

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

LAW SCHOOL

Jane C. Ginsburg
Morton L. Janklow Professor of
Literary and Artistic Property Law

(212) 854-3325
(212) 854-7946 (fax)
ginsburg@law.columbia.edu

To: ALI Restatement of Copyright Reporters
Subject: Comments on PD 3 [black letter and comments]
Date: December 4, 2017
From: Jane Ginsburg and June Besek¹

Note: References in this memo are to Preliminary Draft No. 3 (Oct. 20, 2017) (“PD3”) (internal page numbers).

General Comments

The absence of stated principles underlying the articulation of the black letter and comments – principles that the Reporters have said they will provide at the end of the process – continues to trouble the Draft. It remains unclear whether the Reporters are synthesizing positive law, or seeking to reform it. We are not contending that ALI should not push for law reform (even though Principles or some other form might provide a preferable and more transparent vehicle for aspirational endeavors), but we do think the objectives and methodology should be clear from the outset. We remain concerned that ALI’s credibility is undermined if its output is perceived as promoting an unstated agenda.

Chapter 2: Scope of Protection

The Draft reveals a problem running throughout this Chapter: it conflates subject matter of protection (designated as a topic of Chapter 1), with the scope of protection. As a result, among other things, it places analyses more pertinent to infringement into the predicate question of whether a work is protectable (as hinted in comment a to section 201). Some of this confusion results from the Draft’s continued departures from the statute. For example, the precepts of section 201(b) of PD3 echo section 201(b) of the 1976 Copyright Act, but the statute places them in a section titled “Subject Matter of Copyright: In General.”

The new provision on useful articles, section 2.07, may be the most glaring instance of the muddying of the waters of subject matter and scope. The criteria set out in section 2.07 (which restate the Supreme Court’s *Star Athletica* decision, but do not fully reflect the statute – specific comments on this section below), concern whether the work is within the subject matter of

¹ Jane Ginsburg is an Adviser to the Restatement Project. June Besek is a liaison from the ABA Section of Intellectual Property, but these comments are done in her individual capacity and not on behalf of the ABA.

copyright at all (as is apparent from the choice of the phrase “qualifies for copyright protection”). The statute is clear in this respect: if the work is a “useful article” whose pictorial, graphic or sculptural “features” are not separately identifiable and capable of existing independently from the utilitarian aspects, then the “design” of the work or its components is not a PGS work, full stop.

In addition, the treatment of architectural works is highly incomplete. These works appear (by way of comment f) in the provision on useful articles, but, as to post-1990 architectural works, the useful article doctrine does not apply. The doctrine concerns pictorial, graphic and sculptural works, but the 1990 Architectural Works Copyright Act clearly established that architectural works are not PGS works, and are not subject to the separability test. In general, PD3 and Council Draft 1 (“CD1”) do not adequately cover architectural works. While architectural works are listed in CD1 Chapter 1 as copyright subject matter, that Chapter references but does not elaborate the standard of originality for architectural works (see 17 USC section 101). Nor does it address the special limitations Congress placed on the scope of protection of architectural works in section 120. Based on the Draft’s current organization, the latter topic belongs in Chapter 2, but comment f (which seems as much about subject matter as scope) does not take section 120 into account at all. Architectural works warrant a much more systematic and coherent analysis than the Drafts currently provide.

Finally, an additional problem with this Chapter results from this and previous Drafts’ generally negative approach to copyright. As we pointed out with respect to PD2 in general, the Draft adopts an “overall approach of giving a narrow compass to copyright protection and a broad scope to limiting doctrines. This choice on the part of the Reporters does not always reflect positive law.”² With respect to PD3, the predominant focus on “scope” as synonymous with limitations on copyright (by contrast, the 1976 Copyright Act encompasses rights as well as limitations under that term) may have caused the Draft substantially to overlook a provision, 17 USC section 113(a), which explicitly affirms a broad scope of rights in pictorial, graphic and sculptural works, by specifying that the owner of copyright in a PGS work enjoys the exclusive “right to reproduce the work in or on any kind of article, whether useful or otherwise.” Section 2.07 comment d cites this text glancingly, primarily in order to emphasize the counterpart limitation in section 113(b) on the scope of protection for depictions of useful articles.

Specific Comments: Comparison draft

Section 2.01

Page 1, black letter subsection (a): This is an odd formulation: “. . . original expression contributed by the author that has been fixed in a tangible medium of expression.” Copyright depends in part

² For just one of many examples of the Draft’s copyright-skeptical cast, this time from PD3, see, e.g., p. 81, section 3.01 comment a: “Copyright is *limited to* ‘original intellectual conceptions of the author,’ . . .” (emphasis supplied). This statement is not incorrect (assuming the “conceptions” are developed and fixed). But the Draft might equally well have stated “Copyright *protects* ‘original intellectual conceptions of the author,’ . . .” (emphasis supplied). The persistent preference for the negative characterization reinforces the perception of a copyright-diminishing agenda underlying the Draft.

on whether a *work* is fixed, not the expression contributed by the author in the work. Under what circumstances might a work be fixed but not the copyrightable expression contributed by the work's author?

Pages 1-2, comment a: This Comment adverts to the question, posed by the Reporters and addressed by the Advisers at last year's meeting, concerning the placement in the Restatement of the analysis of idea/expression merger and related limitations on the scope of copyright protection. This time, the Draft opts for including the analysis in connection with subject matter, but, as our comments to section 2.02 below indicate, this often proves very problematic.

Page 3, comment c, lines 7-17, illustrations: All of these are examples of originality that logically belong in Chapter 1. In addition, it would be desirable to make clear in illustration 2 that the depictions of animals are not the only original expressive content in a videogame. Similarly, re example 3, the fixation of the sounds in a sound recording can also be original, as stated in the legislative history.

Page 3, comment d, lines 18-20: these are limits on the subject matter of protection. Within works that as a whole are copyright subject matter under 17 USC section 102(a), the law excludes the components set out in section 102(b).

Page 4, comment d, line 7: "Worthy" is a troublesome word. Maybe say something like "is novel and inventive."

Page 4, comment d, second paragraph: The discussion of the constitutional basis of the idea-expression dichotomy emphasizes various exclusions from copyright, without corresponding attention to the constitutional basis for providing copyright protection.

Page 5, comment g, lines 3-6: Here and in several other instances in this chapter (e.g., page 14, comment g), a reader unfamiliar with copyright might understand the phrase "regardless of the form. . ." to mean that the description or explanation of the excluded element is also excluded. For example, one may extract the information from an historical account, but not the particular way the author recounts the facts. For clarity, we recommend stating that the form in which the idea (or method) is expressed remains protectable.

Page 5, comment h, lines 18-20: Does patent law protect "ideas"?

Page 5, comment i, line 28 – page 6, line 2: There may be some confusion between elements that may be original to the author but are excluded by 17 USC section 102(b) and elements that lack originality. Lines 24-28 address idea/expression merger; page 5, line 28 – page 6, line 2 concern the different problem of elements that in fact are not expressive. "Standard," "stock," and "common[place]" elements are not original and therefore are not expressive. Treatments that "flow[] naturally from the unprotectable elements in the work" might also be characterized as lacking in originality because their inevitability means they are not anyone's intellectual creation.

More importantly, however, the proposition that some treatments “flow naturally” warrants more critical examination than the Draft gives it. One should in fact carefully consider whether the challenged expression “flows naturally from” the idea. That the expression may flow successfully from the idea does not mean that it flows “naturally” or “inevitably.” The success of the first author’s exposition may make it seem that the expression is a natural or inevitable follow-on from the author’s ideas, when in fact it is not. It might be more accurate to say that such treatments are not original because they are commonplace (etc.). And if they are not commonplace, then they should not be excluded. (Further discussion below in connection with section 2.06.)

Section 2.02

Page 7, line 29 and page 9, illustration 1, line 23: Might be better to say “would, if original, be protected by copyright.”

Pages 10-11, comment b. Much of this discussion better belongs in the analysis of infringement (future chapter 7), as indeed the cited cases show, e.g. *Cavalier* (cited lines 11-13): “filter out and disregard nonprotectable elements *in making its substantial similarity determination.*” Similarly, lines 14-20 take the “abstractions test” out of context: The “test” is a tool for *comparing* the contending works, not for examining the plaintiff’s work in isolation. Accurately understood, the “abstractions test” ascertains the level of abstraction, or of detail, at which the works are similar. If the works converge at the level of idea (ethnic variation on *Romeo and Juliet*; *Nichols v. Universal*), no infringement. If they converge at the level of detailed development of plot and characters (*Dishonored Lady v. Letty Lynton*; *Sheldon v MGM*) there is infringement. Moreover, out-of-context dissection of plaintiff’s work into its allegedly unprotected components risks ignoring the sequence of detail that constitutes what Learned Hand in *Sheldon v MGM* called the work’s “very raiment.”

Pages 11-12: The draft persists in using the term “monopoly” without sufficient explanation. We recognize that term has been used by various courts, but not in the sense it is used in federal laws prohibiting anti-competitive practices, and that should be made clear to the reader.

Section 2.03

Page 14, comment a, illustration 2: Under this example, “taxonomies” as ways of organizing information are not protectable. This proposition is contrary to the Seventh Circuit’s holding in *Delta Dental* (uncited in the Draft). More importantly, the implications of this example cut more broadly still. For example, though copyright protects the original selection and arrangement of ideas or information (per section 103 of the Copyright Act and the section 101 definition of a compilation), one could eviscerate this protection by recasting original selection and arrangement as a “method” or “idea.” The conversion of a compiler’s chosen principles of selection into “ideas” troubled Judge Leval in *CCC*: he correctly resisted the invitation to go down that copyright-obliterating road, and the Draft should, too.

Pages 14-18, comments c, d, e: We reiterate our comments with respect to the earlier version of this section in PD2 concerning the Draft's rejection of *Oracle v. Google* in favor of *Lotus v. Borland*. See also the discussion of Section 2.03 in the Comments on Preliminary Draft 3 submitted by the US Copyright Office 2-5 and Addendum (Dec. 4, 2017).

Page 15, comment c, lines 6-9: this begs the question of what constitutes the "method" as opposed to its expression. It appears to be a restatement of *Lotus v. Borland*, which the Draft elevates to controlling legal precedent, when that decision is in fact highly contested (see submissions of various Advisers in response to PD2). While *Lotus* excludes a "method of operation," it does not ask "method of operating *what*?" As with the conversion of original organization of information through selection and arrangement into an unprotectable "method" of presenting information, so here the labels "method" and "method of operation" short-circuit inquiry into what the Draft recognizes is the underlying purpose of 17 USC section 201(b), to ensure that the building blocks of works of authorship remain available for new, and competing, entrants.

Page 15, comment c, lines 24-27: The form in which an idea or a method is embodied can also be protectable. The Draft seems to suggest that the form of embodiment of a method inevitably merges with the method itself, thus excluding not just the method but the form of its embodiment from protection. It is not clear why PD3 views methods as different from ideas in this respect, when ideas and methods are treated the same in section 102 (b). Moreover, the draft takes the position that *Oracle v. Google* is fundamentally inconsistent with the Ninth Circuit's opinion in *Bikram's Yoga College of Indiana, L.P. v. Evolution Yoga LLC*, 803 F.3d 1032 (9th Cir. 2015). But the court's treatment of yoga sequences in *Bikram's Yoga* is not dispositive of the copyrightability of program interfaces such as those at issue in *Oracle*. See *Cisco v. Arista Networks, Inc.*, 2016 U.S. Dist. Lexis 113285, *27-*28 (N.D. Cal. Aug. 23, 2016) (denying summary judgment to Arista on its claim that Cisco's menu command hierarchy is uncopyrightable and distinguishing *Bikram's Yoga* as "inapposite.").

Moreover, there is significant overlap between the definition of a method as a way of accomplishing something and the Copyright Act's definition of a computer program as "a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result." 17 USC §101. While the draft attempts to rationalize this contradiction (see PD 3 §2.03 d, pages 15-17), it does not successfully establish the exclusion for methods of operation *together with* the manner in which they are embodied.

Page 16, line 13 to page 17, line 2: This goes to de facto standardization, which seems a distinct problem from whether the contested content is *ab initio* a "method." "Value" or consumer reliance developed over time after a work is released should not bear on whether the menu command hierarchy is copyrightable. There may be strong fair use arguments for user retention of their macros, but to make a work's (or a component of a work's) status as an uncopyrightable "method" turn on its subsequent use creates a moving target and introduces undesirable unpredictability. The approach endorsed in these lines seems to create the copyright equivalent of "genericide."

Also, what if there are designated and undesignated portions of a program susceptible to attachment for purposes of interoperability with third party programs? Does that mean that even those portions of a program not envisioned as points of attachment will be deemed unprotectable if a third party program developer chooses to attach there?

Section 2.04

Page 22, line 28 – page 23, line 1: The sentence “. . . the exclusion of facts extends to elements that function as facts, even if they did not already exist but were created by the author of a work embodying them” seems to be an overstatement given the qualifications in subsequent text (see, e.g., comment b, page 24, lines 3-16; Reporters’ Note d, page 31 lines 21-26 and 29-31).

Page 25, comment c, illustration 6: It seems a bit much to apply fact-estoppel to preposterous “facts,” such as the health secrets of blissful aliens, and we doubt that a court would do so.

Page 26, comment e, lines 7-9: The courts’ rationale for this distinction is compelling:

In one sense, every compilation of facts can be considered to represent a merger of an idea with its expression. Every compiler of facts has the idea that his particular selection of facts is useful. If the compiler's idea is identified at that low level of abstraction, then the idea would always merge into the compiler's expression of it. Under that approach, there could never be a copyrightable compilation of facts.

CCC v. MacLean Hunter, 44 F.3d at 71, quoting *Kregos v. AP*, [937 F.2d 700, 706](#) (2d Cir. 1990). The *CCC* court went on to say “Judge Newman might have omitted the last two words. For the reasoning he discusses would destroy all protection for compilations of ideas as well as for compilations of facts.” *CCC* at 71, n. 20.

Page 26, lines 15-16: The draft states that “The method employed to predict the value of a used car is not copyrightable.” In so doing, it removes “judgment” from the equation and assumes that the values arrived at are the inevitable result of the application of a method or an algorithm. See also illustration 7, page 29. Not all estimates or opinions can be reduced to the result of the application of a method or algorithm.

Pages 26-30, comment e: exclusion of “opinion-based facts.” This is very troublesome at a variety of levels. For starters, it’s not clear what principle distinguishes “fictional facts” which the Draft recognizes are not “facts,” from “opinion-based facts,” which the Draft insists are. Second, the treatment of the caselaw allegedly supporting the exclusion of “opinion-based facts” is unchanged from PD2, and thus remains deeply problematic; we provided detailed comments underscoring that discussion’s inaccuracies and distortions at pp. 11-12 of our November 8, 2016 memorandum, which we incorporate by reference here. We also append a further analysis of the caselaw cited in

the Draft in order to explain why those decisions do not support the Draft's assertions. Third, the exclusion of "opinion-based facts" leads to undesirable consequences, as it apparently means that any kind of ratings or rankings would be excluded from copyright, no matter how subjective the evaluations. See our comments concerning page 28, above; discussion of "opinion-based facts" in the Comments of Judge Pierre N. Leval on PD3 (Dec. 1, 2017) at pages 6-8. Fourth, the Draft persistently characterizes subjective evaluations as presentations of "fact" (see, e.g., Illustrations 7 and 8). Illustration 8, moreover, confuses copyrightability with fair use: if it is necessary to report on an opinion by copying a subjective evaluation, the fair use doctrine may permit its copying. See, e.g., *Consumers Union v General Signal*, 724 F.2d 1044 (2d Cir. 1984) (fair use to copy from Consumers Union favorable evaluation of Regina vacuums in advertisement for the vacuums).

Section 2.05

Page 38 lines 24-25 *Consumers Union v General Signal*, was a fair use, not a merger case.

New material

Section 2.06

Page 44. black letter b, "flows naturally": While some courts do incant this formulation, we urge caution because they may also too easily assume "natural flow." For example, presence of a gun in Act One presages its use in Act Two; that the gun goes off may be "inevitable," but while the circumstances that lead to the gun's Act Two use follow from the gun's Act One appearance, they do not necessarily "flow naturally," if that phrase means that they are the necessary, predictable or commonplace development of the set-up. If that phrase means that the development follows coherently or successfully from the set-up, then excluding treatments that "flow naturally" from an unprotected idea risks amputating a great deal of expression – a result presumably not intended.

Were the objective of the Restatement to improve rather than to synthesize, we would urge rejection of "scènes à faire" altogether as sloppy shorthand that fails to distinguish unoriginal components from their possibly original elaboration. The doctrine also makes assumptions that the facts of the cases often belie. For example, when one looks at the images of the glass-in-glass jellyfish in the *Satava* case that underlies illustration 5, it is apparent that the two sculptors treated the idea of a glass-in-glass jellyfish very differently. The existence of a substantially dissimilar treatment demonstrated that plaintiff's particular execution of the idea was not the idea's inevitable expression.

Because "scènes à faire" do reflect positive law, however, we acknowledge the appropriateness of its inclusion, but nonetheless counsel a critical approach to its treatment.

Page 46, illustration 3: typo – we think you mean Illustration 1 (not 2).

Section 2.07

Page 63, comment a, line 14. We suggest deleting references to literature because the useful article doctrine concerns only pictorial, graphic or sculptural works. Discussing useful literature introduces confusion.

Page 63, lines 22-28: “intrinsic”: but what if the bust of Beethoven is manufactured to serve as a doorstep? Or, to embroider on Paul Goldstein’s example, what if copies of the Venus de Milo are manufactured both to serve as lawn decorations and as mannequins for sleeveless dresses? Does the purpose of the manufacturing matter? Is the same copy a “useful article” or not depending on how it’s sold or used?

Page 63, lines 30-31 Why is “improving young children’s understanding of size and sequence” not “conveying information”? Cognitive utility does not make an article “useful” in the sense of the definition. Otherwise “useful articles” sprawl indefinitely. For example, the stuffed bears referred to on p. 64, lines 1-3 certainly have a representational utility, but they also are useful to stimulate affection, imagination, and various other desirable sensitivities in young children. As lines 4 et seq. recognize, to be a “useful article” the item need have only “an” intrinsic utilitarian function; mixed utilities can bring the article within the zone of items to which the separability test will apply. All the more reason, therefore, to carefully to define what kinds of utility make an article “useful.” Cognitive and representational utilities should not count.

Moreover, the meaning of “utilitarian function” warrants further exploration. An article may have “intrinsic” functions that are neither cognitive nor representational, but still are not “utilitarian.” For example, the purpose of wind chimes is to produce (generally pleasing) sounds. The sculptural shape of the wind chimes may be intrinsic to the sounds they produce, but it seems misplaced to call the wind chimes “useful articles.”

Page 67, comment b, lines 3-4: This may be overstated. What if the “overall configuration” can be identified and imagined as a PGS work, for example because the entire configuration is representational or decorative (or both), notwithstanding the article’s usefulness? Suppose the entire lamp, not just the base, were shaped like a ballerina?

Page 67, comment c, lines 23-26: But the Court’s separability standard may not require that the form be completely unnecessary to the article’s function: the Court rejected a proposed requirement “that the statute protects only ‘solely artistic’ features that have no effect whatsoever on a useful article’s utilitarian function.” *Star Athletica*, 137 S. Ct. at 1014. Thus, it appears that the useful article’s separable form may even “make [the article] more useful,” *id.* The Court’s statement that the design could even enhance the useful article’s functionality may be confusing and regrettable, but we believe it has to be contended with.

Page 70, illustration 3: But if the golden toilet didn’t flush then it would be a PGS work (and not even a useful article, since it would be purely representational). (Section 113(b) of the Copyright Act clarifies that the artist’s copyright gives him the exclusive right to reproduce the representation

of a toilet in copies, but not to reproduce the representation as a working toilet.) What if the golden toilet were a vase?

Page 70, illustration 4: what if the design embraced the functional elements in a less visually-distinct way, e.g., the *Kieselstein Cord* belt buckles?

[Other comments on section 2.07 appear *supra* under “General Comments”]

Chapter 3

Section 3.01

Page 81, comment a: see footnote 2 above.

Section 3.02, black letter, page 83, line 3: “owner of the copyright in the work”: maybe better to say “owner of all of the rights comprised in the copyright.” While 17 USC section 201(a) says “copyright in a work,” section 202(b) says “all of the rights comprised in a copyright.” Since copyright is divisible, the latter formulation is more precise.

Page 83, comment b: a requirement of “volitional” fixation may not reflect positive law, at least not if volition (a term the Draft might best forego, given its contested nature) must occur simultaneously with fixation. Illustration 17 in Council Draft 1.07 comment d (to which 3.02 comment b refers) is not consistent with a requirement of volition simultaneous with fixation (camera’s shutter goes off when clap of thunder causes photographer’s arm to move, resulting in an image that the photographer had not intended to create; author’s intent to create *an* image suffices even if actual image is not the one intended). Such a requirement also is inconsistent with Second Circuit authority (*Bell v. Catalda*) that finds authorship in the subsequent adoption of unintended outputs.

Page 85, lines 2-3: awkward phrasing (dangling modifier). In lieu of “contributions from multiple people that constitute copyrightable expression” consider “contributions of copyrightable expression from multiple people”

Section 3.03

Page 87, black letter 3.03(c), line 9: “the copyright.” See comment above to 3.02, black letter, page 83 line 3.

Page 90, comment c, lines 5-14: requirement that co-author’s contributions must “stand alone.” The statute appears to create a quandary. On the one hand, if, as 17 USC section 101 provides, a joint work is created by “two or more *authors*” (emphasis supplied), that may at first blush imply that each contributor must bring more than ideas to the collaboration. On the other hand, if, as also per section 101, the contributions may be “inseparable” parts of a “unitary whole,” then identifying

“stand alone” expression may be difficult. As Judge Posner recognized in *Gaiman*, the nature of the individual contributions might separately lack sufficient creativity to be original, or sufficient elaboration to pass from an idea to an expression, yet the combination yields an original work of expressive authorship. On further reflection, the section 101 definition need not exclude collaborations in which the sum exceeds the parts. If the term “authors” applies to the “unitary whole” rather than to the “contributions,” then it is possible to read the statute to cover both situations – of “inseparable” as well as “interdependent” parts – as the statute claims to do. Requiring that each author’s individual “contribution” be independently copyrightable risks unduly narrowing the range of “inseparable” joint works.

Focusing on “unitary whole” may also provide a solution to the problem of the interloper whose “contributions” are copyrightable. The Draft correctly criticizes the Second Circuit’s interpolation of an intent to be co-authors (an interpolation designed to swat away pesky idea-suggesters and other hangers-on), but it may be possible to preserve that interpolation’s filtering function if one concentrates on the collaborative process that underlies the merger “into inseparable or interdependent parts of a unitary whole.” (In several foreign copyright laws, the term for joint works is “collaborative works.”) The statute does not detail the nature of the collaboration, but the Draft, echoing the legislative history, specifies a key element: the temporal aspect of the intention to create a unitary whole. The intent must be shared “at the time” the contributors are creating the work. Without collaboration in time, the output is a composite, not a “unitary whole.” Similarly, collaboration implies sustained cooperation; offering or accepting suggestions is not a collaboration.

Page 92, lines 3-28, is consistent with this analysis. While the Draft criticizes the Second Circuit’s requirement of intent to be co-authors, it acknowledges that the putative co-authors’ understandings or agreements regarding authorship credit can be an indicium of co-authorship. The cornerstone, according to the Draft, is the recognition among co-authors of the significance of each other’s contributions (“objective manifestations of shared intent are relevant to the questions of whether each party’s contribution to the unitary whole is significant enough to qualify that party as an *author* of a joint work” [emphasis in original]). Here the Draft – correctly, we believe – emphasizes that the authorship is of the *joint work* (the unitary whole), not of the separate contribution. The Draft states that a “significant contribution” would normally be required of a contributor before the other author(s) would be willing to credit the contributor as a co-author (page 92, lines 26-27). But none of the considerations set out in this part of the Draft necessarily implies that the “significant contribution” would have to have been independently copyrightable. The valued contribution could in fact have been conceptual (e.g., Judge Posner’s positing in *Gaiman* of an idea-contributing co-author who can’t write who collaborates with a competent literary stylist who can’t think).

Page 93, comment e, illustration 5: This is not consistent with the “significant contribution” analysis above. There seems little doubt that Professor A’s co-authors would find his contribution “significant.” Moreover, if the contributors actively collaborated, it makes little sense to go behind that relationship to unspool the creative process.

Page 100, comment f, lines 35-36: It would be preferable to say “merged contributions” instead of “merger”; use of the latter term is confusing in light of discussion of merger elsewhere in the draft.

Section 3.04

Page 102, §3.04 blackline, lines 3-4; comment a, line 21; and page 103 line 2: The phrase “undivided fractional interest” seems like a contradiction in terms. This is not a term that has been used in the context of copyright ownership in the past. Perhaps use of this term was designed to coordinate with the DOJ’s use of the term “fractional licensing” in its Statement of the Department of Justice on the Closing of the Antitrust Division’s Review of the ASCAP and BMI Consent Decrees (Aug. 4, 2016), available at <https://www.justice.gov/atr/file/882101/download>

The Restatement would be far more useful if it employed a more commonly used term rather than introducing a new one.

Page 105, comment b, line 1: consider adding: “absent an agreement to the contrary.”

Page 109, comment f, line 3, after “specially ordered or commissioned” consider adding: “and comes within one of the 9 statutory categories, and there is a writing signed by both parties specifying that the work shall be for hire.”

Reporters Memorandum query (2) p. xiv: a writing requirement for co-author agreements to alter the default initial allocation of ownership is desirable, for the reasons articulated in Reporters Note e; should promote to a Comment.

Section 3.05

General query: how is denominating the “employer” the “author” constitutional? Does it suffice for Congress to call a juridical person (or for that matter, a non-human primate or other fauna) an “author” to make it so? We see no constitutional impediment to a presumption of transfer vesting the “employer” with *ownership* of all the rights, but authorship and ownership are distinct concepts. Moreover, judicial elaboration of the former proceeds from the premise that the “writings” of an “author” are the original output of the human being who created the work, e.g. *Burrow Giles v Sarony* (US 1885); *Bleistein v Donaldson Lithographing* (US 1903).

Page 117, comment b: Employee. “Right to control” is problematic, given the Supreme Court’s rejection of a control criterion in *CCNV v. Reid*. The Restatement 3d of Agency’s focus on this criterion may create confusion, but need not if one distinguishes between the putative employer’s right to control the creation of the *work of authorship* at issue (insufficient to create an employment relationship), and the putative employer’s right to control the acts of the putative *employee* independently of the disputed work of authorship. This analysis is consistent with comment b, particularly pp. 119-20, including the illustrations.

Page 124, line 27: Insert “is” after “if it”?

Page 127, comment f, lines 11-22: Timing of the writing requirement (must be simultaneous with commission to create the work). This creator-protection is important and consistent with Congress' purpose to limit the circumstances under which freelance creations can become works made for hire. However, since it remains a contested issue we do not recommend that it be elevated to the black letter. (Response to Reporters Memorandum query (1) at p. xiv.)

Page 134: The drafters' decision not to take a position on the academic exception to work made for hire is appropriate, and a good model for other situations where the law is unsettled and the reporters would have done better to acknowledge that fact rather than argue for a particular position not well-supported in the law.

Section 3.06

General suggestions:

- Address beneficial ownership in the black letter.
- Move principles of 17 USC section 202 (transfer of physical copy doesn't transfer copyright ownership), currently in comment f, to the black letter.

Page 1, black letter (a): "any or all of the exclusive rights granted to the copyright owner by section 106 . . ." It is more consistent with the statute to say "any or all of the exclusive rights comprised in a copyright . . ." See 17 USC section 201(d)(2).

Page 2, line 21: References to "unlimited alienability" should be tempered in light of the points raised in comment a, page 1 of the draft.

Page 4, lines 12, 13: These sentences need support.

Page 5, line 16: The statement about exclusive licenses being "transferable by default" is unclear.

Page 7, comment f: Consider adding discussion of problems of conflict between ownership of unique physical original and ownership of copyright. Can the former frustrate the latter's exercise of copyright, e.g., by denying access to the only physical copy of the work?

Page 8, comment g, line 15: Add jurisdiction and date of decision.

Page 8, line 21: Add cross-reference to later discussion of community property?

Appendix: Opinion-Based “Facts”

After critiquing the Second Circuit’s opinion in *CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61 (2d Cir. 1994) and the Ninth Circuit’s opinion in *CDN Inc. v. Kapes*, 197 F.3d 1256 (9th Cir. 1999), the Restatement Draft argues that “there are several better-reasoned precedents suggesting that opinion-based facts are uncopyrightable.” PD3 at 27. The Draft then turns to a discussion of *New York Mercantile Exchange, Inc. v. Intercontinental Exchange, Inc.*, 497 F.3d 109 (2d Cir. 2007) (“NYMEX”), where the court found that even if NYMEX had created prices through its judgment, the prices could not be protected because they merged with the underlying idea of fair market price. It then points to two district court cases following NYMEX’s line of reasoning. Ultimately, the Draft concludes that “where, as in these cases, the expression takes a numerical form that represents the only way to communicate the idea, then the expression merges with the idea and is not protected.” PD3 at 28.

The NYMEX line of cases involves “raw data that have been converted into a final value through the use of a formula.” *BanxCorp v. Costco Wholesale Corp.*, 978 F. Supp. 2d 280, 300 (S.D.N.Y. 2013). CCC and Kapes are readily distinguishable from this line of cases. In CCC, the editors of the Red Book used their “professional judgment and expertise” to predict a price for an average vehicle of a certain make and model. CCC at 67. Likewise, in Kapes, the editors of a wholesale price guide for collectible coins used their expertise to assess the value of coins. “[A]s [the “average” cars [in CCC] did not exist, there could be no actual market to discover.” NYMEX, 497 F.3d 109, 115 (2d Cir. 2007). Likewise, “the prices for collectible coins in [Kapes] were estimates, not discovered market facts.” Id. The resulting prices cannot be considered “unavoidable consequence[s] of the underlying unprotectable method or idea [that] merge[] with that method or idea.” PD3 at 27.

In NYMEX, the court determined that the merger doctrine applied because “any settlement price for a particular futures contract would be determined based on the same underlying market facts, [so] any dissension would be exceptionally narrow.” NYMEX at 118. In CCC, however, there is no attempt to monopolize a system of predictive analysis:

to the extent that protection of the Red Book would impair free circulation of any ideas, these are ideas of the weaker category, infused with opinion; the valuations explain nothing, and describe no method, process or procedure. Maclean Hunter makes no attempt, for example, to monopolize the basis of its economic forecasting or the factors that it weighs; the Red Book’s entries are no more than the predictions of Red Book editors of used car values for six weeks on a rough regional basis.

CCC at 72–73. Because the Red Book at issue in CCC offers only a price prediction for a hypothetical “average” car, there is a wider range of possible pricing when dealing with a real car in the marketplace. As the CCC court noted, the Red Book’s introduction cautions that “[y]ou, the subscriber, must be the final judge of the actual value of a particular vehicle. Any guide book is a

supplement to and not a substitute for expertise in the complex field of used vehicle valuation.” *CCC* at 73. In rejecting the merger doctrine, the court equated the average price prediction with the selection of statistical categories for baseball pitchers where the compiler “has been content to select categories of data that he obviously believes have some predictive power, but has left it to all sports page readers to make their own judgments as to the likely outcomes from the sets of data he has selected.” *Id.* (citing *Kregos*, 937 F.2d at 707).

Policy considerations also play a considerable role in determining whether the merger doctrine applies in a particular case. The copyright protection can provide financial incentives for individuals to put together compilations that benefit the public. *CCC* at 66 (“Without financial incentives, creators of such useful compilations might direct their energies elsewhere, depriving the public of their creations and impeding the advance of learning.”); *Kapes* at 1262 (“CDN does not, nor could it, claim protection for its idea of creating a wholesale price guide, but it can use the copyright laws to protect its idea of what those prices are...Drawing this line preserves the balance between competition and protection: it allows CDN's competitors to create their own price guides and thus furthers competition, but protects CDN's creation, thus giving it an incentive to create such a guide.”). Unlike the voluntarily produced publications at issue in *CCC* and *Kapes*, there was no concern that NYMEX would “direct its energies elsewhere” without the incentive of copyright protection. First, “in order to establish a functioning commodities market it must have a price at which to settle open positions.” *NYMEX* at 118. Second NYMEX was required by law to record settlement prices. *Id.*

PD3’s analysis also fails to account for circumstances where an opinion-based fact takes a numerical form that does not represent a price prediction. For example, several district court decisions involve numerical ratings or grades. In *Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc.*, 634 F. Supp. 2d 1226, 1230 (D. Colo. 2009), the plaintiff developed and distributed objective ratings of hospitals, physicians and other healthcare providers. It had developed a “1–3–5 Star” rating system based on data and information obtained from a variety of (mostly publically available) sources. *Health Grades* at 1230. The court determined that the ratings were created, rather than “discovered,” by Health Grades, rather than “discovered”: “[t]hese ratings only exist because Health Grades has selected, weighed and arranged facts it has discovered to present the collected data in a form, Health Grades' ratings and awards for specific health care providers, that can be used more effectively by the reader to make judgments about providers.” *Id.* at 1234. Following *CCC* and *Kapes*, the court found the merger doctrine did not apply:

The relevant idea to be preserved for free public access and use under these principles is that of creating rankings of healthcare providers, rather than Health Grades' specific “idea” of how a particular health care provider should be ranked. There are a multitude of ways to express the idea of ranking healthcare providers, as a comparison of providers may rely on different factual information or weigh it differently and thus may yield different results.

Health Grades at 1236–37. See also *Comparion Med. Analytics, Inc. v. Prime Healthcare Servs., Inc.*, No. 214CV3448SVWMANX, 2015 WL 12746228, at *5–6 (C.D. Cal. Apr. 14, 2015) (on

motion to dismiss, plaintiff that created healthcare rating system “had a colorable argument that its ratings are copyrightable.”).

Similarly, in *Nat'l Football Scouting, Inc. v. Rang*, 912 F. Supp. 2d 985 (W.D. Wash. 2012), the court found that “a numeric expression of a professional opinion can be copyrightable.” *Nat'l Football Scouting* at 998. In that case, plaintiff National Football Scouting (“National”) compiled annual football scouting reports. In each report, National assigned each player an overall “Player Grade,” a numerical expression that represented National's opinion of the player's likelihood of success in the NFL. The court concluded, “undisputed evidence shows National arrives at its grade through a weighing of subjective factors, such as personal character, leadership, and poise. Much like valuing a product, [t]his is not a process that is so mechanical or routine as to require no creativity whatsoever.” *Nat'l Football Scouting* at 990 (citing *Kapes* at 1260).

