

Recent Decisions

FEDERAL COURTS — DIVERSITY JURISDICTION — EFFECT OF STATE LAW

An administrator brought a wrongful death action in a federal court in Illinois, where the jurisdiction was based on diversity of citizenship, death having occurred in Utah. The district court dismissed the action, ruling that the federal court was bound by an Illinois statute which provided that no action could be brought in that state for death occurring outside Illinois if service of process could be had in the state in which death occurred, and distinguishing the Illinois statute from the Wisconsin statute held violative of the full faith and credit clause in *Hughes v. Fetter*, 341 U.S. 609 (1951), on the grounds that the Illinois statute permitted the action if service could not be had in the state where death occurred while the Wisconsin statute precluded all foreign wrongful death actions. The Court of Appeals affirmed, *First National Bank of Chicago v. United Air Lines*, 190 F 2d 493 (7th Cir. 1951). On appeal to the United States Supreme Court, *held*, reversed. Permitting an action if service of process cannot be had on the defendant in the state where the injury resulting in death occurred does not free the statute of its contravention of the full faith and credit clause of the United States Constitution and the holding of the *Hughes* case, *supra*, must be applied. *First National Bank of Chicago v. United Air Lines*, 342 U. S. 396 (1952).

In the principal case the Court based its decision squarely on *Hughes v. Fetter, supra*. A state may refuse to entertain a cause of action created by the law of another state only if the cause of action is contrary to the public policy of the refusing state. This does not prevent the state from applying the doctrine of *forum non conveniens* in individual cases. But apparently this doctrine may be invoked only by the court on the particular merits of the individual case and may not be invoked by the legislature to apply to a class of cases regardless of the particular merits. There must be, rather, some reason to invoke the doctrine in the instant case other than the fact that it falls within a certain class of actions.

In deciding the principal case, the Court refused to meet squarely the issue of whether the federal courts would be bound by this Illinois statute, if it were constitutional, on the grounds that since the statute is unconstitutional, it was not necessary. In a vigorous concurring opinion, however, Mr. Justice Jackson stated that federal courts are not bound by the law of the state in which they are sitting on questions of subject matter jurisdiction. There have been no Supreme Court decisions on this precise point, but

the doctrine of *Erie v. Tompkins*, 304 U.S. 64 (1938), has been extended so far that the Court of Appeals seems justified in deciding that federal courts are so bound. *First National Bank of Chicago v. United Air Lines*, 190 F. 2d 493 (7th Cir. 1951), *Trust Co. of Chicago v. Pennsylvania Railway Co.*, 183 F. 2d 640 (7th Cir. 1950), *Munch v. United Air Lines*, 184 F. 2d 630 (7th Cir. 1950). All of these cases relied on *Wood v. Interstate Realty Co.*, 337 U.S. 535 (1949), in which the Supreme Court stated that a federal court is just another court of the state in which it sits and is bound by the laws of that state on questions of the use of the courts. In these, as well as the *Hughes* case, *supra*, and the principal case, the court is troubled by discrimination against citizen plaintiffs within a state if different rules prevail in state and federal courts in diversity cases. Non-citizen plaintiffs would be permitted an action in the state while citizens, denied access to the federal courts because of lack of diversity of citizenship, would have no action. The philosophy emanating from the *Erie* case seems to be bent to prevent this type of discrimination in all cases. Since the *Erie* case decided that there is no federal common law and that the federal courts under the Rules of Decision Act, 28 U.S.C. 1652, must follow the law of the state where applicable, there have been numerous decisions declaring specific subjects to be covered by the act. The Court has held that federal courts in diversity cases are bound by state law on questions of burden of proof, *Cities Service Co. v. Dunlap*, 308 U.S. 208 (1939), *Palmer v. Hoffman*, 318 U.S. 109, 117 (1943), accrual of the cause of action, *West v. American Tel. and Tel. Co.*, 311 U.S. 223 (1940), conflicts of laws, *Klaxon v. Stentor Co.*, 313 U.S. 487 (1941), statutes of limitations, *Guaranty Trust Co. v. York*, 326 U.S. 99 (1945), and limitations on who may use the courts, *Angel v. Bullington*, 330 U.S. 183 (1947), *Wood v. Interstate Realty Co.*, *supra*. The Court of Appeals has interpreted this to mean that the federal courts must derive their subject matter jurisdiction in diversity cases from the state in which they are sitting regardless of where the cause of action arose. *Trust Co. of Chicago v. Pennsylvania Railway Co.*, *supra*. However, in only two of the above cases, the *Palmer* case, *supra*, and the *Klaxon* case, *supra*, and the *Erie* case itself, did the cause of action arise outside the state in which the federal court was sitting.

Mr. Justice Jackson points out that the trend of these decisions seems to be that a federal court must go through the onerous task of sifting the law of the state in which the cause of action arose through the sieve of the state in which it is sitting, while Congress has provided for the jurisdiction of federal courts in diversity cases, 28 U.S.C. § 1332 (a), so that a petitioner enters the federal court by the grace of the law of the United States and not by the

grace of the laws of Illinois, or any other state. *First National Bank of Chicago v. United Air Lines, supra*, at 399. The Court seems to be reading the Rules of Decision Act, *supra*, as if it read "the laws of the state in which the court is sitting" rather than "the laws of the several states." The Court took no such circuitous route in the *Erie* case. There, although the court was sitting in New York, it went directly to the law of Pennsylvania without using New York eyes. In its anxiety over the possible evil of discrimination in having two separate and distinct systems of justice within a state, the Court has gotten itself tangled at the brink of a position that a federal court must derive its subject matter jurisdiction from the state in which it is sitting. It would seem that the cause of action is created by the state wherein it arose and that the federal court should look to the state to find a cause of action upon which to base subject matter jurisdiction.

A possible solution might be found by regarding the federal court as having subject matter jurisdiction, but the question of proper venue being decided by the law of the state in which the court is sitting. Then the court could say to the plaintiff, "Although you have a cause of action of which a federal court has jurisdiction, under state law, you have brought your action in the wrong venue — in the wrong federal court." Then the court could transfer the case to the proper venue under 28 U.S.C. § 1404 (a), upon application. This would remove some of the uncertainty and ambiguity and at the same time would allay the discrimination that the Court is seeking to prevent. If the entire problem is regarded as one of *forum non conveniens* with the legislature powerless to lay down a blanket policy but with federal courts bound by the *forum non conveniens* policy of the state, the problem seems to resolve itself to one upon which agreement and understanding can be reached.

Alba Whiteside

FEDERAL COURTS — JURISDICTION FOR MULTISTATE CORPORATIONS

Plaintiff, a citizen of Massachusetts, brought an action for injuries sustained in Vermont against the defendant corporation in the federal district court for Massachusetts, alleging the corporation to be organized under the laws of New York. Defendant denied diversity jurisdiction, claiming to be a corporation organized under the laws of Massachusetts. The district court found that the defendant was incorporated as a domestic corporation both in New York and Massachusetts and sustained the motion to dismiss for lack of jurisdiction in conformity with precedents in its circuit.

On appeal to the United States Court of Appeals for the First Circuit, *Held*, affirmed. A corporation incorporated as a domestic corporation in two or more states must be regarded in each state of its incorporation as solely domesticated therein for jurisdictional purposes. *Seavey v. Boston & Maine R. R.*, 197 F.2d 485 (1st Cir. 1952).

The principal case is in direct conflict with *Gavin v. Hudson & Manhattan R. R.*, 185 F.2d 104 (3rd Cir. 1950), and produces an inter-circuit divergence in an already confused field. The jurisdictional problem mainly arises when railroads are parties because of their early corporate founding either by special act or by merger and consolidation, resulting in a non-descriptive legal entity having several states as a domicile. See Comment, 46 YALE L. J. 1370 (1937).

In early history, a suit by or against a corporation was regarded as if it was a suit by or against the shareholders as partners in determining diversity jurisdiction. *Bank of the United States v. Deveaux*, 5 Cranch 61 (U.S. 1809). In 1844, the Supreme Court started to retreat from this view in *Louisville, C. & C. R. R. v. Letson*, 2 How. 497 (U.S. 1844). After much dissension within the court, it was finally decided that all the shareholders should be conclusively presumed to be citizens of the state of incorporation for jurisdictional purposes. *Marshall v. Baltimore & Ohio R. R.*, 16 How. 314 (U.S. 1854); see also 1 MOORE'S FEDERAL PRACTICE 487 (1938). This legal fiction of corporate citizenship has been attacked by many writers and has resulted in various attempts, from 1880 to 1937, to abolish, legislatively, diversity jurisdiction for corporations. See McGovney, *A Supreme Court Fiction*, 56 HARV. L. REV 853, 1258 (1943).

Most corporations doing business in more than one state are incorporated in one state and licensed to do business in the others; therefore, for purposes of jurisdiction, the corporation is considered a citizen only of the state of incorporation. *Baltimore & Ohio R. R. v. Koontz*, 104 U.S. 5 (1881). Whether a corporation is domesticated or merely licensed involves a problem of construing the corporate charter and the pertinent statutory and constitutional provisions. *Martin's Admr. v. Baltimore & Ohio R. R.*, 151 U.S. 673 (1893); see 119 A.L.R. 676. The courts, in determining jurisdiction, do not seem affected by chronological order in incorporating, *Memphis R. R. v. Alabama*, 107 U.S. 581 (1882); by where the action arose, *Southern R. R. v. Allison*, 190 U.S. 326 (1903); *Lake Shore R. R. v. Eder*, 174 Fed. 944 (6th Cir. 1909); or by the method of multiple incorporation. *Gavin v. Hudson & Manhattan R. R.*, *supra*.

A corporation which is compelled to incorporate by a state is

not considered a citizen of that state for jurisdictional purposes. *St. Louis R. R. v. James*, 161 U. S. 545 (1896); *Southern R. R. v. Allison*, *supra*. At times, it is difficult to tell exactly when the court will or will not find compulsion. Compare *Southern R. R. v. Allison*, *supra*, with *Memphis R. R. v. Alabama*, *supra*. The basic problem arises when a corporation is voluntarily domesticated in more than one state.

A non-resident of the forum can sue such a multistate corporation in a federal court in any state in which it is incorporated. *Muller v. Dows*, 94 U.S. 44 (1876). A non-resident can also sue the corporation in a state court in any of the states of incorporation and the corporation can not remove to a federal court. *Patch v. Wabash R. R.*, 202 U.S. 277 (1907).

When such a hybrid corporation sues in a federal court in any of its incorporating states, it is for diversity purposes considered a resident of the state in which the action is brought. If it is incorporated in both Virginia and North Carolina, the corporation can not sue a resident of North Carolina in federal court there by alleging itself to be a citizen of Virginia. *Town of Bethel v. Atlantic Coast R. R.*, 81 F.2d 60 (4th Cir. 1936), *cert. denied*, 298 U.S. 682 (1936). But see *Nashua R. R. v. Boston R. R.*, 136 U.S. 356 (1890). Still another difficult and unanswered problem would be posed by a suit between the corporation and a citizen of one of its incorporating states brought in a neutral forum where the corporation was merely licensed to do business.

In the *Gavin* case, *supra*, and the principal case, the corporation was being sued by a resident in federal court alleging that the corporation was a non-resident. In the *Gavin* case, *supra*, the court allowed a New Jersey resident to sue a New York and New Jersey corporation in the federal court for New Jersey. Judge Goodrich, finding no Supreme Court case in point, felt it senseless to pile fiction upon fiction and force the plaintiff to leave his home state to sue one of these multistate corporations in federal court. See RESTATEMENT, CONFLICT OF LAWS § 207 (1934). The reasoning of this case would seem to allow the corporation or the opposing party to change the domicile of the corporation at will in the allegations. This approach would cause only more problems of jurisdiction and upset what little order there is to be found in the decisions.

The principal case, after discussing the *Gavin* case, *supra*, at length, decided to follow the prior cases in the first circuit. *Peterborough R. R. v. Boston R. R.*, 239 Fed. 97 (1st Cir. 1917); *Geoffroy v. New York, N. H. & H. R. R.*, 16 F.2d 1017 (1st Cir. 1927); also *Missouri Pac. R. R. v. Meeh*, 69 Fed. 753 (8th Cir. 1895). The court felt that for jurisdictional purposes a multi-state corporation must be regarded in each state of its incorporation as solely do-

mesticated therein. Many cases tend to support this view. *Chicago R. R. v. Whitton's Admr.*, 13 Wall. 270 (U. S. 1871); *Muller v. Dows*, *supra*; *Town of Bethel v. Atlantic Coast R. R.*, *supra*.

As stated in the *Seavey* opinion we are "required to deal with unrealistic fictions inexplicable to the layman, although the basic fiction upon which the concept of corporate citizenship rests impresses us as at least practical." As long as corporations are allowed to sue under diversity jurisdiction, there must be some guide by which jurisdiction can be determined by the courts and lawyers. It would, therefore, seem practical to follow the orthodox rule that a multistate corporation is to be considered solely domesticated in each state of incorporation.

Much of the conflict in this area stems from the fact that many of the Supreme Court decisions were decided in an era when the concept of the corporate entity and its law was new and unsettled. It is, therefore, not surprising that these multistate corporations were considered separate and distinct corporations in each state. *Ohio & Miss. R. R. v. Wheeler*, 1 Black 286 (U. S. 1861); *Chicago R. R. v. Whitton's Admr.*, *supra*. For practical business purposes, it is unrealistic to consider such a corporation anything but a single entity. *Gavin v. Hudson & Manhattan R. R.*, *supra*.

If there be any reason for diversity jurisdiction, it would seem to be to protect the non-resident from local prejudice in state courts. *Bank of the United States v. Deveaux*, *supra*; but see, Friendly, *The Historical Basis of Diversity Jurisdiction*, 41 HARV. L. REV. 483 (1928). If prejudice is the basic premise, then it might not be so illogical to force the plaintiff to leave his home state if he wishes to sue a multistate corporation in federal court. Today, however, it is questionable if there is much merit in the prejudice theory, especially when a corporation is involved.

Since there are no major policy considerations behind these cases, it is difficult to say which approach should be taken. It would help if the Supreme Court would shed a little light upon a field in which the last case was decided in 1912. *Missouri Pac. R. R. v. Castle*, 224 U. S. 541. The approach of the principal case is better because it follows not only the orthodox rule, but also the practice of the federal courts to restrict the scope of their jurisdiction. A further answer would be to treat a multistate corporation as a party of individuals of various domiciles in every action so that it could not resort to a federal court in any of its incorporating states under the doctrine of *Strawbridge v. Curtiss*, 3 Cranch 267 (U. S. 1806). See Comment, 44 HARV. L. REV. 1106 (1931). Whatever the answer, it should be settled; until then, the lawyer in this field will have little but confusion as a guide.

Charles F. Johnston

LOCAL GOVERNMENT LAW — PARKING METERS —
DEVELOPMENT OF THEORY FOR THEIR USE.

Under a state statute authorizing municipalities to "enact ordinances providing for a system of parking meters designed to promote regulation and requiring a reasonable deposit," G. S. N. C. Sec. 160-200, Subs. 31, the defendant town entered into a written contract with plaintiff corporation for the purchase of parking meters. Payment was to be made solely from a fund made up of one-half the receipts of the meters, the town agreeing to enact and enforce ordinances appropriate to their use. The meters had been installed and operated successfully for several months when a newly elected town administration repealed the ordinances and repudiated the contract. The seller obtained a decree for specific performance from which the defendant appealed, contending that the contract bargained away the governmental powers of the town. The court of appeals, affirming, *held*, that the town was "engaged in the exercise of powers incidental to its proprietary or private character, not those governmental or legislative powers vested in it as an agency of the state." The statute authorized municipalities to "engage in the business of providing parking space for automobiles" and the contract and ordinances were a reasonable exercise of the power conferred. *Town of Graham v. Karpark Corporation*, 194 F. 2d 616 (4th Cir. 1952).

From the time that parking meters were introduced in 1935 as a regulatory device to aid in the control of on-street parking, ordinances providing for their use have been upheld, against varied objections from many sources, as a valid and constitutional exercise of the municipal police power. *City of Columbus v. Ward*, 65 Ohio App. 522, 31 N.E. 2d 142 (1940); *Kimmell v. City of Spokane*, 7 Wash. 2d 372, 109 P. 2d 1069 (1941); *City of Bloomington v. Wirrick*, 381 Ill. 347, 45 N.E. 2d 852 (1942); 7 McQUILLIN, MUNICIPAL CORPORATIONS § 24.650 (3d ed. 1949); See Notes, 108 A.L.R. 1152 (1937), 130 A.L.R. 316 (1940).

In spite of general approval, however, several parking meter ordinances have been held invalid and, although some cases may be distinguished on their facts, *Birmingham v. Hood-McPherson Realty Co.*, 233 Ala. 352, 172 So. 114 (1937), (later questioned in *City of Decatur v. Robinson*, 251 Ala. 99, 36 So. 2d 673 (1948)); *City of Galveston v. Galveston County*, 159 S.W. 2d 976 (1942), or have involved procedural defects, *Deaderick v. Parker*, 211 Ark. 394, 200 S.W. 2d 787 (1947), a serious objection has centered around the fee charged. While exaction of a reasonable fee to meet the costs of operation and supervision is permissible, *Bowers v. City of Muskegon*, 305 Mich. 676, 9 N.W. 2d 889 (1943); *Cassidy v. City*

of *Waterbury*, 130 Conn. 237, 33 A. 2d 142 (1943); *Foster's, Inc. v. Boise City*, 63 Idaho 201, 118 P. 2d 721 (1941), the courts repeatedly point out that the police power may not be used to disguise a tax or revenue measure. *In re Opinion of the Justices*, 297 Mass. 559, 8 N.E. 2d 179 (1937); *Bowers v. City of Muskegon*, *supra*. This ground alone has been sufficient for invalidation of an ordinance, *Monsour v. City of Shreveport*, 194 La. 625, 194 So. 569 (1940), and the revenue scheme was a factor in the unfavorable North Dakota decision of *City of Fargo v. Sathre*, 76 N.D. 341, 36 N.W. 2d 39 (1949).

Even the courts upholding the use of parking meters, while indicating an obvious desire to allow the municipality as much leeway as possible, have encountered considerable difficulty in reconciling the production of revenue by means of a regulatory measure, and their opinions contain many statements to the effect that "the court will not go behind the declared purpose of the act," *Kimmell v. City of Spokane*, *supra*; "the fee is prima facie accepted as the cost of service," *Phoenix v. Moore*, 57 Ariz. 350, 113 P. 2d 297 (1941); and "the court will not scrutinize the amount of the license tax too severely," *City of Decatur v. Robinson*, *supra*. *City of Bloomington v. Wirrick*, *supra*, and *Bowers v. City of Muskegon*, *supra*, in particular, illustrate this problem. Note, also, the difference of opinion in *City of Newark v. Municipal Governing Board of New Jersey*, 133 N.J.L. 513, 45 A. 2d 139 (1945), (revenue is "general" revenue), and *Opinion of the Justices*, 94 N.H. 501, 51 A. 2d 836 (1947), (revenue is a special revenue for highway use).

Ohio municipalities, by virtue of their home rule status, have escaped many of the problems encountered in other jurisdictions. The validity of parking meter ordinances has been challenged on several occasions but in no instance successfully. The revenue question has not been raised; rather, the issues have been confined largely to procedural difficulties and alleged constitutional violations. *Hines v. City of Bellefontaine*, 74 Ohio App. 393, 57 N.E. 2d 164 (1943); *City of Columbus v. Ward*, *supra*; *Chevie v. City of Cleveland*, 31 Ohio L. Abs. 1 (1939). See also Attorney General's opinion, '36 A.G. 927, and *Turnbull v. City of Xenia*, 89 Ohio App. 389, 69 N.E. 2d 378 (1946), (city permitted to operate meters on county premises).

The judicial difficulties experienced in defending parking meters on the theory that they are a regulatory device stem from their potent revenue raising capacity. Many cities and towns, faced with the need to bolster inadequate incomes from other sources, have adopted parking meter systems as a solution to their fiscal troubles. For this reason, a shift from the police power theory to a "business" theory would frankly establish parking meters as a means

of collecting revenue from an out and out rental of streets for the temporary storage of vehicles. 1 MUNICIPAL LAW SERVICE LETTER, Jan. 1951; 2 MUNICIPAL LAW SERVICE LETTER, Feb. 1952, May 1952.

The principal case represents the first judicial recognition of a theory that municipalities may make a business of renting space on their streets for the parking of automobiles. The court placed the operation of parking facilities, under the enabling statute, in a category with such typical municipal service activities as gas and water supply, street lighting, and sewage disposal thus making the challenged contract and ordinances a clear exercise of proprietary power. In the face of the express statutory authorization of a reasonable fee there was no argument or discussion of the measure as an invalid producer of revenue and it was pointed out that an off-street facility could as easily have been provided with very little or no opposition.

A serious objection to a complete shift to a business theory of metered parking is the limitation on governmental entry into the domain of private, competitive enterprise. The view is stoutly defended in the state courts that for a municipality to carry on a competitive business it "must involve a public function or be concerned with some element of public utility," *City of Cleveland v. Ruple*, 130 Ohio St. 465, 200 N.E. 507 (1936), and this requirement constitutes a major hurdle to be cleared by the municipal venture, especially as the dissimilarities between parking facilities and the other services cited in the principal case are noted. *Bowman v. Kansas City*, 361 Mo. 14, 233 S.W. 2d 26 (1950); *People v. Chicago & N.W. Ry. Co.*, 397 Ill. 319, 74 N.E. 2d 510 (1947); *Nash v. Town of Tarboro*, 227 N.C. 283, 42 S.E. 2d 209 (1947); Note, 41 Harv. L. Rev. 775.

A possible solution is indicated, though, in *State v. Rhodes*, 156 Ohio St. 81, 100 N.E. 2d 225 (1951), and similar cases, all concerning off-street facilities, *Mich. Boulevard Bldg. Co. v. Chicago Park Dist.*, 412 Ill. 350, 106 N.E. 2d 359 (1952); *Poole v. City of Kankakee*, 401 Ill. 521, 94 N.E. 2d 416 (1950); See Note, 8 A.L.R. 2d 374. In *State v. Rhodes, supra*, the Supreme Court of Ohio upheld a plan for an off-street parking garage when the apparent failure of private parking concerns to meet the urgent demand for service was demonstrated. Relying heavily on references in the ordinance to the extreme congestion of the city's streets—with the consequent public inconvenience plus the difficulty in moving emergency vehicles—the court distinguished *City of Cleveland v. Ruple, supra*, indicating that city's lack of any claim of necessity or public purpose. Thus, in a situation made difficult or intolerable due to the inability of private enterprise to cope with the demands made upon it, a municipality may justify its entry into the field by accenting the necessity for public intervention.

This idea is implicit in the principal decision, 194 F. 2d at p. 619, and there should be no great difficulty in its application to on-street plans. A useful stepping stone might well be the variation approved in *Wayne Village President v. Wayne Village Clerk*, 323 Mich. 592, 36 N.W. 2d 157, 8 A.L.R. 357 (1949), where on- and off-street facilities were combined into a single metered parking system; also potentially valuable is a subsequent decision in *State v. Rhodes*, 158 Ohio St. 129, 107 N.E. 2d 206 (1952), in which on-street parking revenues are favorably mentioned in connection with the "overall public municipal purpose of furnishing necessary parking facilities."

Perhaps the solution to the whole dilemma lies in the combination of the new theory with the old. A combined revenue-regulation theory would recognize the still valuable function of parking meters as an aid to parking and traffic control and, at the same time, justify the added flow of revenue to municipal coffers.

James E. Chapman

PROPERTY-IDEAS

Plaintiff presented his scheme for a radio program to an officer of the defendant bank and indicated that he expected compensation if the proposed scheme were adopted. Defendant wrongfully appropriated the scheme without making compensation therefor. Plaintiff brought this action. *Held*: There is a property right in a novel idea that is more than a mere abstraction if the idea is reduced to concrete detailed form. The right exists even though the idea is neither patentable nor subject to copyright. *Belt v. Hamilton Nat. Bank*, 108 F. Supp. 689 (D.C. 1952).

Historically the courts have protected tangible property, but they were reluctant to disregard the old legal maxim "that nothing could be an object of property which has not a corporeal substance." *Miller v. Taylor*, 4 Burr 2303 (1769); 13 Ill. L. Rev. 709 (1919). Thus, at common law there was no property right in ideas or plans. *Bristol v. Equitable Life Assurance Society*, 132 N. Y. 264, 30 N.E. 506 (1898); *Hughes v. West Publishing Co.*, 225 Ill. App. 38 (1922). But due to the progress and commercial success of the radio and other media of advertisement, it became imperative that some protection be given ideas and schemes.

The courts had many obstacles to overcome before the final barrier denying a cause of action was removed. They found great difficulty in determining how this right could be protected safely and justly without inviting an avalanche of unsupportable claims. In order to cope more adequately with the problem the courts at-

tempted to find some standard that they could follow. It was only natural that they turned to the common law copyright for the answer.

The established copyright rule was that every new and innocent product of mental labor, unpublished, and embodied in some writing or material form, is the exclusive property of its author and entitled to the same protection which the law gives to the possession and enjoyment of other kinds of property. *Palmer v. DeWitt*, 47 N. Y. 532; *Aronson v. Baker*, 43 N. J. Eq. 365, 12 Atl. 177 (1888). The author of an unpublished poem, encyclopedic article, drama, opera, painting, architectural plan, ordinary letter, lecture and sermon was entitled to the exclusive right to the first publication. 18 C.J.S. 141. Omitting the question of originality, the only basic difference between ideas and the matters covered by the copyright law was that the latter were in some definite, tangible, ascertainable form and the ideas were not.

The underlying theory seemed to be that a copyright was an intangible, incorporeal right, in the nature of a privilege or franchise, and wholly disconnected from and independent of any material substance, such as a manuscript. *King Features Syndicate v. Fleischer*, 299 F. 533 (2d Cir. 1924); *Coca-Cola v. State of Texas*, 225 S. W. 791 (1920). Although the courts gave this theory lip service, they were still reluctant to include protection for ideas, the main reason being the unreliability of the proof available to substantiate the claims.

At first the courts stated categorically that the originator of an idea or scheme had no legally recognized property right which was entitled to protection against one who appropriated it. *DRONE ON COPYRIGHT*, pp. 98, 385 (1879); *Bristol v. Equitable Life Assurance Society*, *supra*; *Hughes v. West Publishing Co.*, *supra*. Conceivably, because of difficulties with its rationalization, some jurisdictions partially diluted the doctrine by adding the phrase, "especially where the originator is without the means or devices for carrying out the ideas or scheme." *Haskins v. Ryan*, 71 N. J. Eq. 575, 64 Atl. 436 (1906); *Stein v. Morriss*, 122 Va. 390, 91 S.E. 177 (1917).

A common law right in ideas, schemes, or plans is now established and accepted in some jurisdictions. *Liggett and Myers Tobacco Co., Inc. v. Myers*, 101 Ind. App. 420, 194 N.E. 206 (1935); *Ryan and Associates v. Century Brewing Ass'n.*, 185 Wash. 600, 55 P. 2d 1053, 104 A.L.R. 1353 (1936); *Stanley v. Columbia Broadcasting System*, 35 Cal. 2d 653, 221 P. 2d 73, 23 A.L.R. 2d 216 (1950). In those jurisdictions that accept the doctrine of the principal case, specific safeguards are enumerated. Recovery may be had only when the idea is novel and has been reduced to concrete form prior

to its disclosure to and appropriation by the defendant under circumstances indicating that compensation is expected. *Liggett and Myers Tobacco Co. v. Myers, supra*; *Stanley v. Columbia Broadcasting System, supra*; *American Mint Corp. v. Ex-Lax, Inc.*, 263 App. Div. 89, N.Y.S. 2d 708 (1941). However, there are no generally accepted meanings as to what is novel and concrete. One court held that a novel idea consisted of unique elements which combine to produce a finished product having a being or distinctive existence of its own. *Supreme Records v. Decca Records*, 90 F. Supp. (S.D. Cal. 1950). One could speculate from this that novelty is synonymous to originality, originality being the test used to determine rights under the common law copyright. *Dorsey v. Old Society Life Ins. Co.*, 98 F. 2d 872 (10th Cir. 1938).

When the plaintiff voluntarily divulges his ideas or suggestions, whatever interest he may have had in them becomes common property and as such is available to everyone. *Moore v. Ford Motor Co.*, 28 F. 2d 529 (S.D. N. Y. 1928); *Peabody v. Norfolk*, 98 Mass. 96 Am. Dec. 684 (1867). A general publication at common law amounted to an abandonment of the copyright. *Wagner v. Conried*, 125 Fed. Rep. 798 (1903); *Jewelers Merchantile Agency v. Jewelers Publication Co.*, 155 N.Y. 241, 49 N.E. 872 (1898). But there are no clear broad conceptual principles that can be deduced from the cases to answer the question of what constitutes a publication of an intellectual production which results in an abandonment of the common law rights.

The underlying theory of the copyright law, and the patent statute, makes the public benefit the primary consideration and the owner's benefit secondary. *United States v. Paramount Pictures*, 334 U.S. 131, 158 (1948). Therefore Brandeis' dissent in the *International News Service v. The Associated Press* case, 248 U.S. 246 (1919), deserves careful consideration, especially in those jurisdictions that are confronted for the first time with the same problem as in the principal case. Brandeis' discussion of the perplexities and ramifications is very relevant to the present problem. He raised two conflicting issues: (1) in order to promote progress a maximum exchange of ideas is necessary and (2) in order to promote individual initiative some protection for the product is necessary. Brandeis concluded that although the propriety of some remedy appears to be clear, the courts should decline to establish a new rule of law which involves the extension of property rights. He considered the legislature better equipped to prescribe the limits of property rights in news. The broadening of the property concept to include ideas raises similar questions.

With the increasing complexity of society, the public interest tends to become omnipresent and the problems presented by new

demands for justice cease to be simple. The creation or recognition by courts of a new private right may work serious injury to the general public, unless the boundaries of the right are definitely established and wisely guarded. In order to reconcile the new private right with the public interest, it may be necessary to prescribe limitations and rules for its enjoyment; and also to provide administrative machinery for enforcing the rule. It is a legislative function to determine policy and to make new laws, and for this job the legislature is much better equipped than are the courts.

The underlying, initial issue in the principal case is not whether the plaintiff has a property right, but is who shall determine what his rights are. Whether the courts will continue in these matters to encroach upon the legislature's prerogatives is a question which only time can answer.

Stanley R. Jurus Jr.