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*RE: Restatement of the Law – Copyright | Preliminary Draft No. 3*

Dear Mr. Revesz and Mrs. Middleton,

On behalf of the Association of American Publishers (AAP) and its members, we submit these comments after a careful and thorough review of Preliminary Draft No. 3 (PD3) by AAP staff and copyright experts from across the publishing industry.

AAP is the principal national trade association of the U.S. book publishing industry, with some 300 member companies and organizations that include most major commercial educational, professional, scholarly, and consumer/general interest publishers of books, textbooks, digital content – including interactive instructional materials – journals, and other text-based and multimedia products in the United States. AAP members also include many small and non-profit publishers, university presses and scholarly societies. AAP members publish state-of-the-art content in both print and digital formats, as well as content integrated into learning platforms and tools for use by students and their parents and instructors.

Although AAP and its members generally favor efforts that advance the clear and accurate understanding of copyright law, we believe this particular attempt to “restate” copyright law is unlikely to meet the rigorous standard of the American Law Institute (ALI) that “Restatements . . . aim at clear formulations of common law and its statutory elements, and reflect the law as it presently stands or might appropriately be stated by a court.”<sup>1</sup> AAP is disappointed that, despite many intervening comments from the project’s Advisers and other copyright experts, many of the legal and policy distortions in the first two PDs persist in PD3. For instance, PD3 continues to favor minority views without any justification and, even worse, articulate rules that lack support in current law and are wholly inappropriate in a true Restatement effort. Unfortunately, three years of drafting have only heightened our concern that the goal of the Reporters in this project appears to be to *reshape* copyright law, rather than to *restate* it.

Among its flaws, PD3 reiterates that exclusions from copyright protection are “fundamental” to facilitating competition and innovation. To support this underlying notion, PD3 misquotes black letter law, consistently and gratuitously relies on judicial opinions that rule against copyright protection or simplistically describe copyright as a “monopoly”, and unjustifiably expands - and even creates – exclusions from copyright protection.

As currently written, PD3 cannot be reconciled with ALI’s admonition that “[t]he Director and Reporters, including Associate and Assistant Reporters, should perform their responsibilities with the objectivity expected of legal scholars.”<sup>2</sup> The current process that has produced these drafts, in contrast with ALI’s stated objectives, has failed “to reduce any likelihood that the Institute will be influenced in its adoption of positions by potentially compromised views.”<sup>3</sup>

The publishing industry has thrived on business practices that depend on adequate copyright protection and effective copyright enforcement while fully acknowledging an appropriately scoped fair use doctrine and other copyright exemptions. From that perspective, PD3’s pervasive implication that strong

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<sup>1</sup> American Law Institute, *How the Institute Works*, <https://www.ali.org/about-ali/how-institute-works/>

<sup>2</sup> American Law Institute, *Policy Statement and Procedures on Conflicts of Interest with Respect to Institute Projects 1* (amended by the Council on May 17, 2010), available at [https://www.ali.org/media/filer\\_public/13/6e/136e2528-3be7-4b65-beb0-9d59f5c7b403/conflicts-of-interest-with-respect-to-institute-projects.pdf](https://www.ali.org/media/filer_public/13/6e/136e2528-3be7-4b65-beb0-9d59f5c7b403/conflicts-of-interest-with-respect-to-institute-projects.pdf)

<sup>3</sup> *Id.*

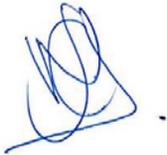
copyright protection is an obstacle to the public's ability to access and use creative works, as well as to the creation of new works of original expression based on existing ones, is simply incorrect.

We urge the ALI leadership to reconsider the propriety and utility of this project.

Sincerely,



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## **CHAPTER 2 – Scope of Protection**

### **Section 2.01 Copyright Protects Expression but not Ideas or Other Excluded Elements**

- P. 3, Comment d. AAP endorses the Copyright Alliance’s 2016 memo regarding “Doctrinal Issues” and “Underlying Bias” in Section 2.01.
- P. 5, Comment i. The first sentence obscures the notion that copyright protection – not the exclusion from copyright protection – was the vehicle that the Founders intended “to promote the Progress of Science and the useful Arts.” The third sentence misleadingly suggests that a stock, customary element of expression is *entirely* unprotected rather than that it is unprotected *only insofar* as it constitutes a *scène à faire*. A subsequent work will not be deemed infringing just because it also includes the same stock, customary element, but copying of expressive particulars of the element that are not stock or customary can still constitute infringement.

### **Sections 2.02 Exclusion of Ideas from Scope of Copyright Protection**

- P. 10, Comment b, lines 4-5 –The statement that “[i]t is rare for a work to be denied copyright protection in its entirety on the basis that it consists solely of ideas” seems to be an unnecessary generalization and verges on a tautology. An idea must be expressed in some way in order to satisfy the requirement that a work must be fixed in a tangible medium of expression.
- P. 10, Comment b, lines 6-8. Courts do not determine whether a particular aspect of a work is either idea or expression since it is usually both. Rather, courts determine whether an alleged infringer has copied the copyright owner’s expression or just the idea embodied in that expression.
- P. 11-12, Note b. At several points throughout PD3, Reporters repeatedly refer to copyright as a “monopoly.” This notion is unhelpful to a user of the Restatement who seeks to better understand the idea/expression dichotomy. Rather than citing cases that illustrate why ideas are not copyrightable, Reporters seem intent on citing excerpts from decisions such as *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), *Twentieth Century Music Corp. v. Aiken*, 422 U.S.151, 156 (1975) where courts refer to copyright as a monopoly. While some cases refer to the monopoly of the copyright holder, the concept is not accurate. First, copyrights only provide certain exclusive rights. In contrast to Reporters’ Notes on p. 12, lines 6-9, the issue is not that copyright holders want to control the price of their content. Rather, copyright holders have the *right* to determine whether to exercise their

exclusive rights and on what terms. Moreover, in contrast to actual monopolies, even the otherwise exclusive rights of copyright holders are subject to limitations and exceptions, ranging from compulsory licensing to fair use. Harping on copyright as a “monopoly” puts copyright in an unnecessarily negative light. AAP endorses Copyright Alliance’s comments regarding the use of the term “monopoly” in PD3.

### **Section 2.03 Exclusion of Methods from Scope of Copyright Protection**

- P. 13, Comment a. *Baker v. Selden* sufficiently illustrates the exclusion of methods from copyright protection. Citing to *Kalpakian* appears to be gratuitous as the case is not about a method and seems to be part of the aforementioned strategy of consistently portraying copyright protection as a monopoly.
- P. 15, Comment d; P. 20, Note d. In a Restatement, Reporters should not rely on minority rule cases, such as *Lotus v. Borland*, and they should not try to pass such minority rule cases for the majority view. AAP endorses the 2016 comments submitted by the Copyright Alliance and Judge McKeown regarding the draft’s undue reliance on *Lotus v. Borland*.

### **Section 2.04 Exclusion of Facts from Scope of Copyright Protection**

- P. 22, Black Letter, & P. 23, Comment a, line 5. Language that indicates that copyright does not extend to elements that are “represented to be facts, even if not accurate or verifiable” is confusing and not supported by case law.
- P. 24, Comment b. The second half of the first paragraph – starting “There is a sense...” to “... through a tapestry” – does not clearly explain the distinction between “fictional facts” that trigger copyright estoppel and are, therefore, beyond the realm of protection, and creative expression that is at the core of copyright protection. Recently, the Second Circuit decided in *Penguin Random House, Inc. et al. v. Colting et al.*, 17-CV-386 (Sep. 9, 2017) that “fictional details created by a novelist” are “copyrightable, creative expression.” PD3 should clearly explain that copyright estoppel is triggered only when the author intends to portray elements as historical or independently occurring facts.
- P. 25-28, Comment e; P. 32, Note e. The notion of “opinion-based facts” that are excluded from copyright protection is incorrect. PD3 mischaracterizes the rulings in *NYMEX v. IntercontinentalExchange, Inc.*, *RBC Nice Bearings, Inc. v. Peer Bearing Co.*, *Banxcorp v. Costco Wholesale Corp.* and conflates the merger doctrine to overstate the scope of non-

protection. *NYMEX* stands for the proposition that the actual market value of a commodity is uncopyrightable because the expression and idea of such value have merged since there are truly limited ways to express the actual market value of a commodity. *NYMEX*, 497 F.3d 109, 118 (2d. Cir., 2007). *NYMEX* did not answer the question of whether settlement prices were “discovered” or “created” and left open the possibility that an opinion expressed as a number based on creative judgment, and not just a combination of facts, can be copyrightable because it meets the required originality threshold. *Id.* at 113-16. The *NYMEX* court found that the used car prices at issue in *CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.*, in contrast to *NYMEX*’s unresolved discoveries or creations, “were indeed created” and subject to copyright protection precisely because the *CCC* values “were based on assumptions about ‘average’ cars; as these cars did not exist, there could be no actual market to discover.” *Id.* at FN 5. Therefore, *NYMEX* offers no support for PD3’s assertion that “[r]egardless of how much judgment is involved in its formulation, an opinion in and of itself is not protected by copyright.” (p. 28, 18-19).

- P. 32, Note e. The assertion that “the ability of competitors to reuse the estimate might be seen as an additional justification to exclude them from the protection of copyright law” is incorrect and unsupported by *Project Dev. Grp., Inc. v. O.H. Materials Corp.*, 766 F. Supp. 1348 (W.D. Pa. 1991) (holding that plaintiff was not entitled to copyright protection because the bid proposal at issue was composed entirely of uncopyrightable factual estimates and expression merged with ideas).
- P. 30, Note a, Lines 6-28. The discussion on how the copyright preemption doctrine restricts the scope of state law protection of facts is incomplete and incorrect. Whether the material in question is copyrightable is not part of the preemption inquiry at all in *Nat’l Basketball Ass’n v. Motorola, Inc.* 105 F.3d 841 (2d Cir., 1997). In fact, the panel in *Motorola* clearly explains that “copyrightable material often contains uncopyrightable elements within it, but Section 301 preemption bars state law misappropriation claims with respect to uncopyrightable as well as copyrightable elements.” *Id.* at 849; see also *Barclays Capital Inc. v. theflyonthewall.com, Inc.* 650 F.3d 876, 902 (2d. Cir., 2011) (“it is not determinative for the Copyright Act preemption analysis that the facts of the Recommendations themselves are not copyrightable.”) PD3’s reliance on *Hoehling v. Universal City Studios*, 618 F.2d 972 (2d. Cir., 1980) to support the view that the exclusion of facts from copyright protection is grounds for preemption is problematic because, in contrast to *Hoehling*, *Motorola* and *flyonthewall.com* are directly on point, provide a

thorough analysis of the preemption question and are more recent. Moreover, PD3 fails to mention cases where courts have directly contradicted *Hoehling's* reasoning and have upheld common law misappropriation claims in the face of copyright preemption defenses. For instance, *GS Rasmussen & Associates v. Kalitta Flying Services, Inc.*, 958 F.2d 896, 904 (9th Cir. 1992) (ruling that plaintiff's property rights under California law over the use of copies of drawings and plans to obtain an airworthiness certificate from the Federal Aviation Agency are not preempted by federal copyright law); *U.S. Golf Association v. Arroyo Software Corp.*, 81 Cal. Rptr. 2d 708, 715-17 (Cal. Ct. App. 1999, aff'd Cal. Supreme Court) (affirming lower court's rejection of copyright preemption defense against a misappropriation claim under California law over the use of plaintiff's golf handicap formulas because the formulas are not subject to copyright protection pursuant to 17 U.S.C. 102(b) and their use is not one of the exclusive rights governed by 17 U.S.C. 106).

#### **Section 2.05. Merger**

- P. 33, Comment b. Despite the observations of several Advisers in 2016, the unjustified inclusion of the merger and *scènes à faire* doctrines in the section on the Scope of Copyright Protection stubbornly persists in PD3. It continues to be unclear why PD3 addresses both doctrines, which most courts tend to review as part of their analysis of the second prong of copyright infringement, in a section on the scope of copyright protection. PD3's only authorities to support the inclusion of the merger doctrine in the section on the scope of copyright protection is the Compendium of U.S. Copyright Office Practices and the Sixth Circuit decision in *Lexmark Int'l., Inc. v. Static Control Components, Inc.* (2004). The rest of the case law cited examines merger and *scènes à faire* as defenses in the second prong of infringement analysis (i.e., whether the allegedly infringing work is a copy based on substantial similarity). In any event, the discussions of merger and *scènes à faire* should be moved to the future section on infringement. In that section, the draft could more accurately reflect the current state of affairs by explaining that there is a circuit split on this issue, where the Sixth Circuit addresses merger and *scènes à faire* as part of copyrightability in the first prong of copyright infringement (i.e., ownership of a valid copyright interest), and the Second, Ninth and Seventh Circuits consider these two doctrines as defenses when examining substantial similarity as part of the second prong of copyright infringement (copying of protectable elements).

- P. 35-36, Comment c. One of the inaccuracies resulting from PD3’s assessment of the merger doctrine in the section on the scope of copyright protection is the claim that the relevant functional constraints to make a merger determination occur at the time of the alleged infringement. PD3 claims, without any justification, that there are two situations in which merger may arise. First, when “the choices of an original creator immediately constrain the choices available to later authors.” And second, when “the constraints on later authors emerge subsequent to the creation of the first work.” In contrast, the decisions in *Oracle America, Inc. v. Google Inc.*, 750 F.3d 1339, 1367 (Fed. Cir. 2014) and *Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 982 F.2d 693, 704 (2d Cir.1992) clearly establish that the determination of whether there was merger of expression and idea should be based on an assessment of functional constraints that influenced the creation of the *initial* work.
- P. 35 -36, Comment c. Interoperability is not a per se limitation on copyrightability and courts consider it as part of fair use analysis. PD3’s assertion that “[s]tandardization and interoperability are among the external factors that may narrow the range of viable alternatives and thereby make particular expression unprotectable” is overbroad and unsupported by the case law. *Oracle v. Google* rejected Google’s proposition that interoperability is relevant to merger analysis or that it is a *per se* bar to copyright protection. *Oracle* at 1370 (“Whether a defendant later seeks to make its program interoperable with the plaintiff’s program has no bearing on whether the software plaintiff created had any design limitations dictated by external factors.”). It also clarified that it is well-established for interoperability to be considered as part of the fair use analysis. *Id.* at 1371 (“[C]ourts have recognized that, once the plaintiff creates a copyrightable work, a defendant’s desire to achieve total compatibility is a commercial and competitive objective which does not enter into the issues of whether particular ideas and expressions have merged.”). For this reason, Illustration 1 is inaccurate and should be modified or struck.
- P. at 41, Note c. PD3 selectively misquotes a specific example in the Copyright Office’s report on *Software Enabled Consumer Products* to support a broad suggestion that “[t]he constraints that can narrow the range of options may vary depending on the type of work at issue. Constraints related to standardization and interoperability are especially relevant to computer software for example.” In contrast, the Copyright Office’s report explains that:

“the [Copyright] Act does not prevent a competitor from studying code to determine the underlying methods it teaches, and from implementing those methods using *different* code than the original, to create an

interoperable or competitive software-enabled consumer product. . . [The merger and *scènes à faire* doctrines] are a promising avenue to permit copying for purposes of interoperability, at least in the narrow circumstances in which they may apply.” Report at 53 (emphasis in the original).

### **Sec. 2.06 *Scènes à faire***

- P. 44, Black Letter. The statement that “copyright protection for a work of authorship does not extend to any element of expression in that work that...” is too broad because it can be interpreted to mean that even the expression of an element is unprotected. For reasons described below, the black letter section is also inaccurate in its assertion that an element that “naturally flows from unprotectable elements in the work” is an unprotectable *scènes à faire* .
- P. 49, Comment f, lines 16-29. PD3 acknowledges that three different circuits have established that, similar to the merger doctrine, “a court must focus on the choices available to the author of the copyrighted work and that the constraints on the later author are not relevant to a *scènes à faire* analysis.” However, Reporters reject this approach without any justification. This dismissal is another consequence of Reporters’ inexplicable interest in including *scènes à faire* in the Restatement’s section on the scope of copyright protection rather than under copyright infringement, where it belongs. When a court is determining the second prong of copyright infringement – whether the defendant copied plaintiff’s work— the court must separate the protectable and unprotectable elements of the *original* work to determine whether the secondary work has copied protectable expression from the original. This is when the *scènes à faire* analysis of the *original* work takes place. By way of analogy, copyright is an entire umbrella, and unprotectable *scènes à faire* and merged elements are spokes within that umbrella. A work can be protected by copyright even if some of its elements constitute unprotectable *scènes à faire* or expression merged with its underlying idea.
- P. 56-59, Note d. PD3 unjustifiably reduces the scope of elements eligible for copyright protection by shifting the standard from unprotectable scenes that are *necessary* or indispensable to earlier scenes, to unprotectable scenes that are not required but “*naturally flow*” from earlier scenes. PD3 asserts that “the requirement that expression flow ‘naturally’ from an unprotected element is less demanding than a requirement that the expression flow ‘necessarily’ from the unprotected element.” However, PD3 does not provide case law that explicitly supports (a) the notion that one standard is different from the other, and (b) the

choice of the standard that, according to the Reporters, is more restrictive of copyright protection to be included in subsection (b) of the black letter law.

*Nimmer on Copyright* states that “the [scènes à faire] doctrine is often invoked to immunize from liability similarity of incidents or plot that necessarily follows from a common theme or setting.” 4 *Nimmer on Copyright* § 13.03 (2017). However, PD3 cites to cases that quote *Nimmer on Copyright* to support the use of both iterations of the scènes à faire definition, “necessarily follow” and “naturally follow”. *Compare Atari, Inc. v. North Am. Phillips Consumer Elecs. Corp.*, 672 F.2d 607, 616 (7<sup>th</sup> Cir., 1982), and *Autoskill Inc. v. National Educational Support Systems, Inc.*, 994 F.2d 1476, 1494 (10<sup>th</sup> Cir. 1993) with *Kohus v. Mariol*, 328 F.3d 848, 856 (6<sup>th</sup> Cir. 2003), and *Mitel, Inc. v. Iqtel, Inc.*, 124 F.3d 1366, 1375 (10<sup>th</sup> Cir, 1997). Moreover, at least one of the cases cited appears to use the language “necessarily flow” and “naturally flow” interchangeably. *See Cavalier v. Random House, Inc.*, 297 F.3d 815 (9<sup>th</sup> Cir. 2002) (“Scènes-a-faire, or situations and incidents that *flow necessarily or naturally* from a basic plot premise, cannot sustain a finding of infringement.”)(emphasis added). None of the cases cited explain how “naturally follow” or “naturally flows” differs from “necessarily follow” or “necessarily flows.” Both standards should be included in the black letter definition and the comments should merely point to the different phrasing by different courts.

## **CHAPTER 3 - OWNERSHIP**

### **Section 3.01 Ownership, Transfer & Licensing of Copyright**

- P. 81, Comment a. This section should be deleted because it is irrelevant and inaccurate. Originality is already covered under the “subject matter” sections of the prior draft. Moreover, even if the issue of originality were relevant to the matter of ownership, this section overstates the standard of originality required for copyright protection by using language such as “Copyright is limited to ‘original intellectual conceptions of the author’ (quoting *Feist*). If at all relevant to ownership, this section should accurately state, as the *Feist* decision held, that “the requisite level of creativity is extremely low; even a slight amount will suffice” and that “[o]riginality does not signify novelty.” *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991).

### **Section 3.02 Initial Ownership by Individual Author**

- P. 83, Comment b. It is unclear why PD3 incorporates volition as an element of authorship/ownership when this is not the case in the Copyright Act.
- P. 85, lines 9-14. . Illustration 3 is inaccurate to the extent it suggests that interoperability is a *per se* bar to copyright protection. This appears to be a self-serving example to support PD3's own Section 2.05 on the Merger Doctrine.

### **3.03 Joint Works**

- P. 87, Black Letter. The phrase "both more than merely de minimis and significant enough in the context of the entire work" in subsection (b) is redundant and appears to create an additional requirement to qualify as a co-author.
- P. 90, Comment c, lines 5- 14. It is unclear what PD3 means by "the rule that a co-author contribution must 'stand alone' as a copyrightable work must be applied sensitively to avoid improper denial of co-author status." For purposes of restating the law, this standard is not helpful.
- P. 95, Comment h; P. 101, Note h. Discussion of derivative works is inaccurate to the extent it fails to mention that authorizing and making derivative works is within the bundle of exclusive rights of the copyright holder. 17 U.S.C. 106 (2). PD3 should clearly explain that a derivative work made without the authorization of the rights holder is likely to be infringing. In addition, PD3 should also clearly indicate that the copyright in the derivative work does not, in any event, extend to the material taken from the underlying work. Finally, PD3 should note that the authors of the underlying work or the derivative would have to meet the entire test for joint authorship to be considered joint authors.

### **Section 3.05 Works Made for Hire**

- P. 120, lines 16-28. Illustration 2 should clarify that: (1) the programmer is the author of the program module unless the work in question is within one of the categories of the second prong of the statutory definition and there is a written agreement between the programmer and Software Company B in which the parties agree that the program will be a work made for hire; and (2) assuming the program is not a work made for hire, the programmer is also the initial owner of the copyright in the program unless there is a written agreement between the

programmer and Software Company B in which the programmer assigns the copyright to Software Company B .

- P. 122, Comment c. PD3 should note an important caveat to the notion that an employee who produces a copyrighted work outside the scope of his or her employment is both author and copyright owner. Specially commissioning an employee to perform work outside the ordinary scope of his or her employment and agreeing in writing that the work is a work made for hire is a common practice. Publishers, for instance, occasionally pay editors fluent in another language to translate a work. Assuming that such project is outside the scope of her employment, nothing in the Copyright Act precludes an agreement that the translation will be a work made for hire.
- P. 125-26, Comment e. There is no support for cautioning against an expansive reading of the categories of compilation and collective work in the context of works made for hire. In *Cnty. For Creative Non-Violence v. Reid*, the Supreme Court did not find that the statue in question was not a collective work because plaintiff CCNV did not make the argument that it was. See 490 U.S. 730, 738 (1989).
- P. 133, note b. The note mischaracterizes *Weinstein v. Univ. of Illinois*. Rather than a statutory or judicially created “academic exception,” the Seventh Circuit applied a University of Illinois policy, adopted in response to the passage of the 1976 Act, that said professors own the copyrights in their work except in specified circumstances.
- P. 136, note e, lines 31-36. The concept that an ordinary novel might be considered a collective work because it has multiple chapters is absurd. Chapters of a novel are not collective works pursuant to the Copyright Act because they are not ordinarily intended to be “separate and independent works in themselves.” 17. U.S.C. 101.