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THE UNCERTAIN FUTURE OF “HOT NEWS” MISAPPROPRIATION AFTER *BARCLAYS CAPITAL V.* *THEFLYONTHEWALL.COM*

*Shyamkrishna Balganesh**

INTRODUCTION: THE “GHOSTLY PRESENCE” OF *INS V. AP*

Ever since its genesis in the Supreme Court’s famous decision in *International News Service v. Associated Press*,¹ the “hot news” misappropriation doctrine has had to fight for its survival. First came Judge Learned Hand, who in a series of opinions, took the position that *International News* did not lay down a “general doctrine,” but was instead meant to be limited to the peculiarities of the newspaper industry.² Next came the Court’s decision in *Erie Railroad Co. v. Tompkins*, where it abrogated all “federal general common law,” the very body of law within which the hot news misappropriation doctrine had been developed.³ The doctrine then appeared to have been resuscitated in 1997, when the Second Circuit breathed new life into it as a part of New York’s state common law in *NBA v. Motorola, Inc.*⁴ Finding that the doctrine had managed to “survive,” the court in that case sought to develop it into a viable cause of action, and parsed it into its constituent elements.⁵ Other courts seemed to then follow the Second Circuit’s lead on this.⁶

Most recently, the Second Circuit, in *Barclays Capital Inc. v. Theflyonthewall.com* effectively reconsidered its decision in *NBA*, albeit in relation to different subject matter, and in so doing narrowed the doctrine even further.⁷ In its decision, the court paid close attention to the language and

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1. 248 U.S. 215 (1918).

2. See, e.g., *Cheney Bros. v. Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929).

3. 304 U.S. 64, 79 (1938).

4. 105 F.3d 841 (2d Cir. 1997).

5. *Id.* at 843 (holding “narrow ‘hot news’ exception does survive preemption”).

6. See, e.g., *Associated Press v. All Headline News Corp.*, 608 F. Supp. 2d 454, 459 (S.D.N.Y. 2009) (recognizing *NBA v. Motorola* as maintaining hot news misappropriation cause of action); *X17, Inc. v. Lavandeira*, 563 F. Supp. 2d 1102, 1105-07 (C.D. Cal. 2007) (concluding that California too recognizes hot news misappropriation as set out in *NBA*); *Scranton Times, L.P. v. Wilkes-Barre Pub. Co.*, 2009 WL 3100963, at *5 (M.D. Pa., Sep. 23, 2009) (agreeing with Second Circuit’s interpretation in *NBA*).

7. 650 F.3d 876 (2d Cir. 2011).

statements of the Supreme Court in *International News*, which it parsed in great detail, while at the same time underemphasizing the peculiarities of the situation that had prompted the Court in *International News* to choose the framework that it did. In the end, its decision did surprisingly little to clarify the scope, structure, or indeed analytical basis of the hot news doctrine. The decision however does send an important signal to future litigants: that the hot news doctrine is today an unviable stand-alone claim in all but a very few situations.

In this Essay, I attempt to disaggregate the Second Circuit’s decision in *Barclays Capital* to show that while the court may have reached the right conclusion in the end (a position I have argued for previously⁸), its reasoning to reach that conclusion is rather confusing, while at the same time a rich source of information about the future of hot news doctrine. At every stage of its analysis, the Second Circuit went to significant lengths to cabin the reach of the doctrine quite considerably, despite reiterating that it was not abrogating it altogether. In analyzing the opinion, I thus consider the possibility that the court may have been signaling the gradual demise of the doctrine, which as a creature of the common law must go through a fuller process of desuetude before being officially “overruled.” Part I sets out the sources of confusion, doubt, and disagreement that characterize the court’s two opinions in *Barclays Capital*. Part II then attempts to draw lessons from the Second Circuit’s opinion for the future of common law intellectual property and the use of the common law process in developing intellectual property rules.

I. DOUBT, DENIAL, AND DISAGREEMENT: THE SECOND CIRCUIT DECISION

The facts of *Barclays Capital v. Theflyonthewall.com* were somewhat unexceptional for the Internet age. The plaintiffs were financial services firms engaged in the business of generating extensive research about the activities and prospects of numerous publicly traded companies, which they provided to their clients for a fee. Each morning, they produced their research reports, which summarized their findings and contained daily recommendations as to “the wisdom of purchasing, holding, or selling securities” of various companies that formed the subject of the research.⁹ The defendant website was a subscription news service. Through various means, the defendant obtained the plaintiffs’ research reports, and then posted the recommendations carried therein on its own website exclusively for its own subscribers. Each day, this occurred before the plaintiffs made their reports and recommendations available to the general public, but after the plaintiffs released their reports to their own subscribers. Most importantly though, in posting the plaintiffs’ recommendations, the defendant always attributed the recommendations to their source, i.e., plaintiffs, since the value and credibility of the recommendations emanated entirely from the plaintiff firms’ expertise.¹⁰

8. Shyamkrishna Balganesh, “Hot News”: The Enduring Myth of Property in News, 111 Colum. L. Rev. 419, 475–76 (2011) [hereinafter Balganesh, “Hot News”].

9. *Barclays Capital*, 650 F.3d at 879.

10. *Id.*

Worried that the defendant's actions would impact their business model, the plaintiffs commenced an action under federal copyright law and New York's hot news misappropriation doctrine against the defendant website. At trial, the defendant readily conceded copyright infringement, but disputed that its actions amounted to a misappropriation of hot news.¹¹ After a bench trial, the district court found for the plaintiffs, and the defendant then appealed.¹²

As many predicted, on appeal the Second Circuit reversed. Yet, its path in getting there was far from simple. Its reasoning seemed to be characterized by an uneasiness with the hot news doctrine as a whole, coupled with its belief that its prior opinion resurrecting *International News*, i.e., its opinion in *NBA*, had added to the confusion. To complicate matters even further, the panel disagreed on its understanding of "free-riding" and "competition," resulting in one judge (Judge Raggi) writing a separate concurrence. In what follows, I attempt to disaggregate these various influences on the court's reasoning.

A. Doubt

It would hardly be an exaggeration to say that the Second Circuit—both majority and concurrence—approached the hot news doctrine with a *dubitante* mindset. A traditional "dubitante" opinion is one where a judge is unhappy with a proposition of law, but remains unwilling for some reason to repudiate it.¹³ To be sure, the majority in *Barclays Capital* commenced its discussion by observing that it was not addressing the viability of the doctrine, and that it was "without the authority" to repudiate it. Nonetheless, it went on to add that *if* it were called upon to reconsider the doctrine it might have certified the issue to the state court, thereby suggesting that it was not at the same time expressly affirming the viability of the doctrine in refusing to discuss the issue.¹⁴ Additionally, in their substantive discussions of the doctrine, both opinions went to some length to lay out what they perceived to be major problems with the doctrine.

Given its reluctance (or inability) to examine the viability of the doctrine, the court chose to focus on the question of federal copyright preemption. Specifically, it came to focus its attention on the "extra elements" test—whether the doctrine added a dimension to the entitlement beyond the rights covered by copyright law, for it to survive preemption.¹⁵ And here, both opinions registered their most obvious doubts with the doctrine.

The majority began by noting how *International News*, despite its having little value as precedent after *Erie*, nonetheless exerted a good deal of influence on the structure of the doctrine, since the court in *NBA* had consciously structured the New York version of the doctrine around *International News*.¹⁶

11. *Id.* at 880.

12. For the district court's opinion, see *Barclays Capital Inc. v. Theflyonthewall.com*, 700 F. Supp. 2d 310 (S.D.N.Y. 2010).

13. See Lon Fuller, *Anatomy of the Law* 147 (1968); Jason J. Czarnezki, *The Dubitante Opinion*, 39 *Akron L. Rev.* 1, 2 (2006).

14. *Barclays Capital*, 650 F.3d at 890.

15. *Id.* at 893–98.

16. *Id.* at 894.

The problem with this “ghostly” influence of *International News* on the doctrine, to the court, lay in its emphasis on the moral dimension of the defendant’s actions, which the Supreme Court had dubbed “unfair” and as amounting to reaping without sowing.¹⁷ Over the years, this rhetoric had come to be absorbed by various courts, resulting in the gradual expansion of the doctrine. This emphasis on unfairness came to influence the preemption analysis too, despite its being irrelevant to the issue since it did not *add* a substantive extra element to the analysis in any way. Additionally, on the issue of preemption, the majority also worried that allowing anything other than a very narrowly tailored hot news doctrine would disrupt Congress’s desire to ensure national uniformity in intellectual property law. The hot news doctrine, the court worried, might result in states recognizing and enforcing it to varying degrees, producing a good deal of uncertainty and “patchwork protection” that was avoidable.¹⁸ On the face of things, the majority opinion sets this concern up as a matter of construction. In practical terms though, the court was using it to reiterate its doubts about the viability of the doctrine outside a very limited domain.

Judge Raggi’s concurring opinion made these early doubts rather explicit. In her view, the hot news doctrine, as formulated by the court in *NBA*, failed to identify any extra elements that were qualitatively different from copyright law. Nonetheless, much like the majority, she concluded that she was bound by the prior opinion and proceeded accordingly.¹⁹

Both opinions therefore began their discussion with a good deal of skepticism about the doctrine—both structural and substantive, while acknowledging their inability to repudiate the doctrine. It was thus in some sense inevitable (and predictable) that this constrained skepticism (i.e., the dubitante mindset) would deeply influence their construction and application of the doctrine, while forcing them to preserve it nominally for the future.

B. *Denial*

Having begun with a discernible degree of skepticism about the doctrine, the majority opinion then proceeded to make sense of hot news misappropriation as formulated by the court in *NBA*. And here too, the court expressed its misgivings. In *NBA*, the court had attempted to parse the language and logic of *International News* to formulate a version of the misappropriation doctrine for New York that consisted of five independent elements. Indeed, it went to some length to describe the analytical bases of each element and then root them individually in the language of *International News*. The court in *Barclays Capital* however found this entire exercise redundant, and additionally found a simple way to disregard it: by characterizing it as dictum.

In *NBA* the court eventually found for the defendant. Yet before doing so, it set out the constituent elements of a hot news misappropriation claim—

17. *Id.* at 894–95.

18. *Id.* at 898.

19. *Id.* at 908–11 (Raggi, J., concurring).

twice—then proceeded to describe how these elements satisfied the copyright preemption analysis, and only thereafter applied the elements to the facts of the dispute before it.²⁰ To the Second Circuit in *Barclays Capital* however, this represented both a redundancy and a deep inconsistency. The court concluded that the five-element test of *NBA* was not at all essential to the court's conclusion, and despite *NBA*'s characterization of the test as its "hold[ing]," the court now characterized it as dictum.²¹ Additionally, the court also found the two versions of the five-element test that the *NBA* court had laid down to exhibit a variation in that one quoted language from *International News* that seemed to modify how the elements might be applied.²² Putting these two moves together strategically allowed the court in *Barclays Capital* to at once both disregard the elements of the action as formulated in *NBA* and at the same time choose those parts of the opinion in *NBA* that it found most conducive to its views on the future of the action, by identifying what it thought to be the *real* holding of the *NBA* decision. To the court, the real holding of *NBA* lay in its preemption analysis, and its finding that the defendant in that case (*Motorola*) was not free-riding on the plaintiff's efforts.²³

While this was no doubt an interesting bit of legal maneuvering, it reveals an obvious tension within the majority's opinion. Recall that the majority had begun its discussion by noting that it was powerless to repudiate the doctrine because it was "bound" by the *NBA* court's statements that the doctrine survives.²⁴ Yet in relation to the five-element test, the majority was willing to characterize those portions of the very same opinion (i.e., *NBA*) as dictum in order to deny its binding nature. If the five-part analysis was nothing more than a "sophisticated observation[] in aid"²⁵ of the court's analysis of preemption, and therefore not integral to its actual conclusions, why could the same not be said of the *NBA* court's general observation that the doctrine survives in New York, since in the end it concluded that the plaintiff's claim there was nonetheless preempted? In other words, if the five-element analysis was peripheral to the preemption issue, so too should have been the question of the doctrine's "survival." It is indeed here that the court tips its hand to reveal that it is in reality trying to consciously constrain the doctrine.

It is important to note that the concurring opinion categorically refused to buy this logic. Judge Raggi remained unwilling to go along with the majority's categorization of the five-part test as dictum and adopted the position that the test was "*necessary* to the opinion's result."²⁶

C. Disagreement

In denying that the test as formulated by *NBA* was binding precedent, the majority opinion in *Barclays Capital* thus effectively rejected the hot news

20. *NBA v. Motorola Inc.*, 105 F.3d 841, 845, 852 (2d Cir. 1997).

21. *Barclays Capital*, 650 F.3d at 898–99.

22. *Id.* at 900–01.

23. *Id.* at 901–02.

24. *Id.* at 890.

25. *Id.* at 901.

26. *Id.* at 911 (Raggi, J., concurring) (emphasis added).

doctrine as formulated there, i.e., the five-factor test. Yet, neither did the court offer its own independent formulation of the doctrine as an alternative. The majority opinion instead moved to stating and applying what it thought to be the *real* holding in *NBA*: that there was no “free-riding” by the defendant, as a result of which the claim was effectively preempted by copyright law.²⁷

The portion of the *NBA* opinion that the majority thought itself to be bound by was limited to the court’s holding that the element of “free-riding” by a defendant was necessary for a hot news claim to survive federal preemption. In *NBA*, the court had found that the defendant was not free-riding on the plaintiff’s efforts because it had collected its facts (i.e., the material sought to be protected) on its own, using “[its] own resources,” and thereupon found the plaintiff’s hot news claim preempted.²⁸ Seizing on this, the majority in *Barclays Capital* reasoned that since the plaintiff firms were not in the business of merely transmitting recommendations, but were instead actively *making* them, while the defendant website was merely transmitting these recommendations with attribution to its subscribers, the defendant was in similar vein not free-riding on the plaintiff’s efforts. Had the plaintiff been in the business of *also* transmitting information, that it was not itself producing, to its subscribers, the court concluded it would have been willing to find free-riding.²⁹

Simple as this reasoning may seem, it masks several complexities underlying the very idea of free-riding. The majority in *Barclays Capital* placed much emphasis on the idea of “acquiring material” that the Supreme Court had used in describing the hot news claim in *International News*.³⁰ Creation, the court reasoned now, was different from acquisition—implying that while the defendant’s behavior might amount to free-riding in some general sense, it was not an act of free-riding on the acquisitive efforts of the plaintiff. While this may certainly be true as an analytical matter, it is not clear from the court’s reasoning why this limitation ought to matter much in the law’s understanding of free-riding. Why, in other words, is the *acquisitive* effort more worthy of protection than the *creative* effort? The answer cannot simply be that it is copyright law’s prerogative to protect creativity, since we are by necessity in the realm of non-expressive information (i.e., ideas, facts, data) that is by definition outside the domain of copyright law. The court sought its answer instead in the language of *International News*, which it mined in some detail, and in the process focused on the Supreme Court’s observation that the plaintiff’s profits in that case were being diverted “at the point” when they were to be reaped, to conclude that this was absent here, revealing an absence of free-riding.³¹ That the court in *Barclays Capital* felt a good deal of discomfort with its approach is adequately borne out in its observation at the end of its attempted mining of *International News*, that it was doing so not to treat *International News* as a “statement of law,” but

27. *Id.* at 902–06.

28. *NBA v. Motorola, Inc.*, 105 F.3d 841, 854 (1997).

29. *Barclays Capital*, 650 F.3d at 905–06.

30. *Id.* at 903.

31. *International News Service v. Associated Press*, 248 U.S. 215, 240 (1918).

instead to focus on the differences between that case and the present one.³² In effect, the Court avoided answering a rather fundamental question about the nature of “free riding” on which it placed *all* its normative emphasis.

As I have argued before, the idea of free-riding in *International News* had nothing whatsoever to do with the distinction between an acquisition and creation.³³ It originated instead from the context of the problem that the Court was trying to solve there: a collective action problem. The free-riding thus was not about the nature of the plaintiff’s actions that the defendant was relying on, but instead about the fact that it was enabling the defendant to be enriched at the plaintiff’s expense. This enrichment in turn was problematic because it diminished parties’ incentives to enter into a collective enterprise that necessitated continued cooperation for its functioning. The key to *Barclays Capital* was thus the complete absence of a collective action problem, not the absence of an enrichment at one party’s expense. The majority’s distinction between “making” the recommendations and “breaking” them to the public would have been better served by focusing on the absence of direct competition.

Judge Raggi’s concurring opinion seemed to be headed in the right direction when she disagreed with the majority’s reliance on free-riding and focused instead on the element of direct competition. Noting, in no uncertain terms, that she was not convinced by the majority’s acquisition/creation distinction, since the plaintiffs seemed to be performing both roles, she eventually found the plaintiff’s claim to be preempted owing to the absence of any direct competition between the parties.³⁴ Nonetheless, her opinion does little to define the idea of direct competition or indeed situate it within the overall skein of what the doctrine is trying to achieve. The opinion simplistically notes that “direct competition is the substantial similarity of the products in satisfying the relevant market demand.”³⁵ And again, much like the majority opinion, Judge Raggi’s opinion too placed much emphasis on the fact that the defendant was attributing the recommendations to the plaintiff—which it took to indicate the absence of direct competition between them.

Direct competition was indeed the key to the issue in *Barclays Capital*. Yet, it involved more than just the question of demand substitution. What the Court in *International News* was really focusing on in its discussion of competition was hardly just the final products/services of the parties, but instead their position vis-à-vis each other as “competitors.” This distinction is more than just theoretical. What rendered the defendant’s free-riding an act of unjust enrichment in *International News* was the reality that it allowed the defendant to obtain a competitive advantage at the plaintiff’s expense—one that could have had the long term effect of jeopardizing the very structure of newsgathering, if left unchecked. The only thing that seemed to keep Judge Raggi from finding direct competition between the parties then was the fact

32. *Barclays Capital*, 650 F.3d at 905.

33. See Balganes, “Hot News,” *supra* note 8, at 438–71 (framing question instead in terms of unjust enrichment and unfair competition).

34. *Barclays Capital*, 650 F.3d at 912–15 (Raggi, J., concurring).

35. *Id.* at 913.

that the plaintiff was doing no more than disseminating *its own* recommendations, instead of also carrying those of other research firms as well. In the end, her reasoning thus boiled down to essentially the same acquisition/creation distinction that the majority had relied on.

* * *

The *Barclays Capital* opinions are thus replete with observations hinting at the court’s skepticism with the hot news misappropriation doctrine. In many ways, the court seemed do *all but* actually repudiate the doctrine. It declared the five-factor formulation from *NBA* non-binding, repeatedly emphasized the extremely “narrow” nature of the doctrine, admonished courts for expanding the doctrine by placing too much emphasis on the idea of “unfair[ness],” and finally relied heavily on an understanding of “free-riding” that seems largely conclusory and certainly incapable of meaningful replication in the future. To its credit though, not once did the court in *Barclays Capital* use the phrase “property” to describe the interest at stake, unlike in the *NBA* opinion, where the court sought to categorically alter Justice Pitney’s original understanding of the doctrine.³⁶ But why then did the court not take one small step more, and abrogate the doctrine altogether, when its distaste for the doctrine and its generativity seemed more than apparent? One suspects that the answer lies in the gradual process by which a common law doctrine comes to be overruled, which the court was likely signaling in no small measure.

In dissenting from the majority opinion in a major antitrust case a few years ago, Justice Breyer described the common law process of overruling as one where a court would “issue decisions that gradually eroded the scope and effect of the rule in question, which might eventually lead the courts to put the rule to rest.”³⁷ Gradual narrowing and asphyxiation of a doctrine over time such that it comes to be applied and relied on by parties with rarity—and thereby falls into desuetude—is thus a precondition to its actual repudiation/abrogation. Two reasons motivate this approach. The first is the incrementalism inherent in the formulation of the rule, a tentativeness that allows the process to remain sensitive to changes in the context within which the rule is likely to be applied. The second is the principle of *stare decisis*, which, while not always binding as a rule, nonetheless constrains later courts from straying from their previous decisions unless absolutely necessary, and demands that courts try and reconcile any changes that they make to the doctrine with their previous decisions. In many ways both these influences seemed to be at play in *Barclays Capital*.

The hot news doctrine had evolved as a solution to a problem very specific to the newspaper industry—a fact recognized soon after the doctrine, and alluded to by the Second Circuit in *Barclays Capital* as well. Yet over time, the doctrine had come to be expanded and applied to new contexts and subject matter, in the process detaching it from its moorings in the newspaper

36. See Balganes, “Hot News,” *supra* note 8, at 423 (explaining original formulation of hot news doctrine).

37. *Leegin Creative Leather Prods., Inc. v. PSKS, Inc.*, 127 S. Ct. 2705, 2737 (2007) (Breyer, J., dissenting).

industry and converting it into a stand-alone cause of action. In rolling it back, the court thus had to be sensitive to the expectations that this expansion—problematic as it may have been—had likely created among actors. The court was also explicit about its reliance on *stare decisis*, and as discussed above, went to some lengths to limit the applicability of the principle, while at least nominally adhering to it. In short then, the need for gradualism was readily apparent in the court's approach.

From this perspective, the opinions in *Barclays Capital* can be seen as signaling to litigants and lower courts the *impending* repudiation of hot news misappropriation. Despite the court's recognition of a narrow set of cases where the action might still survive,³⁸ its repudiation of the five-factor formula and its extended focus on the question of preemption makes it highly likely that even if a future case meeting the court's criteria should arise, it might not survive the close scrutiny that the court insists all hot news claims be subjected to. Things might have indeed been much clearer (and perhaps more helpful), if the court had made explicit its intentions, rather than forcing them to be gleaned *ex post*. All the same, it must be remembered that the common law develops through what a court actually *does* rather than what it merely *says*, a reality that the *Barclays Capital* court seems to have affirmed in more ways than one.

II. LESSONS FOR THE FUTURE OF COMMON LAW INTELLECTUAL PROPERTY

Taking a step back now from the specifics of the decision in *Barclays Capital*, it is worth considering what the court's approach and the reasoning it employed to reach its conclusions in that case mean for the future of common law intellectual property—an area of law that I have previously argued embodies an underappreciated source of flexibility and pragmatism.³⁹ While *Barclays Capital* may have sounded the beginning of the end for the hot news misappropriation doctrine, I believe that its lessons for common law intellectual property lawmaking are, by contrast, ones of optimism. In this Part, I consider two in particular.

A. *The Virtues of Caution*

Contrasting the language and tone of the Second Circuit's opinion in *NBA* to that of its most recent one in *Barclays Capital* reveals a noticeable difference. In declaring that the hot news doctrine had indeed survived in New York, and adapting it to the modern environment, the court in *NBA* sounds

38. *Barclays Capital*, 650 F.3d at 905–06 (“If a Firm were to collect and disseminate . . . facts about securities recommendations in the brokerage industry (including, perhaps, such facts it generated itself . . .), and were Fly to copy the facts contained in the Firm's hypothetical service, it might be liable . . . on a ‘hot-news’ misappropriation theory.”)

39. See Shyamkrishna Balganes, *The Pragmatic Incrementalism of Common Law Intellectual Property*, 63 Vand. L. Rev. 1543, 1545–46 (2010) [hereinafter Balganes, *Pragmatic Incrementalism*] (claiming skepticism of pragmatic incrementalism of intellectual property law is “myopic”).

optimistic, proactive, and willing to see where the doctrine is likely to head in the future. *NBA* was decided just around the time that the Internet era began to come into its own. Nearly a decade and a half later, the court’s tone in *Barclays Capital* is markedly different: skeptical, risk-averse, and perhaps most importantly *reactive*.

Yet reactive to what exactly? In the time since the doctrine’s resurrection in *NBA*, much had indeed changed in the information environment. The Internet and the emergence of digital technology had resulted in a variety of changes to traditional intellectual property—i.e., copyright law—almost all of which were brought about through legislative activity in the area.⁴⁰ One consequence of the digital world, however, was its challenge to the traditional business models of participants in key information industries: music, movies, and, most recently, newsgathering and reporting. And it was precisely to protect these traditional models that the common law had been called into service, in the process moving it in new directions and into altogether new areas.⁴¹ This posed an obvious problem. The common law had emerged within certain contexts and developed concepts from within those contexts. As it came to be applied to new areas, its concepts no doubt remained facially adaptable. All the same, the reasons for their formal existence and validity started becoming less and less apparent. When this normally happens, a common law court usually has three main options: it can (i) create new law in an effort to take account of the new reasons and contexts, (ii) abdicate the doctrinal areas in question to the legislature on the theory that “[c]ourts are ill-equipped”⁴² to the task, or (iii) proceed with caution, enabling the law to fully grapple with the new context, before moving in either direction.

The court in *Barclays Capital* can be seen as adopting the third of these approaches. The court was no doubt aware of how the hot news doctrine had come to be applied to new contexts, including the Internet, and was invoked for interferences with traditional business models, especially by the newspaper industry. Yet, it certainly did nothing at all to expand the doctrine or to adapt it to the new circumstances. Neither did it fully abrogate the doctrine, and return all intellectual property lawmaking to the legislature. Instead, the court effectively hit the pause button on the continued expansion of the doctrine in order to allow participants (and indeed the law as a whole) to grapple more fully with the changed environment.

Caution has long been known to be a virtue of the common law.⁴³ The experimentation that incremental lawmaking allows for remains valuable only

40. See, e.g., Glynn S. Lunney, Jr., *The Death of Copyright: Digital Technology, Private Copying, and the Digital Millennium Copyright Act*, 87 Va. L. Rev. 813 (2001) (exploring impact of Digital Millennium Copyright Act on copyright protection).

41. See Shyamkrishna Balganesh, *Common Law Property Metaphors on the Internet: The Real Problem with the Doctrine of Cybertrespass*, 12 Mich. Telecomm. & Tech. L. Rev. 265 (2006) (studying extension and application of common law doctrines in property law to cybertrespass).

42. *International News Service v. Associated Press*, 248 U.S. 215, 267 (1918) (Brandeis, J., dissenting).

43. Balganesh, *Pragmatic Incrementalism*, *supra* note 39, at 1568–74 (promoting positive characteristic of pragmatic incrementalism is caution in light of uncertainty).

if it allows for the process to periodically revisit its basic premises and change direction, or slow things down under conditions of uncertainty. Disentangled from its formal rhetoric, *Barclays Capital* is a strikingly good example of this happening in the world of common law intellectual property.

B. *The Bi-Directionality of Common Law Incrementalism in Intellectual Property*

While incremental lawmaking remains a hallmark of the common law, its advantages are often thought to be offset by a heightened amount of path dependence that is intrinsic to the process.⁴⁴ Principles such as *stare decisis*, and the rules of precedent and authority are thus thought to ensure that even when the law develops gradually, it does so in one particular direction, without ever allowing for a measured rollback. Creativity in adjudication is believed to be fraught with the possibility that later courts will come to mechanically follow suit, for no reason other than that the law exists.⁴⁵ This is in turn thought to be especially problematic in relation to intellectual property and the creation of entitlements in informational resources, given the rapidity with which the interests and needs of society in the area tend to fluctuate. In rolling back the hot news misappropriation doctrine, *Barclays Capital* shows that this need not be true—and that lawmaking in the common law style is truly a two-way street, even in the area of intellectual property.

Concerns about path dependence and unidirectional development in the common law all too easily disregard the reality that the common law is more than just an adaptable body of law—it is also a *malleable process*. What this means is that the process of reasoning that common law courts employ derives from a multiplicity of sources, some formal and others substantive. The precise mix and hierarchy of these sources, however, remains the prerogative of the common law judge, and the astute common law judge, as a pragmatist grounded in the realities of society, is meant to find a way to reach the decision deemed most appropriate to the situation and context.⁴⁶ Common law rulemaking is thus hardly mechanical in nature, and indeed very rarely admits of a single “right” answer (though it may readily admit of several “wrong” ones). Embedded within the process are a number of important procedural safeguards, all of which are directed at endowing the judge with the flexibility needed to overcome a path dependent form of decisionmaking. The holding/dicta distinction is a particularly important one, and *Barclays Capital* all too readily seized on it. Another similar well-known device is the process of distinguishing a case based on its facts.

44. See Oona A. Hathaway, Path Dependence in the Law: The Course and Pattern of Legal Change in a Common Law System, 86 Iowa L. Rev. 601, 603 (2001) (using path dependence theory to explore “the influence of history in our common law system”).

45. See Oliver Wendell Holmes, The Path of the Law, 10 Harv. L. Rev. 457, 468–69 (1897) reprinted in 110 Harv. L. Rev. 991, 1001 (1997). (describing this phenomenon and critiquing it).

46. Benjamin Nathan Cardozo, The Nature of the Judicial Process, in Selected Writings of Benjamin Nathan Cardozo: The Choice of Tycho Brahe 107, 108–13 (Margaret Hall ed., 1967).

Consequently, common law intellectual property lawmaking need not be a one way street that favors expansionism and the grant of private entitlements at the cost of the public domain, or indeed one that does not allow for a pre-existing entitlement framework to be dismantled retrospectively if necessary. *Barclays Capital* serves to illustrate this reality. The Demsetzian account of legal rules, under which a regime develops when the benefits that it generates for actors outweigh its costs, has long struggled to identify a good example of its reversibility, i.e., a situation where a legal regime comes to be dismantled when its costs outweigh its benefits.⁴⁷ *Barclays Capital* might suggest that hot news misappropriation doctrine is one.

CONCLUSION: SOME UNANSWERED QUESTIONS

The Second Circuit’s opinion in *Barclays Capital* unquestionably centers around two important messages: one, that the hot news misappropriation doctrine should not be readily extended to new contexts and situations; and two, that the doctrine may well be on the tail-end of its lifecycle. At the same time though, in failing to engage with some of the broader, structural issues relating to the doctrine more directly, the opinion leaves several rather important, and functionally significant, questions open and unanswered.

First, the court consciously avoids telling us what the structural basis of the doctrine was and *is*. While this may have been of secondary importance in light of the court’s own cabining of the doctrine, it nonetheless remains functionally relevant until such time as the doctrine is completely abrogated—especially since the court’s own opinion leaves open the possibility that a future court might resurrect the doctrine when needed. The court refrains from describing the interest in “property” terms, and instead characterizes it as a “tort.”⁴⁸ Yet, this presents its own set of analytical complications—involving the identification of a domain of wrongdoing, wrongfulness, and harm, none of which the court had to grapple with. In my previous work, I characterized courts’ analytical description of the hot news doctrine in property terms as the “enduring myth” that the doctrine had been developed to create property rights in the news. In his response to my piece, Professor Richard Epstein disagreed that there was indeed any enduring myth about the doctrine’s property status, and noted that courts and scholars have come to understand that a “monolithic conception” of property could not explain the hot news doctrine.⁴⁹ Whether the myth has indeed been dispelled or not, *Barclays Capital* moves the question into the realm of a continuing *mystery*, by at once both disagreeing with the decision in *NBA* (that had treated the doctrine as a “property” based one), and failing to explicate the basis for the doctrine independently.

47. See Thomas W. Merrill, Introduction: The Demsetz Thesis and the Evolution of Property Rights, 31 J. Legal Stud. S331, S337 (2002) (raising question of whether legal regime may be dismantled if “benefits fall or costs rise”).

48. *Barclays Capital Inc. v. Theflyonthewall.com*, 650 F.3d 876, 890 (2d Cir. 2011).

49. Richard A. Epstein, The Protection of “Hot News”: Putting Balganesch’s “Enduring Myth” about *International News Service v. Associated Press* in Perspective, 111 Colum. L. Rev. Sidebar 79, 79 (2011).

Second and perhaps more importantly, *Barclays Capital* does not address the First Amendment and free speech implications of the hot news doctrine, either directly or indirectly. Despite the defendant's raising the issue on appeal, and indeed several amicus briefs making it the focus of their interventions,⁵⁰ the court seems to have thought it wholly unnecessary to its decision—given its avowed doctrinal focus on the question of federal copyright preemption. Whether and how the First Amendment influences the doctrine is more than just an academic question, and indeed ties back to the analytical basis of the doctrine.⁵¹ It may well have been that the First Amendment was not implicated in the dispute, once the court found the plaintiff's claim to have been preempted altogether by copyright law. Nonetheless, given the court's refusal to abrogate the doctrine in its entirety, the question is sure to resurface in the future, if the doctrine were ever successfully relied on in the narrow set of cases for which the court seemed to let it survive. Given its reexamination of the roots of the doctrine, the court in *Barclays Capital* would have done well to address the First Amendment question, even if only in dicta.

Sadly enough then, despite its extensive discussion of the doctrine, its origins, and its future, the court in *Barclays Capital* fails to address what are perhaps two of the most complex and important issues relating to the doctrine. Nonetheless, taken as a whole, the case is a perfect illustration of the "genius of the common law"⁵² as a process of incremental, context-specific rule development that over time works itself pure and allows for adaptation as the particular needs of society change.

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50. See, e.g., Brief for Defendant-Appellant at 35, *Barclays Capital*, 650 F.3d 876 (No. 10-1372-cv).

51. See Balganes, "Hot News," supra note 8, at 489-95 ("[R]ooting hot news misappropriation in a theory of competitive unjust enrichment is likely to go some distance in rendering it compatible with the free speech protections of the First Amendment.").

52. See Frederick Pollock, The Genius of the Common Law, 12 Colum. L. Rev. 189 (1912).