courts enforce

¹²⁸ *Id.* at 37 n.6.

¹²⁹ Brief of *Amici Curiae* for Morris Commc’ns Corp. in Support of Reversal at 3, *Morris Commc’ns Corp. v. PGA Tour, Inc.*, Nos. 03-10226-C, 03-11502-CC (M.D. Fla. May 20, 2003).

¹³⁰ *Id.* at 24.

¹³¹ *C.B.C. Distrib. & Mktg., Inc. v. Major League Baseball Advanced Media, L.P.*, 505 F.3d 818, 820 (8th Cir. 2007).

¹³² *Id.* at 823.

state-created obligations.”¹³³

The Eighth Circuit’s free speech-friendly holding rested on a number of grounds. First, the court looked to the public domain nature of the data:

[T]he information used in CBC’s fantasy baseball games is all readily available in the public domain, and it would be strange law that a person would not have a First Amendment right to use information that is available to everyone. It is true that CBC’s use of the information is to provide entertainment, but “speech that entertains, like speech that informs, is protected by the First Amendment because ‘[t]he line between the informing and the entertaining is too elusive for the protection of that basic right.’”¹³⁴

Next, the court found “no merit in the argument that CBC’s use of players’ names and information in its fantasy baseball games is not speech at all.”¹³⁵ Finally, the Eighth Circuit looked to *Gionfriddo v. Major League Baseball* and found sports data to be in the public interest: “. . . [R]ecitation and discussion of factual data concerning the athletic performance of [players on Major League Baseball’s website] command a substantial public interest, and, therefore, is a form of expression due substantial constitutional protection.”¹³⁶ The *CBC* case makes clear that First Amendment claims trump right of publicity claims, but *CBC* could be construed narrowly to extend only to historical sports data, not data of the real-time variety.

C. First Amendment Rights and Real-Time Sports Data

A final issue to analyze is the balance to be struck between free speech rights and sports leagues’ restrictions on the dissemination

¹³³ *Id.*

¹³⁴ *Id.* (citing *Cardtoons v. Major League Baseball Players Ass’n*, 95 F.3d 959, 969 (10th Cir. 1996) (quoting *Winters v. New York*, 333 U.S. 507, 510 (1948))).

¹³⁵ *Id.*

¹³⁶ *Id.* at 823-24.

of real-time data.¹³⁷ In *Harper & Row v. Nation*, the Supreme Court found that “copyright’s idea/expression dichotomy ‘strikes a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author’s expression.’”¹³⁸ Key to this discussion was the court’s intention to strike a balance between free expression and the economic interest of the copyright holder.¹³⁹

This becomes telling in balancing an individual’s right to disseminate real-time information at a sporting event against the claimed property interest in such data by sports leagues, especially given that *NBA v. Motorola* did not address the First Amendment issue.¹⁴⁰ In contrast, the Second Circuit did discuss free speech rights at the intersection of real-time data in *Barclays v. TheFlyOnTheWall.com*, positing that the right to “make news . . . does not give rise to a right for it to control who breaks that news and how.”¹⁴¹ Our analysis of each of the four primary categories of courtsiders is set forth in Table 1 below:

¹³⁷ It is not uncommon for sporting event organizers to utilize tickets, spectator signs, and/or media credentials in an attempt to create a contractual waiver of the right to disseminate data. See examples of such language *supra* notes 11, 12, and 13.

¹³⁸ See *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 556 (1985).

¹³⁹ The *Harper & Row* court stated: “[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.” *Id.* at 556 (quoting *Int’l News Serv. v. Assoc. Press*, 248 U.S. 215, 234 (1918)).

¹⁴⁰ See *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997).

¹⁴¹ 650 F.3d 876, 907 (2d Cir. 2011).

Table 1
Would First Amendment Likely Apply?

"Courtsider" Category	Public Land	Private Land
Non-Commercial Spectator	Yes	No
Professional Gambler		
<i>.....Illegal</i>	No	No
<i>.....Legal</i>	Yes	No
Journalist	Yes	No
Non-Gambling Entrepreneur	Yes	No

Given the state action requirement, it is difficult to envision a scenario where any category of a courtsider would qualify for First Amendment protection if the underlying activity takes place on entirely private land with no government intervention or public access.¹⁴² Similarly, a courtsiding professional gambler operating illegally under the Wire Act or otherwise would probably not be deemed to be engaging in protected commercial speech.¹⁴³ In contrast, if taking place on public property with a nexus to a state

¹⁴² Our conclusion on this point is mildly tempered by cases such as *PruneYard Shopping Ctr. v. Robins*, 447 U.S. 74 (1980), which furthers the proposition that private property owners may not suppress all First Amendment activities. *PruneYard* and its progeny likely give rise to the necessity of a case-by-case analysis of the underlying ownership and access specific to each venue. The analysis of whether private property establishes a limited public forum in a sports stadium may additionally hinge on the enforcement of policies by state or local law enforcement. See Kotlarsky, *supra* note 37.

¹⁴³ One scholar has opined that illegal gambling is wholly undeserving of First Amendment protection:

[T]he speech involved in a routine contract offer and acceptance, or in a conversation aimed at fixing prices between two corporate executives, or in the words used by a gambler to place an unlawful bet with an unlawful bookmaker is unprotected without application of a test of any stringency at all, and that is because these acts—all of which are “speech” in ordinary language—are simply not covered by the First Amendment.

Frederick Schauer, *Out of Range: On Patently Uncovered Speech*, 128 HARV. L. REV. 346, 348 (2015).

actor, there are several categories of courtsiders whose real-time data dissemination activities would fall under the free speech umbrella. The strongest candidates for First Amendment protection include spectators operating non-commercially and journalists reporting on-site. Although less certain, professional gamblers operating legally and entrepreneurs disseminating information for non-wagering purposes would also likely be considered engaged in First Amendment protected speech.¹⁴⁴

The legacy of *NBA v. Motorola* and the other related cases is that accused infringers (e.g., courtsiders) have a two-part defense.¹⁴⁵ First, defendants would cite a weakness in one or more elements of the five-part test set forth in *NBA v. Motorola*. Second, defendants would independently raise a First Amendment defense. The dual argument made by Motorola and co-defendant STATS could be recycled by a courtsider. In *NBA v. Motorola*, the Second Circuit held that the practice of disseminating real-time sports statistics to a subscription-based pager was not infringing on any intellectual property right claimed by the NBA.¹⁴⁶ The court endeavored to determine which aspects of the live NBA game were protectable between competitors and which aspects were merely public domain information.¹⁴⁷

¹⁴⁴ Positing that the dissemination of real-time data directly connected to legal sports wagering falls under the First Amendment is our most tenuous conclusion. We are unaware of any precedent that directly addresses whether legal (or illegal, for that matter) sports betting is deserving of First Amendment protection. Such a case would apparently be one of first impression.

¹⁴⁵ It is also possible that a courtsider or courtsiding-related entity could take an offensive litigation strategy and preemptively file suit seeking a declaratory judgment on real-time sports data ownership issues. A fantasy sports operator adopted such a strategy in an (ultimately successful) effort to use player statistics without paying a licensing fee. See *C.B.C. Distrib. & Mktg., Inc. v. Major League Baseball Advanced Media, L.P.*, 505 F.3d 818 (8th Cir. 2007).

¹⁴⁶ *Id.* at 846 (concluding that the live sporting event itself cannot be construed as an “original work of authorship” within the meaning of the Copyright Act of 1976).

¹⁴⁷ *Id.* Potentially seeking to avoid a similar result to that of *Motorola*, the NFL has recently acquired an equity stake in data provider Sportradar, which may buttress future legal arguments that the league has a proprietary interest in certain elements of real-time data. See Kaplan & Fisher, *supra* note 6. The president of Sportradar’s US-based subsidiary spoke about the arrangement:

The court concluded that the broadcast of the game was an “embodiment” that the NBA had a pecuniary interest in protecting,¹⁴⁸ but that the real-time statistics were not the exclusive property of the NBA.¹⁴⁹ Alternatively, the NBA claimed a violation of the “hot news” doctrine.¹⁵⁰ Motorola and STATS responded that the NBA’s hot news misappropriation claim was preempted by federal copyright law.¹⁵¹ The co-defendants also raised arguments under the First Amendment, an issue the Second Circuit ultimately did not address.¹⁵² But a future court will.

Sports leagues’ ownership of factual information connected to a live sporting event is uncertain because it presupposes there is some proprietary interest at stake.¹⁵³ Sports organizations do not enjoy any *sui generis* right to real-time data in the United States. Accordingly, such entities would probably not be able to claim

I think the NFL chose us as a partner, as we are not just a data distribution partner, we are also a development partner. I think in particular for them, data category tracking data, “Next Generation Stats” as they call it, is actually quite important . . . [w]e are moving downstream in the value chain to create products out of our core data, or raw material data.

Sean Cottrell, *NFL’s Next Gen Stats and Sportradar US Deal Explained: An Exclusive Interview with Ulrich Harmuth*, LAW IN SPORT (June 10, 2015), <http://www.lawinsport.com/features/podcast/item/nfl-s-next-gen-stats-and-sportradar-us-deal-explained-an-exclusive-interview-with-ulrich-harmuth>.

¹⁴⁸ In an amicus brief filed in the recent *ABC v. Aereo* Supreme Court case, the Solicitor General posited: “When a television network broadcasts a live sporting event, no underlying performance precedes the initial transmission—the telecast itself is the only copyrighted work.” Brief for the United States as *Amicus Curiae* Supporting Petitioners at 26, *Am. Broad. Co., Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014) (No. 13-461), 2014 WL 828079.

¹⁴⁹ See *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841, 846 (2d Cir. 1997).

¹⁵⁰ See *Int’l News Serv. v. Assoc. Press*, 248 U.S. 215 (1918) (recognizing the “hot news” misappropriation claim). See also *Motorola*, 105 F.3d at 581.

¹⁵¹ Preemption is extensively discussed in the *Motorola* opinion, but is outside the scope of this article.

¹⁵² *Motorola*, 105 F.3d at 854, n.10 (“In view of our disposition of this matter [on alternative grounds], we need not address [defendants’] First Amendment and laches defenses”).

¹⁵³ See *id.*

ownership rights as the reason to preclude courtsiders from the practice of disseminating non-copyrightable up-to-the-second information. Sports leagues would need a stronger legal position than simply claiming a proprietary interest in the real-time data.¹⁵⁴

CONCLUSION

We outlined courtsiding generally and discussed its legal status when juxtaposed with the First Amendment and the various legal theories sports leagues have furthered when looking to monetize real-time data. A resolution would likely hinge on whether a sport's organization can infringe on an individual's ability to disseminate data. This would depend on two analyses. First, the court would consider whether the quintet of elements for misappropriation under *NBA v. Motorola* were met. Second, the court would undertake a First Amendment analysis. This free speech inquiry would determine whether state action was involved and, if it was, what type of classification the speech fell under.

This two-step analysis results because there is some residual conflict among the precedent as to whether real-time sports data is a property right that a person or entity can assert over another or whether it is dedicated to the public domain. While the weight of prior cases leans toward a public domain finding, technology is changing rapidly and we see discrete areas where sports leagues may have proprietary rights over certain types of real-time data.¹⁵⁵ For example, one reading of the "hot-news" misappropriation claim that survived *NBA v. Motorola* is when a market participant pursues first publication. This could allow a professional sports league the ability to create a copyrightable compilation and claw-back against purported free-riders who are trying to beat the league

¹⁵⁴ Indeed, this conclusion can be reached without even addressing the First Amendment issue.

¹⁵⁵ For example, sports leagues may have a stronger argument for real-time data ownership if they are viewed as a competing market participant and own or run a business in the market of compiling and disseminating real-time data. For a description of this in the gambling context, see Ryan Rodenberg, *Wagering on the Future*, ESPN THE MAG. (Mar. 2, 2015), http://espn.go.com/chalk/story/_/id/12251828/gambling-issue-charles-barkley-five-voices-debating-sports-gambling-legalization.

(or other gamblers) to market.¹⁵⁶ Likewise, sports leagues could create trade secret-eligible advanced analytics to develop proprietary data and unique sports wagering options for consumers.¹⁵⁷ The emergence of mediums such as Twitter, Meerkat, and Periscope, which allow users to transmit their own real-time content from sporting events, demonstrate the continued importance of trying to control the data ownership space.¹⁵⁸

The presence of the First Amendment looms large, however. As detailed in Table 1, free speech protections are likely triggered in a number of courtsiding categories.¹⁵⁹ Accordingly, our advice to every real-time sports data company, fantasy operator, analytics firm, or sports book, who use courtsiders and operate without the explicit or tacit consent of the relevant sports league, whether gambling-related or not, is to include a journalism division capable of generating original content as part of their core business to enhance the chances of the First Amendment attaching. Similarly, it would be prudent for sports leagues looking to monetize real-time data to become equity owners and operators of a data

¹⁵⁶ See *Satava v. Lowry*, 323 F.3d 805, 811 (9th Cir. 2003) (stating “[i]t is true, of course, that a combination of unprotectable elements may qualify for copyright protection”).

¹⁵⁷ Fantasy operators, gambling providers, and sports data analytics/dissemination firms could pursue this as well. In a somewhat ironic legal twist, Major League Baseball’s long-standing antitrust exemption, a sanctuary other sports leagues do not enjoy, arguably puts MLB in a relatively weaker position when trying to monetize data for gambling, fantasy, and other purposes.

¹⁵⁸ See Richard Sandomir, *Periscope, a Streaming Twitter App, Steals the Show on Boxing’s Big Night*, N.Y. TIMES (May 4, 2015), <http://www.nytimes.com/2015/05/05/sports/periscope-a-streaming-twitter-app-steals-the-show-on-boxings-big-night.html>. See also Mike Vernon, *Live-streaming apps: new view of sports, challenge to broadcasters*, SFGATE.COM (May 24, 2015), <http://www.sfgate.com/sports/article/Live-streaming-apps-new-view-of-sports-6284540.php>.

¹⁵⁹ While our analysis establishes that publicly owned and operated stadiums (e.g., state-owned college football and basketball stadiums) are likely subject to First Amendment protection in non-illegal gambling-related courtsiding, there is a possibility that even events held at certain privately-owned facilities are subject to the limited public forum doctrine by virtue of their authorization of public access, use of law enforcement officers, and allowance of some forms of expression. See Kotlarsky, *supra* note 37.

transmission provider, analytics firm, journalistic venture, and at least one sports gambling/fantasy portal, putting them in direct competition with third parties also seeking to commodify the data. Such a move would not alter the First Amendment analysis among non-commercial spectators and journalists, but would strengthen the leagues' claims vis-à-vis certain commercial entities such as gambling courtsiders and entrepreneurial businesses in the same space.

FROM *INWOOD* TO INTERNET AND BEYOND: ASSESSING
THE WEB HOST-USER RELATIONSHIP IN CONTRIBUTORY
ONLINE TRADEMARK INFRINGEMENT

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Cite as: 11 Wash. J.L. Tech. & Arts 105 (2015)
<http://digital.lib.washington.edu/dspace-law/handle/1773.1/1477>

ABSTRACT

While courts have created a doctrine of contributory trademark infringement in response to the expansion of goods and services from brick-and-mortar to the Internet, the exact duties of web hosts under the rule are not yet clear. Despite judicial attempts to carve out new standards to define traditional requirements, the application of these standards remains inconsistent and has left unresolved ambiguities. The disparities between the standards may be balanced through an analysis of the affirmative duties imposed by the law on online service providers, as well as a closer look at the relationship between a service provider and user. This Article reexamines the meaning of contributory liability for web hosts in light of their active and passive roles in such relationships, and considers the factors of good (and bad) faith in the conduct of defendants, practicability of affirmative duties, and inherent differences between types of online service providers as potential deciding factors.

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TABLE OF CONTENTS

Introduction.....	107
I. The Changing Role of OSPs in Trademark Infringement Cases.....	108
II. The Contemporary Elements in Action.....	111
A. The Knowledge Element and Willful Blindness.....	111
B. Additional “Control” and the Dynamic OSP-User Relationship.....	114
III. The Balancing Factors of Good Faith and Practicability.....	118
A. Limiting a Trademark Holder’s Exclusive Rights with “Control”.....	118
B. Potential Benefits to the Service Provider.....	119
C. The Feasibility of Preventative Measures.....	120
D. Recognizing Inherent Differences Between OSPs.....	121
Conclusion.....	122
Practice Pointers.....	123

INTRODUCTION

In the e-commerce realm, online service providers (“OSPs”) continue to face potential liability for contributory trademark infringement, given the prevalence and profitability of counterfeit goods. As online accessibility to various markets for goods has rapidly increased in the last couple decades, courts have endeavored to stretch the scope of contributory infringement to fit new situations while keeping a limit on the accompanying expansion of property rights. Under the Lanham Act, a contributory trademark infringement claim requires showing that the defendant has “suppl[ied] its product or service to identified individuals that it knows or has reason to know are engaging in trademark infringement.”¹ The elements of contributory trademark infringement are codified to some degree within the statute, but as of today, the doctrine remains a creature of common law, with discretion largely allocated to the courts.²

The unique nature of the relationship between web hosts and web users has presented certain complications in finding the “correct” standard. The interpretation of the test for contributory trademark infringement ultimately determines how much of the burden OSPs and trademark owners respectively carry in monitoring trademark infringement in online venues. Thus, a clear formulation of the standard and how to account for real-world and legal inconsistencies is necessary.

This Article attempts to define the present scope of online contributory liability by reconciling conflicting standards presented in the case law, focusing specifically on the “knowledge” and “control” requirements in the context of relationships between OSPs and users. Part I reviews the evolution of contributory trademark infringement standards. Part II analyzes the nuanced role(s) of the defendant web host under current judicial

¹ Lanham Act § 32(a), 15 U.S.C. § 1114(a) (2005).

² Deborah F. Buckman, *Liability as Vicarious or Contributory Infringer under Lanham Act—Modern Cases*, 152 A.L.R. FED. 573 (1999) (outlining notable federal cases on secondary liability for trademark infringement).

interpretations of the rule. Part III addresses remaining ambiguities by identifying three main balancing factors: (a) limitations on exclusive rights, (b) indications of a defendant's good faith, and (c) the specific nature of a defendant's services.

I. THE CHANGING ROLE OF OSPs IN TRADEMARK INFRINGEMENT CASES

In intellectual property law, liability for contributory infringement may extend to defendants even though they have not themselves infringed the protected creation. The test for contributory trademark infringement is harder to satisfy than its counterparts in copyright and patent law.³ But the basic principles are the same: if a plaintiff can support an underlying claim of direct infringement by one party, he may further assign contributory liability to a third party who has “knowingly encourage[d] or facilitate[d] illegal and tortious activity.”⁴

The doctrine of contributory trademark infringement is overall a judicial construction “derive[d] from the common law of torts.”⁵ In one of the earliest formulations of the standard, the Supreme Court in *William R. Warner & Co. v. Eli Lilly & Co.* held liable the manufacturer of the pharmaceutical product “Quin-Coco,” whose salesmen attempted to convince druggists that orders for the product Coco-Quinine could be filled with Quin-Coco more cheaply and without risking detection.⁶ The Court condemned the unfair advantage gained from passing off one product as another.⁷ However, it emphasized that “[o]ne who induces another to commit a fraud and furnishes the means of consummating it is equally guilty and liable for the injury.”⁸ Thus *Eli Lilly* introduced the foundational elements of inducement and providing the means

³ See 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:17 (4th ed. 2014) (noting that various courts have inferred this comparison from the Supreme Court's discussion in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984)).

⁴ *Id.*

⁵ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 103 (2d Cir. 2010).

⁶ See *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924).

⁷ See *id.* at 532.

⁸ *Id.* at 530–31.

to infringe in the context of unfair competition.

In *Inwood Labs, Inc. v. Ives Labs, Inc.*, the Supreme Court first laid out the test for contributory trademark infringement:

[I]f a manufacturer or distributor [sic] intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.⁹

Thus the two main factors under the *Inwood* standard are inducement, or, alternatively, a knowledge standard of *knowing* or *having reason to know*.

Originally framed to fit the manufacturer-distributor relationship, the *Inwood* standard has since been adapted for other types of relationships which possess the requisite inducement and knowledge elements. In *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, the Seventh Circuit declared the standard applicable to landlord-tenant and licensor-licensee relationships,¹⁰ recognizing that a major issue was whether the defendant flea market operator was in a position to suspect and investigate the sale of counterfeit items on the premises.¹¹ This holding introduced the rule that where a third party passively permits the infringing activities, “willful blindness” may support a finding of actual knowledge for the purposes of contributory liability. Similarly, in *Fonovisa, Inc. v. Cherry Auction, Inc.*, the Ninth Circuit extended the scope of *Inwood* to a swap meet operator, noting that “[t]he Court in *Inwood* . . . laid down no limiting principle that would require defendant to be a manufacturer or distributor.”¹² Beginning with these cases, courts

⁹ *Inwood Labs, Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

¹⁰ *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992).

¹¹ *See id.* at 1152.

¹² *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996).

expanded the application of *Inwood* to a new class of defendants: service providers.¹³

Applying the *Inwood* standard to online service providers has been more complicated. In *Lockheed Martin Corp. v. Network Solutions, Inc.*, the Ninth Circuit modified the standard for application to OSPs, adding a new requirement of monitoring or control on the part of the OSP. Specifically, the plaintiff must show “[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark.”¹⁴ The court found that a registrar of Internet domain names lacked such control over the infringing use of domain names because the registering service merely handled the registration process and did not itself supply the domain name combinations.¹⁵

The Ninth Circuit continues to apply this modified *Lockheed* standard to other types of OSPs, such as web hosts for sales of goods¹⁶ or payment processing services.¹⁷

However, a number of courts including the Second Circuit and district courts in the Sixth and Ninth Circuits have applied the original *Inwood* formulation to OSPs in a variety of contexts: online auction sites,¹⁸ websites that host online transactions for the sale of goods,¹⁹ and providers of email addresses.²⁰

¹³ See, e.g., *Coach, Inc. v. Goodfellow*, 717 F.3d 498, 503 (6th Cir. 2013) (relying on *Hard Rock Cafe* and *Fonovisa* to apply *Inwood* to a service which rented booths and storage units to vendors).

¹⁴ *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999).

¹⁵ See *id.*

¹⁶ See, e.g., *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 942 (9th Cir. 2011) (noting that the *Lockheed* test of “direct control and monitoring” applied where defendants provided a website-hosting service).

¹⁷ See, e.g., *Perfect 10, Inc. v. Visa Intern. Serv. Ass’n*, 494 F.3d 788, 807 (9th Cir. 2007) (applying *Lockheed* as an “extension” of *Inwood* to bank associations which processed credit card payments to websites with infringing material).

¹⁸ See, e.g., *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).

¹⁹ See, e.g., *Chloe SAS v. Sawabeh Info. Servs. Co.*, No. CV 11-04147 GAF (MANx), 2014 WL 4402218, at *6, *22 (C.D. Cal. Sept. 5, 2014) (finding implied intent under the *Inwood* standard against online companies which established a “haven” for counterfeiting of luxury brands).

²⁰ See, e.g., *W.W. Williams Co. v. Google, Inc.*, No. 2:13-cv-713, 2013

To better understand the significance of this divergence, it is important to examine the core elements of these standards.

II. THE CONTEMPORARY ELEMENTS IN ACTION

To satisfy the *Inwood* standard, a plaintiff can show inducement of the infringing activity or the defendant's possession of a requisite level of knowledge.²¹ Whereas the requirement of "knowledge" targets OSPs which do no more than "turn a blind eye" to infringement, the control element of the *Lockheed* standard introduces a more complicated question about the overall relationship between the OSP and the infringer.

Because much uncertainty in the case law lies in determining what the knowledge requirement entails,²² the following discussion will examine the element and its relationship to the control element. This section will focus mainly on the Second, Fourth, and Ninth Circuits as having produced notably conflicting standards.

A. The Knowledge Element and Willful Blindness

The knowledge element targets behavior that "designedly enabl[es]" infringing activity²³—which can include both passive and active conduct. Courts tend to illustrate this element in terms of what it is not. In *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010) (*Tiffany II*), the Second Circuit held that general notice of infringement provided to the online auction site eBay was not enough to satisfy *Inwood*.²⁴ Rather, the service provider would

WL 3812079, *8–9 (S.D. Ohio July 22, 2013) (classifying email accounts as services, and applying *Inwood* to Google as a service provider).

²¹ See *Inwood Labs, Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

²² Rebecca Dunlevy, *Internet Immunity: The Limits of Contributory Trademark Infringement Against Online Service Providers*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 927, 950 (2012) (noting that a split in the tests used by the courts has resulted in differing standards for the level of knowledge required).

²³ *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 530 (1924).

²⁴ See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 107 (2d Cir. 2010).

need to have specific knowledge of individual acts of infringement, such as the identities of particular infringing sellers.²⁵ While this approach points to a threshold level of knowledge, the only guiding interpretation of “specific knowledge” it provides is “contemporary knowledge of which particular listings are infringing or will infringe in the future.”²⁶ The key distinction between passable “specific knowledge” and insufficient “general knowledge” is the knowledge of particular infringement, as opposed to background knowledge that infringement is happening.

The Restatement (Third) of Unfair Competition puts forth an alternate test, which extends contributory liability to defendants who fail to take reasonable precautions against the infringing activity where the infringement can be “reasonably anticipated.”²⁷ However, courts have favored *Inwood* over this relaxed standard—the District Court for the Southern District of New York explicitly rejected such a relaxed standard in *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463 (S.D.N.Y. 2008) (*Tiffany I*).²⁸ This further suggests that the knowledge element requires something more than general knowledge.

In practice, the knowledge element provides a mechanism to account for more passive forms of contributorily infringing conduct. The Second Circuit and Seventh Circuit have expressly indicated that “willful blindness,” defined as the deliberate failure to investigate suspected wrongdoing,²⁹ is an alternative way to satisfy the element.³⁰ Under this standard, intent to facilitate infringement may be inferred from the defendant’s knowing actions (or non-actions), such as the willful establishment of

²⁵ See *id.* at 109.

²⁶ *Id.* at 107.

²⁷ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 27 (1995).

²⁸ See *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 510 (S.D.N.Y. 2008) (“[N]either precedent nor policy supports Tiffany’s contention that generalized allegations of infringement provide defendants with knowledge or a reason to know of the infringement.”).

²⁹ See *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992).

³⁰ See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 109 (2d Cir. 2010); *Hard Rock Cafe*, 955 F.2d at 1148.

business conditions that are highly conducive to infringement.³¹ In *Hard Rock Cafe*, the Seventh Circuit noted that in applying the “willful blindness” approach, the district court should have focused more on the defendant’s state of mind and less on its external conduct (i.e., the defendant’s failure to take precautions against infringing activity).³² However, plaintiffs need not prove express intent.³³

Overall, the knowledge element creates a threshold for determining when a defendant should have taken affirmative action against the infringement. Such action includes taking reasonable corrective measures against individual instances of infringement when notified.³⁴ The Second Circuit held that eBay could not be expected to police trademark infringement on its site. The court found that eBay’s corrective measures were satisfactory, having dealt with the specific instances of infringement actually brought to its attention.³⁵ The Seventh Circuit was also careful to point out

³¹ See *Chloe SAS v. Sawabeh Info. Servs. Co.*, No. CV 11-04147 GAF (MaNx), 2014 WL 4402218, at *22 (C.D. Cal. Sept. 5, 2014) (finding that defendants’ actual awareness of each infringement did not matter where defendants had “deliberately established a haven for trademark infringement and counterfeiting”).

³² See *Hard Rock Cafe*, 955 F.2d at 1149.

³³ See, e.g., *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 943 (9th Cir. 2011) (rejecting the argument that contributory infringement must be intentional); *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1172 (9th Cir. 2007) (recognizing that intent may be inferred from “a service provider’s knowing failure to prevent infringing actions”).

³⁴ The Second Circuit reasoned:

[A]lthough the NOCIs and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers’ listings were removed and repeat offenders were suspended from the eBay site. Thus Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods.

Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 109 (2d Cir. 2010).

³⁵ See *id.* at 109–10.

that the knowledge requirement does not impose an affirmative duty of action on service providers: “Although the ‘reason to know’ part of the standard for contributory liability requires CSI (or its agents) to understand what a reasonably prudent person would understand, it does not impose any duty to seek out and prevent violations.”³⁶ However, once the service provider has reason to suspect users of infringement, it may not “shield itself from learning of the particular infringing transactions by looking the other way.”³⁷

B. Additional “Control” and the Dynamic OSP-User Relationship

The *Lockheed* standard introduces an element of “direct control and monitoring” in the relationship between the service provider and the infringing user,³⁸ which may be considered an addendum to the knowledge element, or an altogether separate requirement. This addition arises from the Ninth Circuit’s distinction between a product and a service which would necessitate further considerations of how much control a defendant has over an infringer.³⁹ Citing *Hard Rock Cafe*, the Ninth Circuit reasoned that in the case of a product, a manufacturer more clearly supplied infringers with the instrumentality to infringe, whereas a closer link was necessary to show contributory liability for service providers.⁴⁰

Unlike the basic *Inwood* knowledge requirement, this heightened standard accounts more consistently for active conduct by the defendant. It assesses not only a threshold for when the defendant should take preventative action, but also when a defendant may have been actively contributing to the infringement. This is in accord with a reading of *Inwood* as containing not only a “knows or has reason to know” element but also a “continues to

³⁶ See *Hard Rock Cafe*, 955 F.2d at 1149.

³⁷ See *Tiffany*, 600 F.3d at 109.

³⁸ *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999).

³⁹ See *id.*

⁴⁰ See *id.*

supply” element.⁴¹

Examples of courts applying the *Lockheed* standard show that certain types of OSPs may inherently lack a clear link to infringing uses of its services. *Lockheed* suggests that domain name registrars are such a class, because the defendant performed only registering services and had limited control.⁴² On the other hand, the court suggested that an OSP that performs “hosting” functions, checks for registrants’ rights to use particular words, or monitors the use of domain names after registration might exert the appropriate level of control.⁴³ In *Perfect 10, Inc. v. Visa Intern. Serv. Ass’n*, the Ninth Circuit also held that defendants did not have “direct control” where their online payment systems were being used to process payments for infringing material.⁴⁴ The court suggested that sufficient evidence of control would include a showing of defendants’ “power to remove infringing material from [infringing websites using the payment system] or directly stop their distribution over the internet.”⁴⁵

While the Second Circuit in *Tiffany II* found it unnecessary to perform a “control” analysis for deciding whether the modified *Inwood* standard applied to eBay,⁴⁶ the district court had concluded through applying a set of determining factors that eBay did exert “significant control” over transactions and listings on its site.⁴⁷ While this set of factors pertains specifically to eBay’s services, scholars have recognized that they may be used generally in determining an OSP’s degree of control over the infringing instrumentality. The relevant points are: (1) the OSP’s degree of control over the website’s software and what type of service it provides; (2) the OSP’s use of plaintiff’s mark to promote its

⁴¹ *Inwood Labs, Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

⁴² *See Lockheed Martin*, 194 F.3d at 984.

⁴³ *See id.* at 982.

⁴⁴ *See Perfect 10, Inc. v. Visa Intern. Serv. Ass’n*, 494 F.3d 788, 807 (9th Cir. 2007).

⁴⁵ *Id.*

⁴⁶ *See Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 105–06 (2d Cir. 2010).

⁴⁷ *See Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 505–07 (S.D.N.Y. 2008).

website; (3) economic benefit the OSP derives through the use of plaintiff's mark; (4) the OSP's control over specific features of the website; and (5) exceptions for nominative uses of plaintiff's mark (such as use for describing products).⁴⁸

Some scholars have noted that, given the disparity between standards and the lack of a systematic approach in case law, there is uncertainty about whether the additional "control" requirement applies to a given OSP or whether the basic "knowledge" requirement suffices.⁴⁹ But the standards may be reconciled; both focus on the nature of the relationship between the service provider and the user.

The key inquiry is not necessarily about choosing one standard over another, but rather understanding the nuances of this relationship. In this sense, one major issue is whether the infringing use of the OSP's services is an isolated act or part of a course of an ongoing or past relationship. For evidentiary purposes, "isolated instances of fraud" are insufficient to show a defendant's complicity.⁵⁰ However, the broader framework for the "general vs. specific knowledge" concept suggests that a resolution is not so simple.

Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144 (4th Cir. 2012) (*Rosetta Stone II*) suggests that at least some question remains as to whether contributory liability requires specific instances of infringement or if a more general course of dealing is enough. The case concerned language software company Rosetta Stone's claim that search engine Google was contributorily liable for the infringing conduct of third party advertisers.⁵¹ The infringing advertisers purchased Rosetta Stone's marks through Google's keyword auction tool and subsequently used the marks in Google's

⁴⁸ See Lauren E. Sims, *When Enough Control is Not Enough: The Conflicting Standards of Secondary Liability in Rosetta Stone*, 26 BERKELEY TECH. L.J. 655, 681 (2011) (reformulating the five factors to account for general characteristics of OSPs other than eBay).

⁴⁹ See Dunlevy, *supra* note 22, at 950.

⁵⁰ This is true at least in the context of manufacturers, but presumably also service providers subject to *Inwood*. 4 LOUIS ALTMAN & MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES § 23:10 (4th ed. 2014).

⁵¹ See *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 152 (4th Cir. 2012).

sponsored links to direct users to counterfeit Rosetta Stone products and competing products.⁵² Citing the Second Circuit's finding in *Tiffany II* that generalized knowledge was insufficient, the district court held that Google did not apparently have specific knowledge of the infringing activity.⁵³ The Fourth Circuit vacated the district court's order granting summary judgment to Google, concluding that there was at least a question of fact as to whether Google knowingly continued to provide services to infringing users. The Fourth Circuit relied on evidence provided before the district court in *Rosetta Stone Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531, 548 (E.D. Va. 2010) (*Rosetta Stone I*). This evidence included a spreadsheet reflecting Rosetta Stone's notifications to Google of "approximately 200 instances of Sponsored Links advertising counterfeit Rosetta Stone products."⁵⁴ Despite having received such notice, "Google continued to allow Sponsored Links for other websites by these same advertisers."⁵⁵

Although decided on a summary judgment standard, the Fourth Circuit's decision leaves open the possibility that contributory liability applies not only to specific instances of infringement but to relationships as a whole—that is, the pattern of behavior a user establishes in the course of using the defendant's services. The concept of the ongoing relationship is novel in that it emphasizes an infringer's nature as a user of the services, rather than a numerical threshold of specific instances (which tends to exclude the more humanistic factors at play). While requiring less specificity, such a standard is not likely to extend contributory liability to findings of general knowledge, as established in *Tiffany II*.⁵⁶ It might, however, fall somewhere below the *Lockheed*

⁵² See *id.* at 151–52.

⁵³ See *Rosetta Stone Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531, 548 (E.D. Va. 2010).

⁵⁴ *Rosetta Stone*, 676 F.3d at 163.

⁵⁵ *Id.*

⁵⁶ See *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 107 (2d Cir. 2010) (agreeing with the district court's interpretation of *Inwood* as requiring "some contemporary knowledge of which particular listings are infringing or will infringe").

“control” standard and the *Tiffany II* “specific knowledge” standard.

III. THE BALANCING FACTORS OF GOOD FAITH AND PRACTICABILITY

Whether any particular standard is viable and when it applies may ultimately depend on certain balancing factors as indicated by case law. Among these are the underlying policy interests of trademark law, whether a defendant’s actions indicate good (or bad) faith, and the inherent differences between OSPs.

A. *Limiting a Trademark Holder’s Exclusive Rights with “Control”*

Trademark law balances an interest in protecting the mark of a business or individual with a concern about improperly expanding property rights. This is especially true where contributory trademark infringement is concerned because the doctrine extends liability beyond traditional cases of direct infringement. As such, the imposition of an additional “control” requirement reflects an attempt by courts to limit this expanding scope. In *Lockheed*, both the Ninth Circuit⁵⁷ and the district court noted this concern. The district court asserted that “[t]he solution to the current difficulties faced by trademark owners on the Internet lies in this sort of technical innovation, not in attempts to assert trademark rights over legitimate non-trademark uses of this important new means of communication.”⁵⁸

Some scholars have criticized this heightened standard, arguing that it is an incorrect interpretation of the doctrine,⁵⁹ or a somewhat

⁵⁷ See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999) (“Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark permits the expansion of *Inwood Lab.*’s ‘supplies a product’ requirement for contributory infringement.”).

⁵⁸ *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 968 (C.D. Cal. 1997).

⁵⁹ See Dunlevy, *supra* note 22, at 958–59 (“The Ninth Circuit . . . fails to fully reason out why this distinction is necessary based on the extension of liability in *Hard Rock Cafe* and *Fonovisa* to landlords and licensors.”).

redundant addition to a knowledge standard which is already difficult to satisfy.⁶⁰ However, scholars have also pointed out that the “control” element “recognizes the distance at which OSPs and third parties transact and the difficulty with requiring OSPs to personally monitor every use of their services,” in comparison to real world business models.⁶¹ As such, the value of a “control” requirement cannot easily be discounted, nor can the likelihood that courts will continue to apply it.

B. Potential Benefits to the Service Provider

A “good faith” analysis may be split into two parts: the circumstantial role of economic incentives to the defendant, and actual preventative measures taken by the defendant. As shown in the standard of “willful blindness,” an important rationale behind contributory trademark infringement is preventing service providers from abetting infringing activity where they have economic incentives to do so. Again, this reflects the doctrine’s origins in tort and unfair competition law.

Given the nature of the relationship between certain types of OSPs and users, OSPs often have significant incentives to aid infringement or turn a blind eye. For example, as the Second Circuit noted in *Rosetta Stone II*, Google profited from clicks on its sponsored links and thus had incentives to allow activities that would increase traffic or otherwise promote its website.⁶² Similarly, in *Tiffany I*, the district court considered the question of economic benefit among the factors for determining eBay’s degree of control over the instrumentality for infringement.⁶³ Further

⁶⁰ See Sims, *supra* note 48, at 663 (“[O]ne might argue that an element of ‘control’ is already incorporated into the knowledge standard, which serves to mitigate the level of liability: if OSPs function predominantly through automated processes, then they likely have little human knowledge of how third parties are specifically using their services.”).

⁶¹ *Id.* at 679.

⁶² See *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 151 (4th Cir. 2012).

⁶³ See *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 505–07 (S.D.N.Y. 2008) (noting, specifically, eBay’s promotion of its website using the

factors that may be relevant are the strength of the economic incentive and the plausibility of defendant's allegedly contributory actions without the incentive.

It should be noted, however, that economic benefit alone is insufficient for a finding of contributory infringement.⁶⁴

C. *The Feasibility of Preventative Measures*

Because OSPs function through automated processes, they will have little direct knowledge of what individual users are doing. This presents an obstacle both for plaintiffs who must demonstrate that such an OSP "knew or had reason to know" of infringement, and OSPs looking towards more aggressive policies against trademark infringement. As the district court reasoned in *Lockheed*, a domain name registrar cannot be expected to "monitor the Internet."⁶⁵

Courts may then weigh any economic incentive against any mitigating actions by the service provider. For example, in *Tiffany II*, the Second Circuit emphasized eBay's corrective actions in response to notifications of infringing listings in finding that it did not contributorily infringe.⁶⁶ Conversely, although the district court in *Rosetta Stone I* found that Google took some measures to prevent infringing uses of keywords,⁶⁷ the Fourth Circuit appeared to take greater notice of the fact that Google continued allowing infringing activity by users after being notified about the users.⁶⁸

While this factor should not undercut any duties for OSPs

Tiffany mark).

⁶⁴ See *Rosetta Stone Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531, 548 (E.D. Va. 2010).

⁶⁵ *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 962 (C.D. Cal. 1997).

⁶⁶ See *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 109 (2d Cir. 2010).

⁶⁷ See *Rosetta Stone*, 730 F. Supp. 2d at 548 (reasoning that because Google had no mechanism for detecting specific infringement, there was little it could do besides prohibiting advertisements for counterfeits, notifying users of their responsibilities, and taking down individual advertisements when notified of infringement).

⁶⁸ See *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 163–64 (4th Cir. 2012).

implied under the “knowledge” or “control” standards, courts may be willing to recognize when an OSP has done everything it could be reasonably expected to do in light of practical or economic limitations.⁶⁹

D. Recognizing Inherent Differences Between OSPs

Because each OSP is different, there may not be a single test that is applicable to all of them.⁷⁰ In deciding exactly when OSPs have satisfied their burden, it may be useful to examine the specific nature of the individual OSP on a case-by-case basis. While this factor might indicate the degree of control an OSP has over user activity, this information alone may not reveal much about whether the OSP has satisfied its burdens. As such, it should be considered only in light of the overall standard being applied, and the factors described above.

Based on a review of the case law, several characteristics of OSPs stand out as particularly important.⁷¹ First, what type of service does the OSP provide, e.g., name registering, payment processing, online marketplace? Second, did the OSP itself create or post the infringing material, e.g., using an algorithm-based program? Third, does the infringing material appear within the OSP’s own domain, e.g., on its web page? Finally, does the OSP facilitate the transactions within which the infringement takes place? If so, how—directly (by handling payments, like eBay) or other ways (via click-throughs, like Google)? In some instances, such as claims against domain name registrars, these individualized characteristics may affect a plaintiff’s chance of success.

⁶⁹ This factor is subject to two divergent interpretations: “industry standard” feasibility (i.e., which measures are reasonable relative to similar OSPs, taken in light of general practice standards) and literal, “state of the art” feasibility (i.e., which measures are possible given the technological environment in which the OSP operates). As can be seen in the case law examined in this Article, U.S. courts appear to favor the former at this point in time.

⁷⁰ See Sims, *supra* note 48, at 676–77.

⁷¹ These incorporate some of the *Tiffany* elements.

CONCLUSION

The current challenge facing courts and online proprietors is determining the balance between controlling trademark infringing behavior and having to police activity beyond one's control.

Case law indicates that, while narrow, contributory liability standards may expand beyond situations in which web hosts have knowledge of specific instances of infringement. Balancing factors in the OSP-user relationship and considerations of good faith and legal doctrine must be taken into account to accommodate newer developments in the types of online exchanges available to service providers and their users.

PRACTICE POINTERS

- Analyze the balancing factors of good faith and the limitation of exclusive rights in light of the overall standard.
- If necessary, address the specific nature of the OSP's service(s), and consider the degree of control the OSP has over user activity.
- Understand the nature of the relationship between the OSP and the infringing user—e.g., is the infringement ongoing or habitual, or is it an isolated act?
- When advising a trademark holder: provide detailed notice to OSPs of individual acts of infringement whenever possible. Consider ways to give related OSPs notice of “repeat offenders” when these OSPs are likely to be involved.
- When advising an OSP: ensure timely and effective responses to notifications of infringement.

PAYING FOR NUDE CELEBRITIES: TESTING THE OUTER
LIMITS OF *ROOMMATES.COM*, *ACCUSEARCH*, AND
SECTION 230 IMMUNITY

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Cite as: 11 Wash. J.L. Tech. & Arts 125 (2015)
<http://digital.lib.washington.edu/dspace-law/handle/1773.1/1478>

ABSTRACT

The Internet is a powerful tool that promotes commerce, free thought, and free speech. It is these exact values that Congress sought to solidify when it passed Section 230 of the Communications Decency Act. The Internet also has a dark side, which is filled with obscenities, pornography, and illegal activity. In order to protect positive values and activities on the Internet, Congress decided to incentivize websites to police the content posted by their users. This was done by providing broad immunity from lawsuits based on content posted by third parties. But this immunity is not absolute. In the Fair Housing Council of San Fernando Valley v. Roommates.com the court held that a website is a developer of the allegedly illegal content, and thus not immune, when it materially contributes to the alleged illegality of such content. Under Roommates.com, a website “materially contributes” if it forces its users to provide the allegedly illegal content. The F.T.C. v. Accusearch decision represents a different approach to the material contribution standard created in Roommates.com, but nevertheless affirms the broad immunity created by Section 230. Finally, the progeny cases of Roommates.com and Accusearch provide examples and reasons why Section 230 is so broad. This Article applies the above-mentioned cases to a hypothetical where a website receives payment to promote stolen celebrity photos on its website. This

application concludes that the facetious website is not liable under the current law, regardless of the fact that its actions are morally suspect.

TABLE OF CONTENTS

I. Introduction.....	127
II. Section 230 of the Communications Decency Act Creates Broad Immunity For Websites.....	129
III. Section 230 Immunity Is Broad, But Not Absolute.....	130
IV. <i>F.T.C. v. Accusearch Inc.</i> , While Lacking In Analysis, Affirms the Broad Immunity and Limited Exception To Section 230 Expounded In <i>Roommates.com</i>	133
V. The Progeny of <i>Roommates.com</i> and <i>Accusearch</i> Demonstrate the Breadth of Section 230 Immunity.....	135
A. A Website Is Still Immune Even If It Receives a Takedown Notice for the Illegal Content.....	135
B. The Fact That the Business Is Motivated By Profit Is Irrelevant To Whether Section 230 Immunity Applies.	137
C. Section 230 Immunity Still Applies When an Owner of a Website Knows the Third-Party Content Is Legally Questionable Absent a Takedown Notice.	137
VI. Analyzing the Hypothetical Under <i>Roommates.com</i> , <i>Accusearch</i> , and the Case Law In Section IV, Makes It Clear Squawker Will Not Be Liable.....	138
Conclusion	138
Practice Pointers.....	139

I. INTRODUCTION

The Internet is a powerful tool that enables businesses to reach customers all over the world and empowers people to speak out against their government. However, it would be a mistake to view the Internet through rose-colored glasses, for there are many dark, disturbing, and illegal activities it supports. This Article analyzes the immunity created under Section 230 of the Communications Decency Act.¹ Two recent and contentious cases² are used to analyze a hypothetical constructed in light of recent changes in social media and an event concerning popular culture.³ This section introduces the hypothetical, sections II, III and IV discuss Section 230, the *Roommates.com* and *Accusearch* decisions, section V discusses the progeny cases, and section VI applies all the cases to the facts of the hypothetical.

The hypothetical is as follows: A social networking website called “Squawker” has recently decided to accept payment from users in exchange for promoting their “squawks”⁴ to all other users of the website. An anonymous user (“Anon”) of a popular imageboard site⁵ called “3Chan” pays Squawker to promote his squawks. Anon explains that he will be squawking pictures that he found on the Internet. These pictures consist of nude celebrities and were stolen from various iCloud accounts owned by said

¹ 47 U.S.C. § 230 (2006).

² *F.T.C. v. Accusearch Inc.*, 570 F.3d 1187 (10th Cir. 2009); *Fair Hous. Council of San Fernando Valley v. Roommates.com, LLC*, 521 F.3d 1157 (9th Cir. 2008).

³ This hypothetical is based on an article in Venture Beat and the hacked celebrity photos posted to 4Chan and Reddit. See Kia Kokalitcheva, *Twitter will soon start to show you tweets from folks you don't follow*, VENTURE BEAT NEWS (Oct. 16, 2014, 5:48 PM), <http://venturebeat.com/2014/10/16/twitter-will-soon-start-to-show-you-tweet-from-folks-you-dont-follow/>.

⁴ A “squawk” can be analogized to a tweet used on Twitter, where users have 140 characters to write whatever they feel like or post images. See *Character Counting*, TWITTER, <https://dev.twitter.com/overview/api/counting-characters> (last visited July 23, 2015).

⁵ An imageboard site is an online forum that revolves around posting images with minimal associated text. An example of such a site would be 4Chan or Imgur. See *Imageboard*, WIKIPEDIA, <http://en.wikipedia.org/wiki/Imageboard> (last updated July 13, 2015).

celebrities.⁶ While Anon did not steal the photos himself, he is obsessed with getting upvotes⁷ and is convinced that these squawks will raise his notoriety in the Squawker community. Squawker believes that these photos will be incredibly popular and will draw greater amounts of traffic to its webpage, increasing its revenues from selling advertising.

Squawker's promotion of Anon's squawks goes viral. Millions of Squawker users see the photos on their accounts and re-squawk them amongst their friends. This also draws millions of new users to Squawker's webpage, increasing its revenues substantially. These photos are eventually squawked to the celebrity victims' official Squawker accounts. Squawker received multiple takedown orders from the celebrities' attorneys, but ignored them. The celebrities are now suing Squawker for millions of dollars. Additionally, many cable news pundits have expressed their disdain for Squawker's behavior, labeling it the "Pinhead of the Week."

Squawker's attorneys are confident that Squawker will be able to get this case dismissed. Should Squawker be liable?

⁶ This massive hacking event took place in the summer of 2014 and is proverbially known as "The Fapping" or "Celebgate." See Barbara DeFranco, *Hacked! Jennifer Lawrence Nude Photos Leaked, Plus 24 Other Naked Celeb Photo Scandals*, CELEBUZZ (Sept. 1, 2014), <http://www.celebuzz.com/2014-09-01/hacked-jennifer-lawrence-nude-photos-leaked-plus-24-other-naked-celeb-photo-scandals/>. It is also important to clarify that Anon did not obtain these photos in violation of 18 U.S.C.A. § 2511(1) (West 2008) (Interception and disclosure of wire, oral, or electronic communications).

⁷ On imageboard sites such as Imgur or Reddit, users create an account in order to post content. If a user posts an image, for example, and other users like it, then they can give the poster an upvote equal to one "point." If a user has many popular posts, he will receive many upvotes and his profile will gain notoriety. The opposite is true if the content is unpopular and the user will receive downvotes, decreasing his notoriety. See Sergius49, *What Does it Really Mean to Upvote/Downvote a Post?*, REDDIT, http://www.reddit.com/r/TheoryOfReddit/comments/1lpws2/what_does_it_really_mean_to_upvotedown_vote_a_post/ (last visited July 7, 2015).

II. SECTION 230 OF THE COMMUNICATIONS DECENCY ACT CREATES BROAD IMMUNITY FOR WEBSITES.

Federal courts generally agree that Section 230 of the Communications Decency Act provides interactive computer services, such as websites, broad immunity from various types of civil lawsuits.⁸ State courts also recognize this consensus where “all but a handful . . . find that the website is entitled to immunity from liability.”⁹ This consensus is consistent with the text of Section 230, which clearly bars plaintiffs from bringing civil suits against websites and other online service providers when the suit is based on content provided by a third party.¹⁰

Congress passed Section 230 to achieve two main goals. First, it wanted to encourage free speech and promote e-commerce on the Internet without burdensome involvement from the government.¹¹ Imposing tort liability on the “new and burgeoning Internet medium” was seen “simply as another form of intrusive government regulation of speech.”¹² In various statutory findings, Congress recognized that the Internet offered “a forum for a true diversity of political discourse, unique opportunities for cultural development, and myriad avenues for intellectual activity.”¹³ Furthermore, websites “have flourished, to the benefit of all Americans” without the burden of governmental involvement.¹⁴ Therefore, it is “the policy of the United States . . . to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by

⁸ See, e.g., *Johnson v. Arden*, 614 F.3d 785, 791 (8th Cir. 2010) (citation omitted) (“The majority of federal circuits have interpreted [Section 230] to establish broad federal immunity to any cause of action that would make service providers liable for information originating with a third-party user of the service.”). See also 47 U.S.C. § 230(f)(2) (1998).

⁹ *Hill v. StubHub Inc.*, 727 S.E.2d 550, 558 (N.C. Ct. App. 2012).

¹⁰ 47 U.S.C. § 230(c)(1) (“No provider . . . of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.”). However, Section 230 makes it clear that it does not place any limitation on the application of federal criminal statutes. § 230(e)(1).

¹¹ See, e.g., *Batzel v. Smith*, 333 F.3d 1018, 1027 (9th Cir. 2003).

¹² *Zeran v. America Online, Inc.*, 129 F.3d 327, 330 (4th Cir. 1997).

¹³ 47 U.S.C. § 230(a)(3).

¹⁴ *Id.* § 230(a)(4).

Federal or State regulation.”¹⁵

Second, Congress wanted to encourage online service providers to “self-police” potentially harmful or offensive material on their services.¹⁶ While one goal was to keep government regulation to a minimum in order for the Internet to flourish, another was “to ensure vigorous enforcement of Federal criminal laws to deter and punish trafficking in obscenity, stalking, and harassment by means of computer.”¹⁷ Using tort liability as the incentive for self-policing was not feasible because, at the time, “commercial online services had almost twelve million individual subscribers.”¹⁸ The cost and effort required to monitor and police content would likely lead to online service providers greatly restricting what was posted on their sites. Essentially, Congress decided that the speech and commerce interests outweighed the threat of potentially injurious content.¹⁹ Ultimately, “plaintiffs may hold liable the person who creates or develops unlawful content, but not the interactive computer service provider who merely enables that content to be posted online.”²⁰

III. SECTION 230 IMMUNITY IS BROAD, BUT NOT ABSOLUTE.

Section 230 does not extend immunity to a person or entity that creates or develops content “in whole or in part.”²¹ In most cases, the user is the person or entity that either creates or develops the content; the online service provider merely provides the platform. However, in the *Fair Housing Council of San Fernando Valley v. Roommates.com*, the court found that a website host can create or

¹⁵ *Id.* § 230(b)(5).

¹⁶ *Batzel*, 333 F.3d at 1028. *See also* 47 U.S.C. § 230(c)(2)(a).

¹⁷ 47 U.S.C. § 230(b)(5). *But see* *Reno v. ACLU*, 521 U.S. 844 (1997) (The Supreme Court struck down the parts of the Communications Decency Act that regulated “indecent” content because it infringed upon the First Amendment. Section 230 is now the only piece of the Communications Decency Act left standing and we are left with a sort of free-floating statute granting expansive immunity to websites.).

¹⁸ *Reno v. ACLU*, 521 U.S. 844, 850 (1997).

¹⁹ *Zeran v. America Online, Inc*, 129 F.3d 327, 331 (4th Cir. 1997).

²⁰ *Nemet Chevrolet, Ltd. v. Consumersaffairs.com, Inc.*, 591 F.3d 250, 254 (4th Cir. 2009).

²¹ *See* 47 U.S.C. § 230(f)(3).

develop content in conjunction with the user when it materially contributes to the alleged illegality of the content²² by *forcing* the user to provide such content.²³ This is known as the “material contribution” test.

Roommates.com is a website designed to match people renting out spare rooms with people searching for a place to live.²⁴ At the time of the case, in order to use the website, prospective subscribers were required to create a profile.²⁵ This process required them to give information—such as name, location and email.²⁶ However, Roommates.com also *required* subscribers to disclose their gender, sexual orientation and whether they would bring children into the household.²⁷ Additionally, subscribers had to disclose their preference in roommates with respect to the previously listed categories.²⁸ Finally, the site also encouraged subscribers to provide “Additional Comments” describing themselves and their desired roommate.²⁹ Roommates.com was sued by the Fair Housing Counsel of the San Fernando Valley, alleging the business violated the Fair Housing Act by asking users for this information.³⁰

The decision in *Roommates.com* “turned entirely on the website’s decision to *force* subscribers to divulge the protected characteristics and discriminatory preferences as a condition of using its services.”³¹ Therefore, by forcing the subscribers to provide this content, Roommates.com materially contributed to its illegality by acting as a co-developer. Limiting the holding further, the court held that merely encouraging or inducing a user to post

²² Fair Hous. Council of San Fernando Valley v. Roommates.com, LLC, 521 F.3d 1157, 1168 (9th Cir. 2008).

²³ *Id.* at 1175.

²⁴ *Id.* at 1161.

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.* at 1162.

³¹ *Goddard v. Google, Inc.*, 640 F. Supp. 2d 1193, 1198-99 (N.D. Cal. 2009). *See also* *Atl. Recording Corp. v. Project Playlist, Inc.*, 603 F. Supp. 2d 690, 701 (S.D.N.Y. 2009) (finding *Roommates.com* “readily distinguishable” because it “was based solely on the fact that the content on the website that was discriminatory was supplied by Roommates.com itself”).

illegal information or content is not enough to establish liability:

[T]here will always be close cases where a clever lawyer could argue that *something* the website operator did encouraged the illegality. Such close cases, we believe, must be resolved in favor of immunity, lest we cut the heart out of section 230 by forcing websites to face death by ten thousand duck-bites, fighting off claims that they promoted or encouraged—or at least tacitly assented—to the illegality of third parties. Where it is very clear that the website directly participates in developing the alleged illegality—as it is clear here with respect to Roommate’s questions, answers and the resulting profile pages—immunity will be lost. But in cases of enhancement by implication or development by inference—such as with respect to the “Additional Comments” here—section 230 must be interpreted to protect websites not merely from ultimate liability, but from having to fight costly and protracted legal battles.³²

The dissent in *Roommates.com* argues that this decision is inconsistent with at least five other circuits.³³ However, *Roommates.com* can be read consistently with the five circuits cited by the dissent.³⁴ In *Chic. Lawyers’ Comm. for Civil Rights Under Law, Inc. v. Craigslist, Inc.*, the Seventh Circuit found Craigslist immune under Section 230 because “nothing in the service Craigslist offers induces anyone to post any particular listing or express a preference for discrimination.”³⁵ In *Universal Comm’n Sys., Inc. v. Lycos, Inc.*, the First Circuit held that a message board owner was not liable because “there is not even a colorable argument that any misinformation was prompted by Lycos’s registration process or its link structure.”³⁶ In *Green v. America Online (AOL)*, there was no allegation that AOL actually

³² *Roommates.com*, 521 F.3d at 1174.

³³ *Id.* at 1177.

³⁴ *Id.* at 1179-80.

³⁵ 519 F.3d 666, 671-72 (7th Cir. 2008).

³⁶ 478 F.3d 413, 420 (1st Cir. 2007).

solicited the content; rather, the plaintiff claimed AOL's user terms waived 230 immunity by stating the company would attempt to remove offensive content.³⁷ In *Ben Ezra, Weinstein, and Co. v. America Online, Inc.*, the Tenth Circuit held AOL immune from relaying inaccurate stock price information because "Plaintiff could not identify any evidence indicating Defendant developed or created the stock quotation information."³⁸ Finally, in *Zeran v. America Online, Inc.*, the Fourth Circuit held AOL immune for another defamatory message board posting because it merely provided the platform for such a post to occur and had no actual involvement in the post.³⁹

The *Roommates.com* decision can be summed up as follows: *Roommates.com* creates the "material contribution" test, which is met when, and only when, a website *forces* users to provide the allegedly illegal content. A website is not liable if it merely *encourages* the user to post the allegedly illegal content, otherwise the protections of Section 230 would be eroded. Other courts agree that liability was found solely because the website required users to input the illegal content.⁴⁰ Therefore, the reader should not be distracted by the confusing language or examples that appear throughout the *Roommates.com* decision.⁴¹

IV. *F.T.C. v. ACCUSEARCH INC.*, WHILE LACKING IN ANALYSIS, AFFIRMS THE BROAD IMMUNITY AND LIMITED EXCEPTION TO SECTION 230 EXPOUNDED IN *ROOMMATES.COM*.

In *F.T.C. v. Accusearch Inc.*,⁴² the Tenth Circuit, through sparse analysis, also instituted a high bar for the plaintiffs. In this case, *Abika.com*, which was run by *Accusearch Inc.*, sold various

³⁷ 318 F.3d 465, 471 (3d Cir. 2003).

³⁸ 206 F.3d 980, 985 (10th Cir. 2000).

³⁹ See *Zeran v. America Online, Inc.*, 129 F.3d 327, 331 (4th Cir. 1997).

⁴⁰ *Goddard v. Google, Inc.*, 640 F. Supp. 2d 1193, 1198-99 (N.D. Cal. 2009); *Doe v. MySpace, Inc.*, 629 F. Supp. 2d 663, 665 (E.D. Tex. 2009); *Atl. Recording Corp. v. Project Playlist*, 603 F. Supp. 2d 690, 701 (S.D.N.Y. 2009).

⁴¹ See *Fair Hous. Council of San Fernando Valley v. Roommates.com, LLC*, 521 F.3d 1157, 1172 (9th Cir. 2008) (describing what amounts to development/materiality). See also *id.* at 1169 (offering an example of materiality that is somewhat different than those given elsewhere in the case).

⁴² *F.T.C. v. Accusearch Inc.*, 570 F.3d 1187 (10th Cir. 2009).

data, including phone records.⁴³ The website stated that its customers could acquire “details of incoming or outgoing calls from any phone number, prepaid calling card or Internet Phone,” and that “Phone searches are available for every country in the world.”⁴⁴ The court found that acquisition of this information “would almost inevitably require someone to violate the Telecommunications Act or to circumvent it by fraud or theft.”⁴⁵ Essentially, Accusearch was “paying researchers to acquire telephone records, knowing that the confidentiality of the records was protected by law”⁴⁶ The Tenth Circuit held that Accusearch was liable because it fell within the exception to Section 230.⁴⁷

The court in *Accusearch* correctly identifies the standard used by the Ninth Circuit in *Roommates.com*. “It summarized: ‘A website helps to develop unlawful content, and thus falls within the exception to Section 230, if it contributes materially to the alleged illegality of the conduct.’”⁴⁸ Other circuits have also identified this as the standard.⁴⁹ However, the Ninth Circuit clearly explained how that standard was met: “The message to website operators is clear: If you don’t . . . design your website to require users to input illegal content, you will be immune.”⁵⁰

The *Accusearch* opinion essentially ignores the *Roommates.com* force requirement and simply applies the “material contribution” test. The court concluded Accusearch materially contributed to the illegality because it paid researchers to acquire telephone records.⁵¹ “Accusearch solicited requests for confidential information protected by law Accusearch’s actions were not ‘neutral’ with respect to generating offensive

⁴³ *Id.* at 1190.

⁴⁴ *Id.* at 1191.

⁴⁵ *Id.* at 1192.

⁴⁶ *Id.* at 1200.

⁴⁷ *Id.*

⁴⁸ *Id.* at 1200 (quoting *Fair Hous. Council of San Fernando Valley v. Roommates.com, LLC*, 521 F.3d 1157, 1168 (9th Cir. 2008)).

⁴⁹ *Jones v. Dirty World Entm’t Recordings LLC*, 755 F.3d 398, 412 (6th Cir. 2014).

⁵⁰ *Fair Hous. Council of San Fernando Valley v. Roommates.com, LLC*, 521 F.3d 1157, 1175 (9th Cir. 2008).

⁵¹ *Accusearch*, 570 F.3d at 1200.

content; on the contrary, its actions were intended to generate such content.”⁵² That is the end of the analysis; the facts of the case meet the test. While this analysis is less than sufficient, it still affirms the high bar for plaintiffs created by Section 230. In order to rely on *Accusearch*, plaintiffs would need to show that their facts are substantially similar, which would be very difficult. *Accusearch* did not require the users to do anything. Rather, it was the one who created the illegal content by employing people to break the law. Therefore, unless potential plaintiffs can show that the website in their case is also generating illegal content on its own, they will not be able to show that Section 230 immunity is inapplicable.

Accusearch applies the “material contribution” test created in *Roommates.com*, but declines to accept its force requirement. *Accusearch* was found to have materially contributed to the alleged illegality because it was the source of the illegal content; it was the developer.

V. THE PROGENY OF *ROOMMATES.COM* AND *ACCUSEARCH*
DEMONSTRATE THE BREADTH OF SECTION 230 IMMUNITY.

While both *Roommates.com* and *Accusearch* are seminal cases in the discussion of Section 230 immunity, a brief discussion of other cases is necessary to fully comprehend the current state of the law.

A. *A Website Is Still Immune Even If It Receives a Takedown
Notice for the Illegal Content.*

In *Zeran v. America Online, Inc.*, the Fourth Circuit concluded that subjecting websites to notice liability would defeat the purposes of Section 230.⁵³

If computer service providers were subject to distributor liability, they would face potential liability each time they receive notice of a potentially defamatory statement—from any party,

⁵² *Id.* at 1201.

⁵³ 129 F.3d 327, 333 (4th Cir. 1997).

concerning any message. Each notification would require a careful yet rapid investigation of the circumstances surrounding the posted information, a legal judgment concerning the information's defamatory character, and an on-the-spot editorial decision whether to risk liability by allowing the continued publication of that information. Although this might be feasible for the traditional print publisher, the sheer number of postings on interactive computer services would create an impossible burden in the Internet context. Because service providers would be subject to liability only for the publication of information, and not for its removal, they would have a natural incentive simply to remove messages upon notification, whether the contents were defamatory or not. Thus, like strict liability, liability upon notice has a chilling effect on the freedom of Internet speech.⁵⁴

Furthermore, requiring websites to respond to takedown notices, and face potential liability should the content be illegal, is ludicrous considering the sheer amount of current Internet users.⁵⁵ Additionally, while the number of takedown notices varies from website-to-website, the number of notices received by certain websites is increasing rapidly. For example, in 2014 Reddit received a mere 218 takedown notices,⁵⁶ whereas, in 2012, Google and Twitter received 441,370 and 6,646 takedown notices respectively.⁵⁷ For Google, this was an increase of 711,887 percent

⁵⁴ *Id.*; cf. *Auvil v. CBS 60 Minutes*, 800 F. Supp. 928, 931 (E.D. Wash. 1992) (recognizing that it is unrealistic for network affiliates to “monitor incoming transmissions and exercise on-the-spot discretionary calls”).

⁵⁵ As of 2014, the number of Internet users worldwide was 2.92 billion. *Number of worldwide internet users from 2000 to 2015 (in millions)*, STATISTA (Apr. 18, 2015, 1:42 PM), <http://www.statista.com/statistics/273018/number-of-internet-users-worldwide>.

⁵⁶ *Reddit transparency report, 2014*, REDDIT (Jul. 16, 2015, 10:00 AM), <http://www.reddit.com/wiki/transparency/2014>.

⁵⁷ Ernesto Van der Sar, *Google Takedown Notices Surge 711,887 Percent in Four Years*, TORRENTFREAK (Mar. 25, 2014), <https://torrentfreak.com/google-takedown-notices-surge-140325>.

in just four years.⁵⁸ Analyzing and responding to nearly half a million takedown notices would be a monumental task for even a company as large as Google and would significantly change the functionality and environment of the Internet. Specifically, companies would necessarily devote substantial time to responding to takedown notices, inevitably causing a decline in content quality. Moreover, the disparity in the quantity of takedown notices between websites makes it impossible to implement a one-size-fits-all solution of imposing liability.

B. The Fact That the Business Is Motivated By Profit Is Irrelevant To Whether Section 230 Immunity Applies.

Even if the complained-of actions by the website are designed to increase its revenues, the profit motive is not enough to defeat Section 230 immunity.⁵⁹ “[T]he fact that a website elicits online content for profits is immaterial; the only relevant inquiry is whether the interactive service provider ‘creates’ or ‘develops’ that content.”⁶⁰

C. Section 230 Immunity Still Applies When an Owner of a Website Knows the Third-Party Content Is Legally Questionable Absent a Takedown Notice.

Similar to notice, a website owner’s own knowledge that the content is illegal does not preclude Section 230 immunity.⁶¹

⁵⁸ *Id.*

⁵⁹ *See, e.g.,* Hill v. StubHub, Inc., 727 S.E.2d 550, 560 (N.C. Ct. App. 2012).

⁶⁰ *Id.* (quoting Goddard v. Google, Inc., No. C 08-2738 JF, 2008 WL 5245490, at *3 (D. Cal. Dec. 17, 2008)).

⁶¹ *See, e.g.,* Universal Commc’n Sys., Inc. v. Lycos, Inc., 478 F.3d 413, 421 n.3 (1st Cir. 2007).

VI. ANALYZING THE HYPOTHETICAL UNDER *ROOMMATES.COM*,
ACCUSEARCH, AND THE CASE LAW IN SECTION IV, MAKES IT CLEAR
SQUAWKER WILL NOT BE LIABLE.

As a refresher, the hypothetical involves Squawker—a website—and Anon—a user. Anon took advantage of Squawker’s paid promotions program and paid it to advertise nude celebrity photos which he obtained online. Those celebrities are now suing Squawker but will decidedly fail because Squawker is immune under Section 230. Squawker did not require Anon to submit such content (or any content) as a condition of using its service, nor did it illegally obtain the celebrity photos from the iCloud accounts.

Roommates.com makes it clear that a website is not protected by Section 230 when it materially contributes to the alleged illegality of the content by requiring users to provide illegal content. Squawker offered to promote Anon’s nude celebrity photos in exchange for a fee. It did not require or compel Anon to provide illegal content as a condition for using its services. Furthermore, Anon could have posted the photos on his Squawker profile even without paying. Therefore, it is clear that Squawker will not be liable under the *Roommates.com* analysis.

Under the *Accusearch* analysis, Squawker will also be immune. *Accusearch* was liable because it was the developer of the illegal content. Arguably, if Squawker had hacked the celebrity iCloud accounts and posted the pictures, then its actions would be analogous to *Accusearch*’s. Since that is not what happened, Squawker will continue to enjoy Section 230 immunity.

Finally, although Squawker received a takedown notice, is making money off the photos, and knew the photos were likely obtained illegally, it will likely remain immune from all civil claims brought by the celebrities under Section 230.

CONCLUSION

Congress intended Section 230 to promote free speech and commerce on the Internet, while simultaneously encouraging self-policing of illegal and vulgar content.⁶² Essentially all courts agree

⁶² *Zeran v. America Online, Inc.*, 129 F.3d 327 (4th Cir. 1997).

that the immunity established by Section 230 is broad.⁶³ However, as *Roommates.com* and *Accusearch* have shown, that immunity is not absolute. Under *Roommates.com*, a website will be found liable if it requires a user to submit allegedly illegal content. Under *Accusearch*, a website is not immune when it is found to be the developer of the content. Furthermore, the progeny cases demonstrate that Section 230 immunity remains incredibly broad. Therefore, regardless of the degree of depravity, websites like Squawker will continue to enjoy the protections of Section 230.

PRACTICE POINTERS

- To avoid any chance of falling outside the immunity provided by Section 230, make sure your client is neither:
 1. forcing its users to provide potentially illegal content; nor
 2. committing a crime to obtain content for its webpage.
- Attorneys who do not want their lawsuit against a website dismissed because of Section 230 have few options. One option is to bring a promissory estoppel claim against the website.⁶⁴
- Attorneys defending websites should focus on the case law cited within the Article and emphasize the breadth of Section 230 and its virtual unanimity across the country.

⁶³ See, e.g., *Johnson v. Arden*, 614 F.3d 785, 791 (8th Cir. 2010) (citation omitted) (“The majority of federal circuits have interpreted [Section 230] to establish broad federal immunity to any cause of action that would make service providers liable for information originating with a third-party user of the service.”).

⁶⁴ *Barnes v. Yahoo!, Inc.*, 570 F.3d 1096, 1108 (9th Cir. 2009) (holding that § 230(c)(1) does not preclude causes of action based on the theory of promissory estoppel).

GRAFFITI AND THE VISUAL ARTISTS RIGHTS ACT

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Cite as: 11 Wash J.L. Tech. & Arts 141 (2015)
<http://digital.lib.washington.edu/dspace-law/handle/1773.1/1479>

ABSTRACT

Common adornments on the sides of freight trains, highway underpasses, and dark alleyways, aerosol paint designs now also boast recent appearances on high-fashion runways, in Top 40 music videos, and even at sophisticated art auctions. Graffiti, by any other name, is still generally associated with gang activity. However, the acceptance of street art by pop culture has legitimized spray painting as another expression of modern art and aerosol artists have proven they deserve recognition. Nonetheless, while intellectual property law extends protection to benefit other artists, its application is limited as a recourse for graffiti artists. Why? Because the irony of protecting vandalism has not escaped the courts.

*This Article explores the strategies used by an artist's counsel to protect his or her client's work from alleged infringers. After a brief overview of general copyright protections, the Article will focus on the potential claims an artist can assert under the Visual Artists Rights Act of 1990. Specifically, it will examine the case law established by a U.S. District Court in *Cohen v. G&M Realty L.P.*, 988 F. Supp. 2d 212 (E.D.N.Y. 2013), and discuss both an artist's possible claims for protection under VARA and the possible defenses. This Article will highlight key issues that remain unanswered and summarize recommendations for practitioners whose*

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clients are on either side of these issues.

TABLE OF CONTENTS

Introduction.....142
 I. The Visual Artists Rights Act of 1990144
 A. Copyrights and the Fair Use Doctrine144
 B. How VARA is Differentiated from Copyright145
 C. Defenses to VARA Claims147
 II. Analysis of *Cohen v. G&M Realty*147
 A. The Artists’ Claims Under VARA.....147
 B. Wolkoff’s Defenses.....148
 C. The Court’s Analysis of Claims Under VARA148
 III. Issues Left Unanswered by *Cohen v. G&M Realty*151
 Conclusion152
 Practice Pointers.....153

INTRODUCTION

For nearly two decades, as the Queens-bound 7 train emerged from under the East River and passed through Long Island City, riders were treated to front row, first-class views of original paintings created by artists from around the world. That is, until November 2014, when all the artwork was haphazardly painted over in cheap, white primer and eventually the entire display was unceremoniously torn down. By January 2015, the graffiti mecca known as “5Pointz” had been demolished into nothing but a city block of rubble.¹

5Pointz got its start in 1993 when Jerry Wolkoff, owner of a 200,000 square foot warehouse complex, gave permission to local street artists to use his buildings to showcase legal graffiti work.²

¹ A time-lapse video of the six-month demolition distilled into less than sixty seconds can be viewed online. Aymann Ismail, *Watch the Months-Long Demolition of 5 Pointz in a One-Minute Time-lapse*, ANIMAL (Jan. 8, 2015, 12:00 AM), <http://animalnewyork.com/2015/watch-months-long-demolition-5-pointz-one-minute-timelapse>.

² See Plaintiff’s Original Complaint at 40, *Cohen v. G&M Realty L.P.*, 988 F. Supp. 2d 212 (E.D.N.Y. 2013) (No. CV13-5612), 2013 WL 5726692 [hereinafter Plaintiff’s Original Complaint].

Wolkoff specified only three restrictions: no political statements, no religious statements, and no pornography.³ In 2002, Jonathan Cohen took over as the curator and manager of the aerosol arts program at 5Pointz.⁴ Cohen, an artist himself under the tag “Meres One,” transformed 5Pointz into “the largest collection of exterior aerosol art in the United States.”⁵ All artworks required Cohen’s express permission.⁶ He would only allow new or unknown artists to initiate works after reviewing their portfolio and approving the proposed piece.⁷ Cohen also decided the configuration of various artworks—the collection eventually grew to host over 350 works of art on the exterior and interior walls of the warehouse.⁸ 5Pointz became a destination for both artists and art patrons from across the globe.⁹

In June 2012, Wolkoff, by and through his company, G&M Realty, announced a development project at the site of the warehouse.¹⁰ The proposal aimed to replace the warehouse with two high-rise luxury apartment buildings containing over 1,000 residential units and to transform the dilapidated warehouse district into a gentrified community.¹¹

The local community board initially rejected Wolkoff’s application for a special zoning permit, citing the development’s dearth of affordable housing and art studios, among other community-focused reasons.¹² Wolkoff returned with concessions,

³ See *id.* at 44.

⁴ *Id.* at 42.

⁵ Cohen v. G & M Realty L.P., 988 F. Supp. 2d 212, 214 (E.D.N.Y. 2013).

⁶ Plaintiff’s Original Complaint, *supra* note 2, at 49.

⁷ *Id.* at 50.

⁸ *Id.* at 66.

⁹ *Id.* at 55–62. See also Cohen, 988 F. Supp. 2d at 219.

¹⁰ Rebecca Fishbein, *5Pointz Really Might Get Bulldozed Next Fall*, THE GOTHAMIST (June 26, 2012, 3:58 PM), http://gothamist.com/2012/06/26/5_pointz_really_might_get_bulldozed.php.

¹¹ See Claire Trapasso, *Queens Borough President Helen Marshall Supports Tearing Down 5Pointz to Make Way for Residential Towers*, NY DAILY NEWS (July 17, 2013, 12:44 PM), <http://www.nydailynews.com/new-york/queens/queens-borough-president-backs-luxury-towers-5pointz-article-1.1401185>.

¹² See Christian Murray, *Community Board 2 Rejects 5Pointz Developer’s Plans*, LIC POST (June 7, 2013), <http://licpost.com/2013/06/07/community-board-2-rejects-5-pointz-developers-plans>.

including 210 affordable units, 12,000 square feet of artist's studios, and even an open space for Cohen to continue curating street art.¹³ The New York City Council unanimously approved this revised proposal.¹⁴ The fate of 5Pointz appeared inevitable.

Wolkoff's project, however, was further delayed by a lawsuit brought by seventeen 5Pointz artists led by Cohen.¹⁵ The artists invoked the federal Visual Artists Rights Act to attempt to secure a preliminary and permanent injunction barring Wolkoff from demolishing the warehouse and all of 5Pointz's artwork with it.¹⁶

I. THE VISUAL ARTISTS RIGHTS ACT OF 1990

In 1990, Congress acknowledged artists' "droite moral," or moral rights, by enacting the Visual Artists Rights Act ("VARA") as a supplement to traditional copyright law.¹⁷

A. Copyrights and the Fair Use Doctrine

Copyrights, in general, secure for creators special property rights over their original work as long as the product is "fixed in a tangible medium."¹⁸ A copyright holder controls the right of reproduction, the right of adaptation, the right of distribution, the right of performance, and the right of display, as far as the nature of the work permits.¹⁹ It follows logically that graffiti artists may

¹³ Sarah Maslin Nir & Charles V. Bagli, *City Council to Decide Fate of Mecca for Graffiti Artists*, N.Y. TIMES (Oct. 8, 2013), <http://www.nytimes.com/2013/10/09/nyregion/city-council-to-decide-fate-of-mecca-for-graffiti-artists.html>.

¹⁴ Emily, *5Pointz Condo Plan a Go, More Development Details Emerge*, BROWNSTONER QUEENS (Oct. 9, 2013, 1:15 PM), <http://queens.brownstoner.com/2013/10/breaking-city-council-approves-5pointz-plan-more-development-details-emerge>.

¹⁵ See *Cohen v. G&M Realty L.P.*, 988 F. Supp. 2d 212 (E.D.N.Y. 2013).

¹⁶ See Plaintiff's Original Complaint, *supra* note 2, at 184-92.

¹⁷ See 17 U.S.C.A. § 106A (West 2015) (bringing U.S. law into compliance with the international Berne Convention for the Protection of Literary and Artistic Works).

¹⁸ *Id.* § 102.

¹⁹ *Id.* § 106A.

invoke copyright protections for their aerosol art.²⁰ However, in practice, those protections are awarded with varying success.²¹

If copyright infringement lawsuits do move forward, defendants may still prevail by asserting the Fair Use Doctrine.²² This defense permits certain uses of copyrighted work without violating the work's copyright protections. Whether use of a work is "fair" depends on four factors: (1) purpose and character of the use; (2) nature of the original, copyrighted work; (3) amount and substantiality of the portion used in relation to the original; and (4) effect of the use upon the potential market or value of the original.²³ The Fair Use Doctrine, therefore, allows for reproductions of copyrighted graffiti art without obtaining the artist's permission.²⁴

B. How VARA is Differentiated from Copyright

VARA rights differ from traditional copyrights because VARA protects the original artwork itself, and protects only "works of visual art,"—specifically, paintings, drawings, photographic prints and sculptures.²⁵ VARA rights are exclusively owned by the artist

²⁰ *But see* Villa v. Brady Publ'g, No. 02 C 570, 2002 WL 832574 (N.D. Ill., May 2, 2002) (requiring the artist first establish he or she owns a valid copyright over the art to assert a valid claim of copyright infringement), *vacated*, 2002 WL 1400345 (June 27, 2002).

²¹ Many artists initiate copyright suits against alleged infringers only to settle out of court. *See generally* Bill Donahue, *American Eagle, Street Artist Settle Copyright Suit*, LAW360 (Dec. 2, 2014, 1:40 PM), <http://www.law360.com/articles/600542/american-eagle-street-artist-settle-copyright-suit>; Nicholas O'Donnell, *Graffiti Litigation Update: Settlements and Procedural Wrangling*, ART LAW REPORT (Dec. 3, 2014), <http://www.artlawreport.com/2014/12/03/graffiti-litigation-update-settlements-and-procedural-wrangling/>; Gabe Friedman, *Can Graffiti Be Copyrighted*, ATLANTIC (Sept. 21, 2014), <http://www.theatlantic.com/business/archive/2014/09/can-graffiti-be-copyrighted/380323>.

²² *See* 17 U.S.C.A. § 107 (West 2015).

²³ *Id.*

²⁴ *See* Seltzer v. Green Day, Inc., 725 F.3d 1170 (9th Cir. 2013) (holding that a rock band's unauthorized use of the artist's copyrighted graffiti illustration in a music video backdrop was sufficiently transformative as not to violate the artist's copyright).

²⁵ 17 U.S.C. § 101 narrows the definition further to:

and remain with the artist even after the work or its copyright have been transferred to another.²⁶ And, unlike copyrights, VARA rights cannot be transferred, though they may be waived.²⁷

The Act promulgates the “belief that an artist in the process of creation injects his spirit into the work and that the artist’s personality, as well as the integrity of the work, should be protected and preserved.”²⁸ The reputation of the work and the artist are intertwined by two categories of moral rights: (1) rights to attribution and (2) rights to integrity.²⁹ Rights to attribution give artists the exclusive right to claim authorship of their work or disclaim works that are not their creation.³⁰ Rights to integrity authorize artists to prevent any “intentional distortion, mutilation, or modification” of their work which would be prejudicial to their honor or reputation.³¹ “[A]ny destruction of a work of recognized stature, and any intentional or grossly negligent destruction of that work is a violation of that right.”³² It is under this second prong of VARA that graffiti artists can try to prevent the physical destruction of their work.

(1) a painting, drawing, print or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or (2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.

17 U.S.C.A. § 101 (West 2015).

²⁶ *Id.* § 106A(e).

²⁷ *Id.*

²⁸ *Carter v. Helmsley-Spear, Inc.*, 71 F.3d 77, 81 (2d Cir. 1995) (citing RALPH E. LERNER & JUDITH BRESLER, *ART LAW: THE GUIDE FOR COLLECTORS, INVESTORS, DEALERS, AND ARTISTS* 417 (1989)).

²⁹ 17 U.S.C.A § 106A(a).

³⁰ *Id.* § 106A(a)(1).

³¹ *Id.* § 106A(a)(2)(3).

³² *Id.* § 106A(a)(3)(B).

C. Defenses to VARA Claims

In defense of a VARA cause of action, defendants may assert that the artwork in question does not meet VARA's criteria for protection or falls within an express exception.³³ VARA does not apply to works made for hire, advertising of promotional materials, applied art, technical drawings, works featured in magazines, or works that can be modified under the "public presentation" exception of 17 U.S.C. § 106A(c)(2).³⁴ A defendant may also upend a prima facie VARA complaint by establishing that the artwork was placed without the consent of the property owner.³⁵ Additionally, artists may waive their VARA rights.³⁶

II. ANALYSIS OF *COHEN V. G&M REALTY*

A. *The Artists' Claims Under VARA*

When Cohen and his co-plaintiffs brought their complaint and subsequent amended complaints against Wolkoff, their suit marked "the first occasion that a court has had to determine whether the work of an exterior aerosol artist—given its general ephemeral nature—is worthy of any protection under the law."³⁷

In order to succeed on their VARA claims to prevent the destruction of their work, the plaintiffs needed to establish four elements: (1) the work was a work of visual art; (2) the art was of recognized stature; (3) the art was or will be destroyed; and (4) the art was copyrightable.³⁸ Here, the court concluded graffiti is a

³³ See *id.* §106A(c).

³⁴ Rebecca E. Hatch, *Cause of Action for Destruction of "Work of Visual Art" of "Recognized Stature" Under Visual Artist Rights Act (VARA)*, 17 *U.S.C.A. §106A*, 63 *CAUSES OF ACTION* 2D 649 (July 2015).

³⁵ "VARA is inapplicable to artwork that is illegally placed on the property of others, without their consent, when such artwork cannot be removed from the site in question." *English v. BFC&R E. 11th St. LLC*, No. 97 Civ. 7446(HB), 1997 WL 746444, *4 (S.D.N.Y. Dec. 3, 1997). This Article does not consider possible applications of VARA to illegal graffiti.

³⁶ 17 *U.S.C.A. § 106A(e)(1)* (West 2015).

³⁷ *Cohen v. G&M Realty L.P.*, 988 F. Supp. 2d 212, 214 (E.D.N.Y. 2013).

³⁸ Hatch, *supra* note 34, at 7.

visual art, and the demolition of the warehouse complex would undoubtedly destroy all of 5Pointz's art. Consequently, whether the art was of "recognized stature" became the ultimate issue in dispute in *Cohen v. G&M Realty*.

B. *Wolkoff's Defenses*

VARA specifically addresses works of visual art that "may be incorporated in or made part of a building."³⁹ In those instances, the owner of the building must obtain a written waiver from artists before the owner can proceed with any removal or possibly damaging actions.⁴⁰

In *Cohen*, Wolkoff did not obtain written waivers from the artists. However, the defendants argued a variation on the waiver exception. Wolkoff testified that he had always been explicit about his plans to eventually knock down the buildings.⁴¹ Cohen and other artists had also acknowledged that inevitability at various times before bringing this action.⁴² Furthermore, the court pointed out that, by nature, graffiti is temporary.⁴³ Cohen himself explained that most of the artwork at 5Pointz was "meant to be turned over" on a "quickly rotating" basis.⁴⁴

C. *The Court's Analysis of Claims Under VARA*

The decision in *Cohen* ultimately rested on whether the artwork at 5Pointz—created by the seventeen plaintiff-artists—constituted works of "recognized stature" such that each piece merited VARA protection and altogether would halt the demolition project. The court applied the analysis set forth by the U.S. District Court of the Southern District of New York in *Carter v. Helmsley-*

³⁹ *Cohen*, 988 F. Supp. 2d at 215 (citing 17 U.S.C.A. § 113d(1)(A) (West 2015)).

⁴⁰ 17 U.S.C.A. § 113d(1)(B) (West 2015).

⁴¹ *Cohen*, 988 F. Supp. 2d at 223.

⁴² *Id.* at 224.

⁴³ *Id.*

⁴⁴ *Id.* at 223-24.

*Spear, Inc.*⁴⁵ The lower *Carter* court established a two-tiered test for determining “recognized stature.” First, the artwork in question must have “stature,” that is, must be viewed as meritorious.⁴⁶ Second, that stature must be “recognized” by art experts, other members of the artistic community, or by some cross-section of society.⁴⁷

In *Carter*, the district court concluded that the art in question, a sculpture in the lobby of a commercial building, was a work of recognized stature. The court was persuaded by expert opinions that testified to the work’s reputation, that the sculpture was “an incredible phenomenon,” “the imagination of the work is tremendous,” and that an art society wanted to organize a tour of the work.⁴⁸

Following the formulation in *Carter*, the district court in *Cohen* similarly tested whether plaintiffs’ artworks at 5Pointz were of “recognized stature.”⁴⁹ One plaintiff, Danielle Mastrion, testified that all twenty-four works were of recognized stature because they satisfied factors such as “technical ability, composition, color, line work, detail and also the artist’s credentials.”⁵⁰ She also testified that 5Pointz’s high visibility and exposure to the public further elevates its qualifications even more.⁵¹ Plaintiffs’ expert witness, Daniel Simmons, Jr., the head of the Rush Philanthropic Arts Foundation and owner of two well-known art galleries in New York City, agreed with Mastrion. Simmons also focused on the quality of the work, such as design, color, shape, form, and characteristics of symmetry and innovation.⁵² Simmons concluded that New York City as a whole would be diminished if 5Pointz

⁴⁵ 861 F. Supp. 303 (S.D.N.Y. 1994), *vacated in part and aff’d in part* by 71 F.3d 77 (2d Cir. 1995). The court of appeals did not address what constitutes a work of “recognized stature” but found that the artwork was indeed of recognized stature because it was not precluded as a work made for hire exception. *See id.*

⁴⁶ *Id.* at 325.

⁴⁷ *Id.*

⁴⁸ *Id.* at 325-26.

⁴⁹ *Cohen v. G&M Realty L.P.*, 988 F. Supp. 2d 212, 220 (E.D.N.Y. 2013).

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.* at 222.

were to be lost. “It had become part of the urban landscape and should be preserved, if possible.”⁵³

From the defendants’ perspective, the artwork at 5Pointz, although “beautiful,” did not achieve “recognized stature.” Defendants brought in Erin Thompson, an art history professor, to testify to a restrictive view of both “recognition” and “stature.” Thompson explained that, “while quality is certainly one of the factors in the stature . . . stature is recognizing not particular qualities of objects, but the way these qualities are valued by the public.”⁵⁴ Thompson asserted that none of the twenty-four works had achieved recognized stature.⁵⁵ Nineteen of the twenty-four have never been mentioned in academic publications.⁵⁶ The other five were only mentioned by the artists themselves or on the 5Pointz website.⁵⁷ Only one piece, Lady Pink’s “Green Mother Earth,” had been mentioned in a dissertation, or a scholarly book or a journal article.⁵⁸ Although Thompson conceded aerosol art can achieve recognized stature by citing to Banksy, whose works are widely known, Thompson concluded VARA recognition is not satisfied simply because visitors came to see a particular work of art.⁵⁹

The district court ultimately agreed with Thompson. The court noted it did not have the authority to preserve 5Pointz as a tourist site—the power of eminent domain belonged to the City.⁶⁰ Although the court “was taken by the breadth and visual impact of 5Pointz,” and although “the Court wished it had the power to preserve them,” the court did not afford VARA protection to the 5Pointz works.⁶¹

Adding insult to injury, the court added, “in a very real sense, plaintiffs’ have created their own hardships.”⁶² Cohen knew the

⁵³ *Id.* at 223.

⁵⁴ *Id.* at 221.

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *See id.*

⁶⁰ *Id.* at 226.

⁶¹ *Id.*

⁶² *Id.* at 227.

warehouse complex would someday be torn down.⁶³ Yet, plaintiffs had continued to paint, even after the City Planning Commission gave Wolkoff their final approval for his demolition and building plans.⁶⁴

The court further reasoned that, “plaintiffs’ works can live on in other media.”⁶⁵ “[The court had] exhorted the plaintiffs to photograph all [artworks] which they might wish to preserve. All would be protected under traditional copyright law, and could be marketed to the general public, even to those who had never been to 5Pointz.”⁶⁶ In refusing VARA protection to the 5Pointz artists, the *Cohen* court confirmed that copyright protections are accessible to graffiti artists.

III. ISSUES LEFT UNANSWERED BY COHEN V. G&M REALTY

Although the holding of *Cohen v. G&M Realty* has not yet been challenged by an appeal or other case law, the conclusion of *Cohen* leaves several issues in need of additional explanation. The *Cohen* court emphasized the works’ temporary duration in its reasoning multiple times yet affirmed that, “VARA protects even temporary works from destruction.”⁶⁷ Aside from prompting a philosophical inquiry into the nature of graffiti—its dichotomy of permanence and transience—the court’s dicta opens a can of worms as to what happens if VARA *does apply* to protect *temporary* graffiti art.

What remedies could a court impose? The plaintiffs in *Cohen* asked for an injunction to halt Wolkoff’s demolition plans but, in the absence of eminent domain powers, can a court realistically prevent a property owner from exercising his or her lawful property rights? In circumstances where the artwork has already been destroyed, *Cohen* declares that creators are entitled to monetary damages.⁶⁸ However, calculation of those damages

⁶³ *See id.*

⁶⁴ *See id.*

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.* at 226.

would depend on the artworks' value as "reflected in the money they command in the marketplace."⁶⁹ The court notes that the works at 5Pointz were painted for free but declines to elaborate on the fair market valuation of the works beyond "surely the plaintiffs would gladly have accepted money from the defendants"⁷⁰

Finally, if plaintiffs succeed on a VARA claim and prevent demolition from going forward, then whose responsibility is it to oversee the consequent and continual preservation of the artwork? Are preservation efforts even required considering that graffiti is generally subject to the wear and tear of the elements? Again, the ephemeral nature of graffiti art becomes a crucial factor in VARA considerations.

CONCLUSION

Even though the court in *Cohen v. G&M Realty, Inc.* decided against awarding VARA protections to plaintiffs, its analysis certainly provides a point of reference for future VARA actions concerning street art. Artists, property owners, and their attorneys now have a framework within which to adapt their VARA claims and defenses and the opportunity to explore the blind spots of the *Cohen* decision. There is no doubt that under the right set of circumstances, a graffiti artist can successfully protect his or her artwork from destruction under the Visual Artists Rights Act.

⁶⁹ *Id.* at 227.

⁷⁰ *Id.*

PRACTICE POINTERS

For Artists' Counsel:

- Obtain and register valid copyright for artwork.
- Obtain written consent of property owner for artwork and agreement on how long the work will last.
- Publicize the work to garner recognition and acclaim in order to achieve “recognized stature.”
- Have artwork appraised by expert witnesses.
- Petition the local government to protect the structure and/or its art under eminent domain.

For VARA Defenses:

- Establish that the artwork is illegally placed without consent of the property owner.
- Obtain written waiver of VARA rights before permitting artwork, or negotiate a termination date for granting permission.
- Notify artists of potential demolition or actions that could mutilate, distort, modify or destroy the art before allowing them to paint.
- Assert applicable VARA exceptions under 17 U.S.C. § 106A(c)(2).
- Challenge the recognized stature of the artwork and/or emphasize the temporary nature of street art.

