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# Copyright: Factual Compilations and the Second Circuit

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# COPYRIGHT

## FACTUAL COMPILATIONS AND THE SECOND CIRCUIT

Beryl R. Jones\*

American authors<sup>1</sup> rely on the protections of copyright law to ensure financial benefits from their labors. Copyright law, they perceive, protects their financial interests by preventing others from copying their works or making substantially similar copies. As a result of the Second Circuit's decision in *Financial Information, Inc. v. Moody's Investment, Inc.*,<sup>2</sup> many authors of comprehensive nonfiction compilations<sup>3</sup> have no such assurance. In *Moody's*, the Second Circuit, reaffirming a decision from its previous term, *Eckes v. Card Prices Update*,<sup>4</sup> held that a factual compilation is copyrightable only if the author has exercised some selectivity with respect to the data or has arranged the data in a distinctive manner.

The *Moody's* case also raises the interesting question of whether an author who is compiling a copyrightable comprehensive compilation can receive protection for portions of the work if they are released periodically with the intention that they will later be gathered together to form the compilation. The issue

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<sup>1</sup> The term "author" is used in this article, as it is used in both the U.S. Constitution and the federal copyright statutes, to encompass any individual who has created a work that may be subject to copyright protection, regardless of the nature of the work. The term, therefore, covers creators of books, paintings, symphonies, computer programs, etc. See *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 57-58 (1884) ("An author . . . is he to whom *anything* owes its origin; originator; maker; one who completes a work of science or literature," (citation omitted) (emphasis added)); 1 NIMMER, NIMMER ON COPYRIGHT, § 1.06 (1985) [hereinafter NIMMER].

<sup>2</sup> 751 F.2d 501 (2d Cir. 1984).

<sup>3</sup> The terms "factual compilations" or "nonfiction compilations" are used in this article to refer to compilations which are comprised principally of factual data, such as telephone directories, in contrast with compilations of works written by others, such as anthologies of English literature.

<sup>4</sup> 736 F.2d 859 (2d Cir. 1984).

was noted but not decided by the Second Circuit because it remanded the case for further factfinding.

This Commentary argues that the Second Circuit's view that in order for a nonfiction compilation to be protected the author must have made some qualitative judgments about the selection of the data is not warranted by the constitution,<sup>5</sup> the federal copyright statute,<sup>6</sup> or prior case precedent.<sup>7</sup> Further, this standard may preclude many factual compilations from receiving protection under federal copyright law and will provide very limited protection for works that are covered. In addition, this Commentary discusses the serialization of material intended for compilation and argues that this process should not render the material copyrightable.

## I. THE *Moody's* AND *Eckes* CASES

### A. *Financial Information, Inc. v. Moody's*

Financial Information, Inc. (FII), a publisher of financial information, published a "Financial Daily Called Bond Service" (the Bond Service). The Bond Service was a daily service which reported up to date information on all municipal and corporate bonds, both foreign and domestic, that were to be redeemed or "called" by their issuers.<sup>8</sup>

The Bond Service consisted of the following items: 4" x 6" index cards (bond cards), which were mailed on a daily basis to Bond Service subscribers in packets of approximately ten bond cards; a filing cabinet to hold the bond cards; and an annual cumulative volume. Each bond card listed the name of an issuing authority, the series of the bonds being called, the type and interest rate of the bonds, the date and price of redemption, and the name of the trustee or paying agent to whom the bond should be presented for payment.<sup>9</sup> At the end of each year, FII published a cumulative volume by editing, alphabetizing, and

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<sup>5</sup> U.S. CONST. art. I, § 8, cl. 8 [hereinafter the copyright clause]. See text accompanying notes 104-07 *infra*.

<sup>6</sup> 17 U.S.C. §§ 101-914 (1982). See text accompanying notes 93-94 *infra*.

<sup>7</sup> See text accompanying notes 97-102 *infra*.

<sup>8</sup> 751 F.2d at 502; *Financial Information, Inc. v. Moody's Investors Serv., Inc.*, 1984 Copyright L. Rep. (CCH) ¶ 25,617, at 18,762 (S.D.N.Y. 1984) (finding for defendant after trial) [hereinafter *FII/Dist. Ct. II*].

<sup>9</sup> 751 F.2d at 502; 1984 Copyright L. Rep. at 18,762.

pastings together all the bond cards for that year. The cumulative volume was registered with the Copyright Office, and copyright notices were placed on each bond card.<sup>10</sup>

Moody's Investors Service, Inc. (Moody's) was also a publisher of financial information. Among its publications was the *Municipal and Government News Manual* (the *Manual*), which was supplemented on a bi-weekly basis with *Municipal and Government News Reports* (the *News Reports*). The *Manual* and the *News Reports* were comprehensive works which contained financial information about various government entities, including information about municipal bond redemptions, ratings of debt securities, and notices of recently offered securities. The *News Reports* were not arranged in the manner adopted by FII, but rather in a newspaper format listing updates by subject matter, such as call notices or sinking fund notices.<sup>11</sup> Within the section on call notices, the material was listed alphabetically by issuer. Following the name of each issuing authority, Moody's supplied the same information on called bonds as FII did, for example, the series of the bonds being called, the type and interest rate of the bonds, and the date and price of redemption. Moody's, in contrast to FII, did not provide information on all government entities that redeemed bonds. Moody's coverage was extended only to those municipal securities that it also rated, which were approximately 90% of all municipal bonds.<sup>12</sup>

Most of the subscribers to FII's and Moody's services were large financial institutions that were not equipped to keep track of call notices because there was no uniform place in which the notices were published. Since issuers stop paying interest on bonds as of the redemption date, timely information about bond redemptions is of considerable value to their holders.<sup>13</sup>

In 1980, FII began to suspect that Moody's was copying

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<sup>10</sup> 1984 Copyright L. Rep. at 18,762.

<sup>11</sup> See Exhibit 1-1980 N. 4, Plaintiff's Memorandum in Opposition to Defendant's Motion for Summary Judgment, *Financial Information, Inc. v. Moody's Investors Serv., Inc.*, 751 F.2d 501 (2d Cir. 1984).

<sup>12</sup> 751 F.2d at 503.

<sup>13</sup> Call notices are generally published in a vast number of newspapers and financial publications. According to FII, it collected the information reported in its *Bond Service* by having its personnel regularly check public notices and advertisements in at least twenty publications. FII was on the mailing list of many issuers and redemption agents; it made periodic follow-up telephone calls and had regular correspondence with many of these entities. 599 F. Supp. 994, 995 (S.D.N.Y. 1984) [hereinafter *FII/Dist. Ct. I*].

FII's data on called bonds when it noticed "a coincidence of Moody's errata publishing after FII's."<sup>14</sup> In order to verify its suspicion, FII, in December 1980, included an intentional error in its bond cards. The error was picked up and published by Moody's. Subsequently, FII checked to see whether Moody's had copied any of FII's accidental errors. FII's check showed that seven of the ten errors FII had made in 1980 were reproduced by Moody's and that all eight of FII's 1981 errors were copied.<sup>15</sup> The statistical evidence produced at trial<sup>16</sup> showed that Moody's had engaged in "substantial, if not wholesale copying" of FII's work — at least forty to fifty percent of FII's work had been copied.<sup>17</sup>

FII brought suit charging that Moody's had copied FII's bond cards in violation of the Copyright Act of 1976 (the 1976 Act)<sup>18</sup> and in violation of New York State's unfair competition/misappropriation law.<sup>19</sup> The district court found FII's bond

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<sup>14</sup> *Moody's*, 751 F.2d at 503.

<sup>15</sup> *Id.*

<sup>16</sup> FII presented expert testimony by Professor Herbert Robbins, Professor of Mathematical Statistics at Columbia University. *Id.* at 503.

<sup>17</sup> *Id.* at 509.

<sup>18</sup> 17 U.S.C. §§ 101-914 (1982).

<sup>19</sup> The doctrine of misappropriation, a branch of the tort of unfair competition, was first adopted in *International News Service v. Associated Press, Inc.*, 248 U.S. 215 (1918) (decided before *Erie Railroad Co. v. Tompkins*, 304 U.S. 64 (1938), analyzing federal common law). Associated Press challenged INS's practice of securing "hot" news items from early editions of Associated Press's members' East Coast newspapers and distributing the news in INS's papers the same day on the West Coast of the United States. The Supreme Court held the practice unlawful, although it noted that Associated Press's news matter was not copyrighted. The Court prohibited INS from appropriating the news in Associated Press's papers "until its commercial value as news to [Associated Press] and all of its members has passed away." 248 U.S. at 245-46 (quoting injunction issued by district court).

The rationale of the *International News Service* decision was adopted by the courts of several states. See, e.g., *CBS, Inc. v. Melody Recordings, Inc.*, 134 N.J. Super. 368, 377, 341 A.2d 348, 353 (1975); *Mercury Record Prod., Inc. v. Economic Consultants, Inc.*, 64 Wis. 2d 163, 218 N.W.2d 705, 710-11 (1974). See also Baird, *Common Law Intellectual Property and the Legacy of International News Service v. Associated Press*, 50 U. CHI. L. REV. 411, 421-23 (1983). The misappropriation doctrine has not been universally adopted. See *Development in the Law: Competitive Torts*, 77 HARV. L. REV. 890, 934-35 (1964). The misappropriation doctrine was adopted in New York, and extended to cover claims involving entities who were not in direct competition. *Metropolitan Opera Ass'n, Inc. v. Wagner-Nichols Recorder Corp.*, 199 Misc. 786, 795-96, 101 N.Y.S.2d 483, 491-92 (Sup. Ct. 1950), *aff'd*, 279 A.D. 632, 107 N.Y.S.2d 795 (1st Dep't 1951). This later extension has not been adopted in many jurisdictions. See, e.g., *NFL v. Governor of Delaware*, 435 F. Supp. 1372, 1377 (D. Del. 1977).

cards were copyrightable.<sup>20</sup> The court, however, found that FII had not established that Moody's had copied a substantial amount of FII's work,<sup>21</sup> and that even if Moody's had copied FII's work, and the copying was of sufficient quantity and quality that would ordinarily be impermissible, Moody's was shielded from liability because the copying fell within the "fair use" exception of the 1976 Act.<sup>22</sup> The court further held the evi-

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<sup>20</sup> *FII/Dist. Ct. II*, 1984 Copyright L. Rep. at 18,766.

<sup>21</sup> Apparently the district court was persuaded by the evidence of "independent creation" which had been submitted by Moody's. *Id.* at 18,763. The court noted that "[t]he evidence showed that Moody's subscribes to more sources from which it may obtain basic information on bond redemptions than does plaintiff." *Id.* at 18,763.

In the standard copyright case based on a claim of improper copying, the plaintiff has the burden of proving that the works of the plaintiff and the defendant contain substantial similarities and that the similarities are the result of the defendant having copied the plaintiff's work. *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946), *cert. denied*, 330 U.S. 851 (1947); *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54 (2d Cir. 1936), *aff'd*, 309 U.S. 390 (1940). The defendant may rebut the claim of infringement by showing that although the works were similar, the similarities were not the result of the defendant having copied the plaintiff's work; rather, the defendant's work was the result of independent creation. See *Franklin Mint Corp. v. National Wildlife Art Exchange, Inc.*, 575 F.2d 62, 65 (3d Cir.), *cert. denied*, 439 U.S. 880 (1978). *Cf. Selle v. Gibb*, 741 F.2d 896, 901 (7th Cir. 1984) (plaintiff's evidence must be sufficient to show second writing was not independently created).

Moody's, in rebuttal, submitted considerable evidence to show that its News Reports were independently created. According to the testimony of Moody's employees, over two dozen newspapers and wire services were reviewed; nine employees were directly, although not exclusively, involved in the News Reports; and Moody's research costs varied from \$700,000 to \$1,000,000 a year. Moody's also attempted to show that because of publication deadlines and schedules more than half of its bond redemption notices simply could not have been copied from FII. *Moody's*, 751 F.2d at 503.

<sup>22</sup> 17 U.S.C. § 107 (1982). American copyright law has always given the copyright owner the exclusive right to use his work in certain ways, e.g., distribution and reproduction. Under certain circumstances, however, the nature of the defendant's use may be such that a use which would otherwise be deemed an infringement of the plaintiff's rights is permitted. This exception is the doctrine of "fair use."

The use of factual materials in an author's work has been permitted in a variety of circumstances under the fair use doctrine. See, e.g., *Consumers Union of U.S., Inc. v. General Signal Corp.*, 724 F.2d 1044, 1049 (2d Cir. 1983) (use in advertisements), *cert. denied*, 105 S. Ct. 100 (1984); *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966) (use in historical or biographical material); *Keep Thomson Governor Comm. v. Citizens for Gallen Comm.*, 457 F. Supp. 957, 961 (D.N.H. 1978) (political speech); *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 146 (S.D.N.Y. 1968) (use in the analysis of events of public importance); *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1354 (Ct. Cl. 1973) (research), *aff'd by an equally divided court*, 420 U.S. 376 (1975). *But cf. Harper & Row Publishers, Inc. v. Nation Enters.*, 105 S. Ct. 2218 (1985) (denying defendant's fair use claim for its appropriation of portions of an autobiography of President Ford).

The fair use doctrine was at first a judicially created doctrine. It was incorporated

dence did not establish that FII and Moody's competed and thus FII, whatever the extent of the copying, could not bring an unfair competition/misappropriation claim.<sup>23</sup>

The Second Circuit reversed and remanded the case for further factfinding. It rejected the district court's conclusion that Moody's had not copied a substantial amount of FII's work,<sup>24</sup> as well as its conclusions that such copying would fit under the fair use exception of the 1976 Act.<sup>25</sup> It also rejected the district court's finding that FII and Moody's were not competitors

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into the 1976 Act in section 107. H.R. REP. NO. 1476, 94th Cong., 2d Sess. 66 (1976) [hereinafter 1976 HOUSE REPORT] ("Section 107 is intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way.").

The district court held Moody's use to be a fair use. It reached that decision based on its conclusions that the commercial nature of the News Reports was neutral in the fair use analysis; the News Reports served a "public function," because they made needed financial information available; the factual nature of the Bond Service meant the level of permitted fair use copying was greater than for a creative work; Moody's had not copied a substantial amount of FII's work; and there was no evidence that Moody's use of FII's materials would diminish or prejudice the market for the Bond Service. *FII/Dist. Ct. II*, 1984 Copyright L. Rep. (CCH) ¶ 25,617, at 18,765-67.

<sup>23</sup> *Id.* at 18,766-67.

<sup>24</sup> FII's expert, Professor Robbins, had testified that "it was more than 95% certain that Moody's had copied at least 40-50% of FII's information in 1980 and 1981." He testified further that in 1981 there was a 51% probability that Moody's had copied 91% of FII's information and a 95% probability that Moody's had copied at least 68% of the material. 751 F.2d at 503. The district court had rejected the testimony of Professor Robbins concluding that one could not "make the leap that 8 of 8 proven instances shows copying . . . 91% of the time" and found Moody's had copied in some 20-24 instances throughout a given year or a rate of 1-2%. *FII/Dist. Ct. II*, 1984 Copyright L. Rep. ¶ 25,617, at 18,766; 751 F.2d at 509.

The Second Circuit did not accept the district court's view of Professor Robbins' testimony, stating:

Professor Robbins did not testify that 91% was copied, he merely presented a continuum of what Moody's might have copied from FII, expressed along with the probability or "confidence level" associated with each possible copying level. The 91% figure referred to was, as appellant readily concedes, at the "statistical fringe." More to the point was Professor Robbins's testimony that it was statistically certain (i.e., 95-99% probable) that Moody's had copied at the 40-50% level.

751 F.2d at 509.

<sup>25</sup> Relying on the Supreme Court's recent decision in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the Second Circuit held that the commercial nature of the News Reports rendered Moody's use presumptively unfair and that the remaining factors considered by the district court also weighed against Moody's use. The Second Circuit found the noncreative nature of the Bond Service not to be significant because the News Reports were noncreative as well. It found Moody's copying was substantial, *see* note 24, *supra*, and it found that Moody's work could harm FII's economic use of its Bond Service. 751 F.2d at 509-10.

within the requirements of the misappropriation doctrine.<sup>26</sup> In the course of discussing whether FII's work was copyrightable, the court acknowledged that its view on the issue of what made a factual compilation copyrightable, first articulated in *Eckes v. Card Prices Update*, was a "particularly restrictive" one which, although protecting the selection and arrangement of data in a factual compilation, did not extend any protection to the effort or intellectual endeavor of collecting the data.<sup>27</sup>

The circuit court remanded for further fact-finding and analysis in light of its opinion. It directed the district court to review the following issues: whether the bond cards were copyrightable; whether Moody's copying constituted an infringement under the 1976 Act; and whether FII's unfair competition/misappropriation claim was preempted.<sup>28</sup> On remand the district court held that Moody's copying was not infringing because the bond cards were not copyrightable and held that the unfair competition/misappropriation claim was preempted.<sup>29</sup>

#### B. *Eckes v. Card Prices Update*

In *Eckes*,<sup>30</sup> the plaintiffs were authors of a book entitled the "Sport American Baseball Card Price Guide" (the Guide). The Guide, a soft-covered book, was a comprehensive listing of baseball cards manufactured in the United States from 1909 to

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<sup>26</sup> The court noted that if Moody's had been unable to copy from the bond cards, FII might have been in a position to license the use of the information on the cards for a fee. 751 F.2d at 510.

<sup>27</sup> 751 F.2d at 506 (quoting *Eckes v. Card Prices Update*, 736 F.2d 859, 862-63 (2d Cir. 1984)).

<sup>28</sup> *Id.* at 510. Given the Second Circuit's holding that the state claim was not precluded because FII and Moody's were sufficiently competitive, the issue of whether the state claim had been preempted by the 1976 Act resurfaced. Under section 301 of the 1976 Act, 17 U.S.C. § 301 (1982), state protection which extends to works within the subject matter of the federal copyright statute is preempted if it provides for rights that are equivalent to those granted under the 1976 Act.

In *Moody's*, the Second Circuit held that if FII's copyright claim was valid, the state claim would be preempted, 751 F.2d at 510, apparently reasoning that the two remedies would cover the same subject matter and provide equivalent rights. It held further, however, that if FII's copyright claim did not prevail, "the state claim [would] have to be considered." *Id.*

<sup>29</sup> Financial Information, Inc. v. Moody's Investors Serv., Inc., No. 81 Civ. 6001 (S.D.N.Y. July 10, 1986) [hereinafter *FII/Dist. Ct. III*].

<sup>30</sup> 736 F.2d 859 (2d Cir. 1984).



1979.<sup>31</sup> The Guide was the first of its kind, listing eighteen thousand baseball cards and the market price for the cards. The Guide was arranged by manufacturer in tables of approximately one hundred sets of cards.<sup>32</sup> The going market price for each card in either mint, good/excellent, or fair/good condition was listed.<sup>33</sup> In addition, the authors devised a classification system that divided the cards into two groups: "premium" or "star" cards and "common" cards.<sup>34</sup> The authors of the Guide selected and designated, on their own, five thousand cards as premium or star cards.

The Guide apparently became the authoritative source for baseball cards.<sup>35</sup> After its publication, the defendants began to publish a monthly publication, "Card Prices Update" (the Update). This publication updated the price of premium baseball card prices, in newspaper format. The arrangement and price of the cards in the Update was similar to that employed in the Guide,<sup>36</sup> and the five thousand cards listed in the Update were substantially the same as the five thousand cards listed as premium cards in the Guide.<sup>37</sup>

The plaintiffs brought suit asserting that the defendants had copied their work in violation of the 1976 Act. The plaintiffs were unsuccessful in the district court.<sup>38</sup> The Second Circuit reversed. It held that in designating five thousand cards as pre-

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<sup>31</sup> *Id.* at 860.

<sup>32</sup> Each set included all of the cards of the same type or design produced by a particular manufacturer during a specific calendar year. Within the sets, the cards were listed chronologically with their numerical sequence within the set. *Eckes v. Suffolk Collectables*, 575 F. Supp. 459, 462 (E.D.N.Y. 1983).

<sup>33</sup> *Eckes v. Card Prices Update*, 736 F.2d at 860.

<sup>34</sup> Premium cards are more valuable because of some distinguishing feature, such as the player, the team, or a printing imperfection. For example, a 1952 Topps Chewing Gum Company card featuring Mickey Mantle was reported to be worth \$800. *Id.*

<sup>35</sup> *Eckes v. Suffolk Collectables*, 575 F. Supp. at 463.

<sup>36</sup> The Update, in contrast to the Guide, listed only one price per card. However, on the inside cover of the Update was a "Condition Guide," which provided percentage multipliers that could be used to determine the actual price of a card in light of its specific condition. *Eckes v. Card Prices Update*, 736 F.2d at 861.

<sup>37</sup> *Id.*

<sup>38</sup> The district court held that the similarities in the arrangements of the two works were dictated by the similarities of the information contained in the works, *see* text accompanying notes 54-57 *infra*, and that the plaintiffs had not established that the defendants had copied the plaintiffs' prices or the plaintiffs' selection of premium cards. Therefore the plaintiffs had not established that their copyright had been violated. *Eckes v. Suffolk Collectables*, 575 F. Supp. at 463-64.

mium cards the plaintiffs exhibited sufficient selectivity to merit protection under the 1976 Act; the defendants had copied this selection; and the copying was prohibited under the 1976 Act.<sup>39</sup>

## II. PROTECTION OF FACTUAL COMPILATIONS

### A. *The Issues*

The two major issues raised by the *Moody's* and *Eckes* decisions are what protection the 1976 Act provides to authors of factual compilations and whether the author of an annual directory can secure protection for components of the work, if he releases the components throughout the year with the intention of ultimately collecting the parts into an annual volume.

The 1976 Act, like earlier American copyright statutes,<sup>40</sup> provides a limited monopoly to authors of a vast array of writings,<sup>41</sup> preventing others from using the works<sup>42</sup> during the term of the authors' copyrights.<sup>43</sup> Copyright protection has always been extended to nonfiction works, including maps, digests, directories, and other nonfiction compilations.<sup>44</sup> As far as factual

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<sup>39</sup> *Eckes v. Card Prices Update*, 736 F.2d at 863-64.

<sup>40</sup> The first American copyright statute was enacted in 1790. ch. 15, 1 Stat. 124 (1790) (codified as amended in scattered sections of 17 U.S.C.). The statute was amended twenty-five times between 1789 and 1904. *Mazer v. Stein*, 347 U.S. 201, 209 n.12 (1954). Many of these amendments expanded the statute's coverage. See, e.g., ch. 36, 2 Stat. 171 (1802) (extending coverage to engravings and etchings). The statute was revised in 1909, ch. 320, 35 Stat. 1075 (1909) [hereinafter the 1909 Act]. The coverage provided in the 1909 Act was also extended by several amendments. See, e.g., ch. 356, 37 Stat. 488 (1912) (extending coverage to motion pictures, reproductions of works of art); and Pub. L. No. 92-140, 85 Stat. 391 (1971) (extending coverage to sound recordings). The 1909 Act was revised in 1976. Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976) (codified as amended at 17 U.S.C. §§ 101-914 (1982)). The coverage provided by the 1976 Act has also been extended by amendments. See, e.g., Pub. L. No. 96-517, § 10, 94 Stat. 3028 (1980) (extending coverage to computer programs); Pub. L. No. 98-620, 98 Stat. 3335 (1984) (providing for coverage of semiconductor chip products).

<sup>41</sup> The term "writings" is used in this article, as it is in the U.S. Constitution, to encompass any work which is subject to federal copyright protection, including books, musical compositions, paintings and statues. See *Goldstein v. California*, 412 U.S. 546, 561 (1973); 1 NIMMER, *supra* note 1, § 1.08[C][2].

<sup>42</sup> 17 U.S.C. §§ 106, 501 (1982).

<sup>43</sup> The term provided under the 1976 Act is the life of the author plus fifty years, or up to one hundred years for anonymous and pseudonymous works and works for hire. 17 U.S.C. § 302 (1982).

<sup>44</sup> The first copyright statute awarded the monopoly of printing an selling to the "author and authors of any map, chart, book or books." Ch. 15, § 1, 1 Stat. 124 (1790). The first major revision of the federal copyright statute, the 1909 Act, provided specific protection for "cyclopedic works, directories, gazetteers and other compilations." Ch.

compilations are concerned, however, the nature and extent of the monopoly has always been difficult for courts to define. If the monopoly is too expansive, it will unduly restrict the ability of others to build upon and utilize the knowledge revealed by the author. If the monopoly is too limited, it will not provide a sufficient economic incentive to encourage the production of nonfiction works.

Neither the courts nor commentators have developed a universally accepted theory or methodology for ascertaining the nature of the protection provided to factual compilations or the amount of material that may be borrowed from earlier works on the same subject. The Supreme Court has provided little guidance in this area and specifically left the issues open in its 1985 decision in *Harper & Row v. Nation Enterprises*.<sup>46</sup> In *Moody's* and *Eckes*, the Second Circuit entered the debate and set forth a standard which provides only limited copyright protection.

## B. Constitutional Grant

### 1. Promotion of the Arts and Sciences

The copyright clause of the U.S. Constitution provides that "Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."<sup>46</sup>

As the words of the copyright clause indicate, the purpose of copyright protection is the promotion of the arts and sciences by the bestowal of a temporary monopoly sufficient to ensure authors adequate opportunity to realize an economic return on their creative efforts, thereby encouraging them to produce new works. The broader the monopoly, the greater the potential for economic reward and thus the greater the incentive to create new works. In this manner creative efforts in the arts and sciences are encouraged.<sup>47</sup>

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320, § 5, 35 Stat. 1075 (1909). The 1976 Act provides specific protection for compilations. 17 U.S.C. § 103 (1982).

<sup>46</sup> 105 S. Ct. 2218, 2224 (1985) ("[T]he law is currently unsettled regarding the ways in which uncopyrightable elements combine with the author's original contributions to form protected expression.").

<sup>46</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>47</sup> See *Sony Corp. v. Universal City Studios*, 464 U.S. 417, 429 (1984).

A competing concern is the recognition that free and unrestrained access to the works of others encourages a greater dispersion of knowledge, and this wider dispersion hastens the development or discovery of new ideas and theories.<sup>48</sup> For example, Newton built on the works of Kepler who in turn built on the works of Copernicus and Tycho. If each of these scientists had been required to rediscover the scientific principles contained in the written works of his predecessor, it is possible that science would not have progressed much beyond the discoveries of Copernicus. The monopoly must therefore be one which gives a sufficient incentive to create new writings, yet is not so restrictive that new works cannot or will not be created.<sup>49</sup>

The copyright clause attempts to strike a balance between these competing concerns by providing a grant that does not include a monopoly on the facts or ideas contained in an author's work.<sup>50</sup> The author's monopoly is restricted to the form in which

This justification for the copyright clause is the only one recognized by the courts or Congress and has been recognized to the exclusion of any other theory. As the House Judiciary Committee commented in 1909 in its report on the 1909 Act:

The enactment of copyright legislation by Congress under the terms of the Constitution is not based upon any natural right that the author has in his writings . . . but upon the ground that the welfare of the public will be served and progress of science and useful arts will be promoted by securing to authors for limited periods the exclusive rights to their writings.

H.R. REP. NO. 2222, 60th Cong., 2d Sess. 7 (1909) [hereinafter 1909 HOUSE REPORT].

While the courts and Congress have never recognized a natural right to copyright, many commentators, including the Register of Copyrights, have argued that authors have a property interest in their work which exists independently of any societal benefit. This right, it is argued, is protectable under the copyright clause. See REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW FOR THE HOUSE COMM. ON THE JUDICIARY, 87th Cong., 1st Sess. 5-6 (Comm. Print 1961). See also Chaffee, *Reflections on the Law of Copyright*, 45 COLUM. L. REV. 503, 506-07 (1945).

<sup>48</sup> See Breyer, *The Uneasy Case for Copyright*, 84 HARV. L. REV. 281, 313-21, 350-51 (1970) (arguing for limitations on the copyright monopoly). See also *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 980 (2d Cir.) ("Knowledge is expanded . . . by granting new authors of historical works a relatively free hand to build upon the work of their predecessors."), cert. denied, 449 U.S. 841 (1980).

<sup>49</sup> See 1909 HOUSE REPORT, *supra* note 47, at 7, which states:

In enacting a copyright law Congress must consider . . . two questions: — First, how much will the legislation stimulate the producer and so benefit the public; and second, how much will the monopoly granted be detrimental to the public? The granting of such exclusive rights, under the proper terms and conditions, confers a benefit upon the public that outweighs the evils of a temporary monopoly.

<sup>50</sup> See *Baker v. Selden*, 101 U.S. 99, 102 (1880). See also 1 NIMMER, *supra* note 1, §§ 2.03[D], 2.03[E].

the ideas or facts are contained.<sup>51</sup> The 1976 Act expressly limits the scope of an author's monopoly, excluding from coverage "any idea, procedure, process, system, method of operation, concept, principle, or discovery . . . described, explained, illustrated or embodied in [the] work."<sup>52</sup>

A corollary of this principle is the rule that authors may not prevent others from copying the manner in which the ideas or the facts are expressed, if the manner of expression is dictated by the nature of the material or information contained in the works. Otherwise, authors would effectively be able to secure monopolies on the information or methods contained in their works. For example, in *Baker v. Selden*<sup>53</sup> the Supreme Court held that the plaintiff's accounting forms were not infringed by the defendant's forms which were copied from forms in the plaintiff's book. The Court reasoned that the copying was necessary in order to utilize the new accounting system described in the plaintiff's book.<sup>54</sup> Similarly, in *Morrissey v. Procter & Gamble Co.*<sup>55</sup> the First Circuit held that the set of rules drafted by the plaintiff for a sales promotional contest were not infringed by the defendant's work.<sup>56</sup> The court reasoned that the form of expression chosen by the plaintiff was dictated by the content of the rules and that if the plaintiff were able to prevent others from using his form of expression he would be able to prevent others from having a similar contest, a result not permitted

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<sup>51</sup> See text accompanying notes 58-60 *infra*.

<sup>52</sup> 17 U.S.C. § 102(b) (1982). See 1976 HOUSE REPORT, *supra* note 22, at 56 ("Copyright does not preclude others from using the ideas or information revealed by the author's work."). The 1976 Act contains the first explicit statutory statement of this principle, although it had been held to have been embodied in previous versions of the copyright statute. See, e.g., *Baker v. Selden*, 101 U.S. at 102.

<sup>53</sup> 101 U.S. 99 (1879).

<sup>54</sup> *Id.* at 107. The holding in *Baker v. Selden* is unclear. The case has been interpreted as meaning either that the accounting forms were not copyrightable or that the forms were copyrightable and that only an exact or near duplication of the forms would be prohibited. Compare *Continental Casualty Co. v. Beardsley*, 253 F.2d 702, 704-05 (2d Cir.), *cert. denied*, 358 U.S. 816 (1958) (*Baker* holds that the forms were not copyrightable) with *Mazer v. Stein*, 347 U.S. 201, 217 (1954) (*Baker* holds that the defendant's variations of the plaintiff's forms were acceptable). The underlying rationale is clear: a writing may be used to the extent necessary to make use of the system described or contained in the writing. See Gorman, *Fact or Fancy? The Implications for Copyright*, 29 J. COPYRIGHT Soc'y 560, 579 (1982).

<sup>55</sup> 379 F.2d 675 (1st Cir. 1967).

<sup>56</sup> *Id.* at 679.

under the federal copyright law.<sup>57</sup>

The difficulties this principle presents for authors of factual compilations is clear. They cannot prevent others from independently producing works that contain materials that are very similar to or even duplicative of the materials in their work. Furthermore, if the arrangement of the material in a compilation is dictated by the subject matter, the author cannot prevent others from using a similar arrangement. Thus, for example, anyone can write a comprehensive guide to American automobiles produced from 1980-85. The first author of such a guide cannot gain a monopoly on the data in the guide. In addition, if the first guide was arranged by model, manufacture, or year of make, the author could not prevent others from making another guide arranged in a similar manner. A second author, therefore, could, after reviewing the first guide, research the field on his own and produce a book identical to the first author's guide.

The problems underlying the application of this principle to factual compilations have been compounded by the fact that much of the language employed is more suitably applied in the context of works of fiction and the visual arts and is often applied only with difficulty to nonfictional works.<sup>58</sup> The most oft repeated articulation of the principle is the statement that the author's "ideas" are not covered by the monopoly, only the "expression" of the ideas is covered.<sup>59</sup> The application in works of

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<sup>57</sup> *Id.* at 678-79. See also *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485, 488-89 (9th Cir. 1983), *cert. denied*, 469 U.S. 1037 (1984) (plaintiff's copyright on book on how to win at Scrabble not violated; defendant's similar structure necessary because of similar subject matter); 1 *NIMMER*, *supra* note 1, at §§ 2.18[A]-2.18[D]. Cf. *Deutsch v. Arnold*, 98 F.2d 686, 688 (2d Cir. 1938) (charts for analyzing handwritings not dictated by subject matter).

Courts relying on this principle have also limited the protection sought by authors of historical material, arguing that although the sequence of events might be protected in a fictional work, see *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54 (2d Cir. 1936), the sequence is not protectable when it is dictated by the actual chronology of historical events. See, e.g., *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 979 (2d Cir. 1980). See also *Oxford Book Co., Inc. v. College Entrance Book Co., Inc.*, 93 F.2d 688, 691-92 (2d Cir. 1938) (selection of events to be discussed in history text necessarily similar because of similarity of subject matter).

<sup>58</sup> *Eckes v. Card Prices Update*, 736 F.2d at 862. See also *Gorman, Copyright Protection for the Collection and Representation of Facts*, 76 HARV. L. REV. 1569, 1570 (1963).

<sup>59</sup> See, e.g., *Warner Bros. v. ABC*, 720 F.2d 231, 239 (2d Cir. 1983) ("The similarity to be assessed must concern the expression of ideas, not the ideas themselves . . ."); 1976 HOUSE REPORT, *supra* note 22, at 61 ("Wide departure or variations from the copy-

fiction can be straightforward. For example, the author of the first story of a damsel rescued from the clutches of an evil figure by a handsome man would be unable to prevent others from using this idea. The stories of Popeye, Olive Oyl and Bluto; Bruce Cabot, Fay Wray and King Kong; and the prince, the witch, and Sleeping Beauty; would be considered permissible variations. However, a later writing that incorporated a significant amount of particular aspects of the story, its "expression" — specific words, characters, personality traits, sequence of events, mood, locale, and scenes — would infringe the work.<sup>60</sup>

The idea/expression dichotomy, however useful in evaluating works of fiction,<sup>61</sup> is often of little assistance in analyzing the degree of protection afforded the writer of a factual compilation as it does not provide any mechanism for ascertaining what is or is not protected. As noted above, much of what might be deemed the "expression" in these works — the language or arrangement of the work — is often dictated by the subject matter.

## 2. Originality

The copyright clause demands some measure of originality from the author. The term originality as used in the copyright clause does not include any element of inventiveness; rather it simply means that some element in the work must originate with the author, *i.e.*, it is created by the author.<sup>62</sup> Thus, a

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righted works would still be an infringement as long as the author's 'expression' rather than merely the author's 'ideas' are taken."'). See also Chaffee, *supra* note 47, at 513-14 ("I like to say that the protection covers the 'pattern' of the work . . . the sequence of events, and the development of the interplay of characters.").

<sup>60</sup> See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 55 (2d Cir. 1936); *Musto v. Meyer*, 434 F. Supp. 32, 36 (S.D.N.Y. 1977), *aff'd mem.*, 598 F.2d 609 (2d Cir. 1979).

<sup>61</sup> It has often been noted that this language is even difficult to apply to fiction works. See, *e.g.*, *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960) ("Obviously no principle can be stated as to when an imitator has gone beyond copying the 'idea', and has borrowed its 'expression.' Decisions must therefore inevitably, be *ad hoc*.").

<sup>62</sup> *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 59-60 (1884). The originality requirement for copyright is substantially less restrictive than the novelty requirement in patent law, see 35 U.S.C. § 103 (1982), even though the constitutional authority to enact legislation covering copyrights and patents are contained in the same clause. U.S. CONST. art. I, § 8, cl. 8. See text accompanying note 46 *supra*. Under the patent statute, protection may be extended only when the subject matter of the patent has not

painter may not obtain a copyright on a duplicate of Leonardo da Vinci's *Mona Lisa*.<sup>63</sup> He must add something original to his copy of the portrait. He may, for example, change her hair color and the background, and have her as only one of several figures looking at a vista. This new work would meet the originality requirement.<sup>64</sup>

This originality requirement generally presents no special problem for the compiler of factual information. He need only produce a work that has not been copied in its entirety from the copyrighted work of another. Thus, both the first and second authors of the 1980-85 automobile guides discussed above would meet this constitutional requirement.

### 3. Creativity

The Constitution's copyright clause does not extend protection to any work that is the result of an individual's intellectual endeavors. It does not, for example, prevent the copying or utilization of the results of the scientific endeavors of others — it does not bar the copying of a new machine or invention. It does not prevent someone from reaping the benefits of the explora-

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been previously discovered and when the subject matter of the new work was not obvious to someone schooled in the art. See *Graham v. John Deere Co.*, 383 U.S. 1, 11-12 (1966). In contrast, copyright protection may be extended to someone who has independently created a similar work, see text accompanying notes 50-51 *supra*, and may be extended to a work regardless of whether or not it represents a significant or meaningful advance in the art. See *Gerlach-Barklow Co. v. Morris & Bendien, Inc.*, 23 F.2d 159, 161 (2d Cir. 1927); *Dorane v. Sunset House Distrib. Corp.*, 197 F. Supp. 940, 944 (S.D. Cal. 1961), *aff'd*, 304 F.2d 251 (9th Cir. 1962). But see *Lee v. Runge*, 404 U.S. 887 (1971) (Douglas, J., dissenting from the denial of certiorari) (arguing that the copyright monopoly should be limited, as with patents, to works that have "novelty").

<sup>63</sup> The *Mona Lisa* may be freely copied by anyone. No one owns any copyrights in the painting which would prevent its being freely copied. It is in the public domain. Some courts have found the requisite originality in the author's reproduction of an older work in a different medium, see, e.g., *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99, 104 (2d Cir. 1951) (reproductions of paintings by old masters by the mezzotint method), or the reproduction of a work in a different scale, see, e.g., *Alva Studios, Inc. v. Winninger*, 177 F. Supp. 265, 267 (S.D.N.Y. 1959) (reduction of Rodin's "Hand of God").

<sup>64</sup> See *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 909 (2d Cir. 1980); *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 490 (2d Cir.), *cert. denied*, 429 U.S. 857 (1976). But see *Gracen v. Bradford Exch.*, 698 F.2d 300, 304-05 (7th Cir. 1983) (plate design produced by merging elements from several photographs not sufficiently original). The copyright would extend only to the final picture and the new elements created. The author would not be able to prevent others from reproducing the *Mona Lisa* itself. See *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106, 1110 (9th Cir. 1970).



tive efforts of another — the discovery of new territories may be freely reported. It does not prevent the utilization of the product of another's industriousness that does not result in the creation of a new writing — the copying of a previously hidden work of an ancient author is not barred even though its discovery is the result of someone's deep thought and long investigative labors.<sup>65</sup> The copyright clause protects only those intellectual products that are the result of the "creative intellectual or aesthetic labor" of an author.<sup>66</sup> This limitation, the creativity requirement, is different from the constitutional requirement of originality. Creativity refers to the type of input by the author, whereas originality refers to the source of the author's contribution.<sup>67</sup> The copyright statutes have also been interpreted as requiring the input of some creative skill before a work can obtain copyright protection.<sup>68</sup>

However obvious it may be in some cases that a writing does or does not meet the creativity requirement, the issue becomes more difficult with works such as factual compilations. In these cases the form of the work created is similar to works that are protected, but the manner of its production is dissimilar. For example, although a new novel is obviously covered by the copyright statutes, a telephone directory, which is also a book, is not so obviously protected. Certainly the directory appears to be the same type of work: it is a book, and it is comprised of words arranged by the author. Its protection under copyright statutes, however, is problematic.

The author of a novel gains copyright protection because of

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<sup>65</sup> See 1 NIMMER, *supra* note 1, § 2.01[A].

<sup>66</sup> *Goldstein v. California*, 412 U.S. 546, 561 (1973). The source of this requirement has been alternatively seen as either the term "authors" or the term "writings" in the copyright clause. See 1 NIMMER, *supra* note 1, § 2.01[B]. The difference in view as to the source of the requirement does not have an impact on discussion of its terms.

<sup>67</sup> *Gardenia Flowers, Inc. v. Joseph Markovits, Inc.*, 280 F. Supp. 776, 781 (S.D.N.Y. 1968); 1 NIMMER, *supra* note 1, § 2.08[B][2]. What is described here to be a separate requirement of creativity is frequently incorporated by the courts and in the literature under the originality requirement.

<sup>68</sup> See 1 NIMMER, *supra* note 1, § 2.08[B][1]. See also *Bailie v. Fisher*, 258 F.2d 425, 426 (D.C. Cir. 1958). In *Bailie*, the court rejected plaintiff's effort to obtain copyright protection for a "cardboard star with a circular center bearing the photograph of an entertainer." *Id.* at 426. Superimposed on the center was a transparent phonograph record. "The cardboard [star had] two flaps, which when folded back enabled it to stand up for display." *Id.* The court held that the work was not the result of the artistic input that is required under the statute.

the intellectual efforts involved in deciding what events to include, in what sequence they will be presented, and what words will be used to describe the events. The arrangement and choice of the words used in the directory, on the other hand, are generally not the result of any intellectual choice on the part of the author. Telephone directories are typically arranged in alphabetical order and they typically include words that are dictated by the names, addresses, and telephone numbers of the individuals listed. Thus, the directory is not the result of the same creative effort as the novel and is not clearly protectable.

The creativity requirement has also proven troublesome in the field of photography in which, as with factual compilations, the photograph often reflects facts in the most accurate form possible. In *Burrow-Giles Lithographic Co. v. Sarony*,<sup>69</sup> the defendant sought to challenge the plaintiff's copyright of a photograph of Oscar Wilde, arguing that the plaintiff had simply reproduced Wilde's image on paper and that no artistic or creative input was involved as the process was a purely mechanical one.<sup>70</sup> The Supreme Court rejected the argument stating that it need not address the issue of whether all photographs were copyrightable because the Wilde picture contained elements of creativity; the photographer had given "visual form" to his "mental conception" of Wilde by posing him, selecting and arranging the costume, light, and shade.<sup>71</sup> The question still unresolved is whether a photograph is protectable when its image is not the result of some deliberate choice of the photographer, such as a photograph taken inadvertently while the photographer was advancing a new roll of film.<sup>72</sup>

Most courts have engaged in only limited scrutiny when determining whether a work has the requisite creativity, reasoning, as Justice Holmes did in *Bleistein v. Donaldson Lithographic Co.*, that it is not the role of a judge to determine the quality of

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<sup>69</sup> 111 U.S. 53 (1884).

<sup>70</sup> *Id.* at 59.

<sup>71</sup> *Id.* at 59-60.

<sup>72</sup> The case which came closest to addressing this issue is *Time v. Bernard Geis Assocs.*, 293 F. Supp. 130 (S.D.N.Y. 1968). In that case the defendant argued that the Zapruder pictures of the Kennedy assassination were not protectable because they did not have the required artistic input. The court held that although Zapruder's creative input might not have been substantial, Zapruder had made sufficient choices about film, camera, and angle to warrant protection. *Id.* at 141-44.

art.<sup>73</sup> Thus, the type and level of artistic or creative input required of the author has been minimal.<sup>74</sup>

The requirement is not entirely without substance, however, and courts have at times found that a particular writing is not sufficiently creative.<sup>75</sup> For example, fragmentary words or phrases,<sup>76</sup> works such as forms whose arrangement or wording is dictated by their content, and works in which the form is arbitrary,<sup>77</sup> have been denied protection.<sup>78</sup> When denying protection to these types of works, the courts have often reasoned that the author has not added the requisite creative input because the expression used in the writing was necessitated by the subject matter.

<sup>73</sup> See 188 U.S. 239, 251-52 (1903). Justice Holmes stated:

It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [art], outside of the narrowest and most obvious limits. At the one extreme some works of genius would be sure to miss appreciation . . . . At the other end, copyright would be denied to [works] which appealed to a public less educated than the judge.

*Id.*

<sup>74</sup> See, e.g., *Thomas Wilson & Co. v. Irving J. Dorfman Co.*, 433 F.2d 409, 411 (2d Cir. 1970), *cert. denied*, 401 U.S. 977 (1971) (although plaintiff's lace designs are "not what the phrase 'work of art' ordinarily calls to mind," there is "an appreciable amount of creative skill and judgment"); *Dan Kasoff, Inc. v. Novelty Jewelry Co., Inc.*, 309 F.2d 745, 746 (2d Cir. 1962) (copyright on plaintiff's "garish trinket" is valid, regardless of the quality of the artistic input); *PPS, Inc. v. Jewelry Sales Representatives, Inc.*, 392 F. Supp. 375, 382 (S.D.N.Y. 1975) (plaintiff's "I Like You" apple jewelry meets minimal level of creativity required).

<sup>75</sup> See, e.g., *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 910 (2d Cir. 1980) (plaintiff's reproduction of cartoon characters as plastic figures merely required "manufacturing skill"); *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 491 (2d Cir. 1976) (conversion of Uncle Sam bank from metal to plastic result of the "physical skill" of the author and therefore not protected); *Gardenia Flowers, Inc. v. Joseph Markovits, Inc.*, 280 F. Supp. 776, 780-81 (S.D.N.Y. 1968) (although degree of creativity required not high, plaintiff's arrangement of flowers in artificial corsages not sufficiently creative).

In works which are based in very substantial part on other works, for example, copies of paintings, collages of other works, the courts have sometimes required a greater level of input than might be required with a new work. See, e.g., *Gracen v. Bradford Exch.*, 698 F.2d 300, 305 (7th Cir. 1983) (higher level of creativity is necessary to prevent overlapping claims).

<sup>76</sup> See, e.g., *Kanover v. Marsk*, 91 U.S.P.Q. 370, 370 (S.D.N.Y. 1951).

<sup>77</sup> See *Toro Co. v. R & R Prods. Co.*, 787 F.2d 1208 (8th Cir. 1986).

<sup>78</sup> See, e.g., *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 971-72 (11th Cir. 1983) (plaintiff's "Memory Stub," a checkbook stub designed to permit individual to carry checks around without checkbook and keep record of written checks held not sufficiently original or creative); *Donald v. Varco Business Forms*, 478 F.2d 764, 766 (8th Cir. 1973) (plaintiff's legal forms merely compilation of other forms insufficiently creative to warrant protection). The Copyright Office's regulations do not permit the registration of similar works. 37 C.F.R. § 202.1(c) (1985).

The creativity requirement is a substantial stumbling block for authors of factual compilations. As discussed above, the arrangement of the material and the particular words chosen to reveal the data are often dictated by the subject matter. Thus, for example, in the case of the automobile guide discussed above<sup>79</sup> the author has little choice as to the words that may be chosen to describe the automobiles, and has no, or no practical choice as to what arrangement will be used. The author's creative input is not self-evident.

### C. *Originality, Creativity and the Moody's and Eckes Cases*

The principal problems in evaluating factual compilations have been the identification of the intellectual effort which provides the basis for protection and the determination of how much copying of the compilation is permissible. In *Moody's* and *Eckes*, the Second Circuit described its view of the intellectual labor that is necessary for protection under the 1976 Act and adopted a position which extends only limited protection to factual compilations.<sup>80</sup> It held that the compilation may be pro-

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<sup>79</sup> See text accompanying notes 57-58 *supra*.

<sup>80</sup> This position is consistent with a number of decisions of the Second Circuit in which, in a variety of circumstances, it has permitted extensive use of factual material in the works of others. For example, in *Hoehling v. Universal City Studios*, 618 F.2d 972 (2d Cir. 1980), the author of a book about the Hindenberg dirigible asserted that the copyright on his book had been infringed by a television screenplay on the same subject. According to the author, the screenplay incorporated not only the uncontested facts but also the sequence of events in the book and his theory about who had sabotaged the Hindenberg. The court held that "interpretations [of historical events] are not copyrightable as a matter of law." *Id.* at 978-79. *But see* *Wainwright Securities, Inc. v. Wall Street Transcripts Corp.*, 558 F.2d 91, 95-96 (2d Cir. 1977) (copying plaintiff's theories and analyses held impermissible), *cert. denied*, 434 U.S. 1014 (1978).

Similarly, in *Rosemont Enterprises v. Random House*, 366 F.2d 303 (2d Cir. 1966), the court permitted a biographer of Howard Hughes to make extensive use of magazine articles about Hughes, applying the fair use doctrine. *See also* *Lake v. Columbia Broadcasting System, Inc.*, 140 F. Supp. 707, 708-09 (S.D. Cal. 1956) ("historical fact and events in themselves are in the public domain and are not entitled to copyright protection").

In *Oxford Book Co. v. College Entrance Book Co.*, 98 F.2d 688 (2d Cir. 1938), the Second Circuit found that the similarity in the selection of historical events and the commentary on the events contained in plaintiff's and defendant's history texts could not be grounds for a charge of infringement. It reasoned that the similarities were the result of a shared subject matter and audience, elementary school students, rather than any impermissible copying. 98 F.2d at 691.

In contrast, the Seventh Circuit has generally permitted much less extensive use of factual materials contained in copyrighted works of others. For example, in *Toksvig v.*

tected only if the author has exercised some selectivity in choosing the data or the manner in which it will be described or has arranged the data in a distinctive way. The court rejected the view that the intellectual effort expended in collecting or coordinating data into a single work was sufficient by itself to warrant protection.<sup>81</sup>

Both the baseball guide in *Eckes* and the bond cards and annual cumulative volume in *Moody's* were listings of factual information whose arrangement was dictated by the subject matter. The baseball cards listed in the Guide were arranged by manufacturer; the data contained on the bond cards and in the annual volume were arranged by issuer. In neither of the works was the manner of arrangement particularly insightful or creative; any author producing works on these subjects would probably have independently decided to use a similar arrangement. Moreover, in the *Moody's* case, and to a lesser extent in the *Eckes* case, the authors exercised little selective judgment about the content of the writings. The bond cards and annual volume purported to cover all called bonds and included only the obviously significant information about the bonds, *e.g.*, name of issuer, and redemption date. The Guide listed all baseball cards made during the designated period and also included only information which was of obvious importance about each card, *e.g.*, manufacturer and player.

In both *Eckes* and *Moody's*, the defendants claimed that their copying was permissible because the works that they had copied were not deserving of copyright protection because the plaintiff's efforts in producing the subject works did not meet minimum levels of originality and creativity. In both cases the Second Circuit turned to the definition of compilation in the 1976 Act to ascertain which of the intellectual efforts involved in producing a compilation warranted protection and then sought to determine whether any of these elements were present in the

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Bruce Publishing Co., 181 F.2d 664 (7th Cir. 1950), the plaintiff had spent several years researching and writing a biography of Hans Christian Anderson which the defendant author had made extensive use of writing her own biography of Anderson. The court held the use to be infringing because the defendant author had conducted only limited research of her own. *Id.* at 667. The *Toksvig* decision has received some criticism as being unduly restrictive. *See, e.g.*, *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 1371-72 (5th Cir. 1981); Gorman, *supra* note 54, at 588-89.

<sup>81</sup> *Moody's*, 751 F.2d at 506; *Eckes*, 736 F.2d at 862-63.

disputed works.<sup>82</sup>

The 1976 Act defines a compilation as "a work formed by the collection and assembling of preexisting materials or of data that are *selected, coordinated, or arranged* in such a way that the resulting work as a whole constitutes an original work of authorship."<sup>83</sup> In *Eckes*, the court focused on the term "selected" and held that copyright protection could extend to intellectual effort involved in selecting material to be included in a compilation.<sup>84</sup> The *Eckes* court found the plaintiff's designation of some of the baseball cards as premium cards and others as common cards to be a selection that warranted copyright. In doing so, the court rejected what it termed the "sweat of a researcher's brow" theory, *i.e.*, that the intellectual effort involved in collecting the data was itself sufficient basis to provide copyright protection.<sup>85</sup> The plaintiffs in *Eckes* were successful in their claim because the defendants had copied only the premium cards and thus had copied the plaintiff's selection, a protectable element.

In evaluating the copyrightability of the bond cards the court in *Moody's* turned, as it did in *Eckes*, to the 1976 Act's definition of compilation and applied the standard it had developed in *Eckes* — the author's work must demonstrate some distinctive selectivity or distinctive arrangement.<sup>86</sup> In *Moody's* no similar element of selectivity was clearly present. FII purported to report on all of the bonds due to be called and made no effort to distinguish between the bonds. The analysis was further complicated by the fact that *Moody's* had copied the bond cards and not the cumulative volume. Though the court seemed to concede that the cumulative volume was copyrightable,<sup>87</sup> it was troubled by the possibility that protection could be extended to the bond cards themselves.<sup>88</sup> The court did not explain what element of

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<sup>82</sup> 751 F.2d at 506; 736 F.2d at 862.

<sup>83</sup> 17 U.S.C. § 101 (1982) (emphasis added). For full text of the provision, see note 94 *infra*.

<sup>84</sup> 736 F.2d at 862-63.

<sup>85</sup> *Id.* This conclusion was not necessary to its decision inasmuch as the author in *Eckes* had clearly demonstrated selectivity. Thus the question of whether the act of collection constituted a protectable act did not need to be reached.

<sup>86</sup> *Moody's*, 751 F.2d at 505-07.

<sup>87</sup> *Id.* at 505.

<sup>88</sup> The opinion did not focus on whether to evaluate the bond cards individually or as a collective unit — the packet mailed out each day. The difference could be significant in determining not only whether the required type or quality of input was present, but

creativity rendered the annual volume copyrightable.<sup>89</sup> Its conclusion that the volume was copyrightable is puzzling because it is difficult to ascertain how the cumulative volume could exhibit the requisite type of selectivity or arrangement, without the bond cards being similarly protectable. Nonetheless, the court found the record to be insufficient to make a determination as to whether FII had met the selectivity standard on the bond cards and it remanded for further fact-finding.<sup>90</sup>

#### D. *Analysis*

The *Moody's* and *Eckes* decisions reject the view that the intellectual effort involved in compiling information is sufficient to constitute the required selection, coordination, or arrangement under the 1976 Act. In these cases the Second Circuit articulated a standard that requires something more of an author before protection will be given. The standard requires that the author make some additional qualitative judgments about the data, for example, which people in a city are worthy of being listed in a social register,<sup>91</sup> or arrange the data in some unusual manner, such as a distinctive chart,<sup>92</sup> or describe the material in a distinctive manner — an original narrative form.<sup>93</sup>

The difficulty with the Second Circuit's position is that it frequently will provide no protection to an author of a non-narrative comprehensive factual compilation. An author whose work has not met this standard could not even prevent a second "author" from photocopying the work and publishing it as his own. Further, the Second Circuit's standard will provide only limited protection for compilations that are copyrightable. Though a

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also whether the quantum of creativity was sufficient to allow protection. See text accompanying notes 125-39 *infra*.

<sup>89</sup> The decision is consistent with the court's earlier decision in *Harper & Row Publishers, Inc. v. Nation Enterprises*, 723 F.2d 199 (2d Cir. 1983), *rev'd*, 105 S. Ct. 2218 (1985). There the Second Circuit, in response to a dissent by Judge Meskill, stated without explanation that compilations that consist of listings of facts, including telephone directories, "are indisputably copyrightable as compilations." 723 F.2d at 202 n.8.

<sup>90</sup> 751 F.2d at 506.

<sup>91</sup> See, e.g., *List Pub. Co. v. Keller*, 30 F. 772, 773 (S.D.N.Y. 1887) (protecting a New York City society directory).

<sup>92</sup> See, e.g., *Deutsch v. Arnold*, 98 F.2d 686 (2d Cir. 1938) (protecting a chart for analyzing handwritings).

<sup>93</sup> See, e.g., *West Publishing Co. v. Edward Thompson Co.*, 176 F. 833, 838 (2d Cir. 1910) (protecting a digest of legal opinions).

compilation might be arranged in a distinctive manner, a second author could take data which had been collected at considerable expense and over an extended period, and with little expense, produce a new work arranged in a different manner. This second work would not be an infringement under the Second Circuit's standard. These results do not seem warranted under either the 1976 Act or the Constitution's copyright clause.

The Second Circuit's position ignores the word "coordinated" in the definition of compilation in the 1976 Act.<sup>94</sup> Although the 1976 Act does not define coordination, the ordinary use of the word includes the intellectual endeavor involved in taking facts which exist in a multitude of places and in a variety of forms and putting them in a single location. The Second Circuit has rejected such a definition.

Nothing in the legislative history of the 1976 Act suggests that the Second Circuit's interpretation is compelled or even correct. The 1976 House Report, which accompanied the 1976 Act as it was reported from Congress, states that, unless otherwise indicated, the 1976 Act adopts the law as it was at the time of its enactment.<sup>95</sup> The 1976 House Report does not indicate that by including a definition of compilation in the 1976 Act there was any congressional intent to alter the law with respect to the copyrightability of factual compilations, and thus, presumably, Congress intended to adopt the law as it was in 1976.<sup>96</sup>

Although the two recent Second Circuit decisions suggest otherwise, for over a century courts have found the act of collection to be an act sufficient of itself to sustain the validity of a copyright for factual compilations. In 1879, Eaton Drone, in his treatise *The Law of Property of Intellectual Productions in*

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<sup>94</sup> The 1976 Act defines compilation as:

a work formed by the collection and assembling of preexisting materials or of data that are selected, *coordinated*, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term "compilation" includes collective works.

17 U.S.C. § 101 (1982) (emphasis added).

<sup>95</sup> See 1976 HOUSE REPORT, *supra* note 22, at 51.

<sup>96</sup> See *id.* at 57 (discussing the dichotomy between an expression and an idea, as embodied in section 102(b)) and at 57-58 (discussing section 103 and explaining that derivative works and compilations are covered by the 1976 Act and limiting the coverage an author may secure for preexisting works contained in the derivative work or compilation).



*Great Britain and the United States*,<sup>97</sup> commented:

The doctrine is well settled in England and the United States, that existing materials selected from common sources, and arranged and combined in an original and useful form, become a proper subject of copyright . . . Such works are often the result of industry, learning, and good judgment, and are useful and valuable contributions to knowledge. They are entitled to, and will receive, the same protection extended to productions wholly original.

These principles have been judicially recognized in the case of the following productions: general miscellaneous compilations; annotations consisting of common materials; dictionaries; books of chronology; gazetteers; itineraries, road and guide books; directories; maps and charts; calendars; catalogues; mathematical tables; a list of hounds; abstracts of title to lands; and collections of statistics, statutory forms, recipes, and designs.<sup>98</sup>

Indeed, the case cited most frequently in support of the proposition that the act of collection permits a copyright to issue is a 1922 decision of the Second Circuit, *Jeweler's Circular Publishing Co. v. Keystone Publishing Co.*<sup>99</sup> There the court, sustaining a decision of then district Judge Learned Hand,<sup>100</sup> stated in dicta:

The right to copyright a book . . . does not depend upon . . . whether such materials show . . . anything more than industrious collection. The man who goes through the streets of a town and puts down the names of each of the inhabitants, with their occupations and their street number acquires material of which he is the author. He produces by his labor a meritorious composition, in which he may obtain a copyright, and thus obtain the exclusive right of multiplying copies of his work.<sup>101</sup>

The *Jeweler's* rule was followed, or had been adopted previously, by courts in the First, Fifth, Sixth, Seventh, Eighth,

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<sup>97</sup> E. DRONE, A TREATISE ON THE LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS IN GREAT BRITAIN AND THE UNITED STATES (1879) [hereinafter DRONE]. Drone's treatise has been cited on numerous occasions by the Supreme Court as an authoritative source on copyright law. *E.g.*, *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 651 (1943); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 346 (1907); *Bleistein v. Donaldson Lithographics Co.*, 188 U.S. 250 (1902) (referring to Drone's commentaries noting the copyrightability of directories).

<sup>98</sup> DRONE, *supra* note 97, at 152-53 (1879 & 1972 photo reprint) (footnotes omitted).

<sup>99</sup> 281 F. 83 (2d Cir.), *cert. denied*, 258 U.S. 581 (1922).

<sup>100</sup> 274 F. 932 (S.D.N.Y. 1921).

<sup>101</sup> 281 F. at 88.

Ninth, Tenth and Eleventh Circuits.<sup>102</sup>

Curiously, although the Second Circuit adopted a different rule, it cited to *Jeweler's* in support of its statement that at least some compilations are protected under the 1976 Act. The court also referred to the case in its discussion of the elements that validate a copyright, such as the act of collection versus qualitative selection, and the competing lines of authority in this area.<sup>103</sup>

The Second Circuit's conclusion was also not compelled by any requirement of the Constitution's copyright clause. The creativity requirement could be satisfied by recognizing that the intellectual effort involved in collecting data by itself satisfies that requirement because such an act can demonstrate "skill or judgment."<sup>104</sup> Facts contained in compilations are generally gathered from widely scattered sources which are in a variety of forms. There is skill and judgment involved in determining where the data can be found, extracting the desired data, and ascertaining which facts should be ultimately included in the compilation. In some instances deciding which facts to include may not be an act of great intellectual magnitude, but requiring a greater level of intellectual effort on the part of compilers would be inconsistent with the low standard of creativity required from authors of other sorts of works.<sup>105</sup>

As noted above, one of the concerns underlying the copyright clause is that a broad monopoly will inhibit the free use of information.<sup>106</sup> Protecting the intellectual effort involved in the

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<sup>102</sup> E.g., *Southern Bell Tel. & Tel. Co. v. Associated Tel. Directory Publishers*, 756 F.2d 801, 809 (11th Cir. 1985) (telephone directory); *Schroeder v. William Morrow & Co.*, 566 F.2d 3, 5 (7th Cir. 1977) (gardening directory); *Southwestern Bell Tel. Co. v. Nationwide Independent Directory Service, Inc.*, 371 F. Supp. 900, 905 (W.D. Ark. 1974) (telephone directory); *Southern Bell Tel. & Tel. Co., v. Donnelly*, 35 F. Supp. 425, 429 (S.D. Fla. 1940) (telephone directory); *Leon v. Pacific Tel. & Tel. Co.*, 91 F.2d 484, 486 (9th Cir. 1937) (telephone directory); *Cincinnati and Suburban Bell Tel. Co. v. Brown*, 44 F.2d 631-32 (S.D. Ohio 1930) (telephone directory).

<sup>103</sup> *Moody's*, 751 F.2d at 505.

<sup>104</sup> See Denicola, *Copyright in Collections of Facts: A Theory for the Protection of Nonfiction Literary Works*, 81 COLUM. L. REV. 516, 530 (1981).

<sup>105</sup> See *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. at 244, quoted *supra* note 73. See also text accompanying notes 65-79 *supra*.

<sup>106</sup> See text accompanying notes 48-49 *supra*; 1 NIMMER, *supra* note 1, at § 2.11. Although the Second Circuit did not discuss this issue in either *Moody's* or *Eches*, it has noted this concern on other occasions. See, e.g., *Miller v. Universal City Studios*, 650 F.2d 1365, 1369-70 (5th Cir. 1981); *Hoehling v. Universal City Studios*, 618 F.2d 972, 978

collection of data need not result in unduly restricting the use of ideas and facts contained in compilations. First, a second author will always be free to independently collect the data and produce a similar work. Second, copying the data in a copyrighted work could be allowed by setting a standard that permits fairly extensive use of the data, especially when the second author has added substantial materials of his own or has significantly altered the form of the work. Third, fairly extensive use of the first work could be permitted under the fair use doctrine.<sup>107</sup>

The Seventh Circuit has taken a strong position in support of the collection theory. In its most significant decision on point, *Schroeder v. William Morrow & Co.*,<sup>108</sup> the plaintiffs sued for an infringement of their copyright on a directory of suppliers of items useful to gardeners. There was no evidence that the plaintiff author had exercised any judgment or skill in choosing or arranging the information in her work. On the contrary, the reported evidence suggests that to the extent her resources allowed, she intended her work to be a comprehensive listing of the field and that the arrangement of the materials was "not novel or original."<sup>109</sup> The defendant had published a book on gardening covering a variety of matters and incorporated information from the plaintiff's book. The defendant's entries on each supplier were briefer than the plaintiff's, and in both books the materials on suppliers were similarly arranged. The Seventh Circuit found the copying to be impermissible, stating that "only 'industrious collection,' not originality in the sense of novelty is required to find a work copyrightable."<sup>110</sup>

The Seventh Circuit reaffirmed its language in *Schroeder* in *Rockford Map Publishers, Inc. v. Directory Service Company of Colorado, Inc.*,<sup>111</sup> noting that a copyright "depended on the fact that the compiler made a contribution — a new arrangement or presentation of facts — and not on the amount of time the work consumed."<sup>112</sup> The court stressed that the author in *Rockford* "made a contribution" by digging through public records and

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(2d Cir. 1980).

<sup>107</sup> See note 22 *supra* (discussing fair use doctrine).

<sup>108</sup> 566 F.2d 3 (7th Cir. 1977).

<sup>109</sup> *Schroeder v. William Morrow & Co.*, 421 F. Supp. 372, 374-75 (N.D. Ill. 1976).

<sup>110</sup> *Schroeder*, 566 F.2d at 5.

<sup>111</sup> 768 F.2d 145 (7th Cir. 1985), *cert. denied*, 106 S. Ct. 806 (1986).

<sup>112</sup> *Id.* at 149.

presenting in its maps the information its search revealed. The court noted that "teasing pictures from the debris left by conveyancers is a substantial change in the form of the information."<sup>113</sup>

The *Schroeder* decision has been interpreted by the district courts in the Seventh Circuit as endorsing the view that the act of collection can be sufficient to provide the basis for a copyright. Utilizing this standard, those courts have found road maps, mileage tables<sup>114</sup> and business directories<sup>115</sup> copyrightable.

In addition, the limited protection provided under the Second Circuit rule cannot be justified by the possibility that authors may obtain relief under state unfair competition/misappropriation law.<sup>116</sup> In many jurisdictions unfair competition/misappropriation laws are applied in a much narrower range of circumstances than federal copyright laws. For example, in some jurisdictions parties must be competitors before a claim can be sustained, and the courts have narrowly interpreted the term competitors.<sup>117</sup> The federal copyright statutes are not similarly restricted in their application. Most importantly, relief under state unfair competition/misappropriation law is unavailable if it is found that such claims are preempted under section 301 of the 1976 Act.<sup>118</sup>

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<sup>113</sup> *Id.*

<sup>114</sup> See, e.g., *Rand McNally & Co. v. Fleet Management Systems, Inc.*, 600 F. Supp. 933, 937-40 (N.D. Ill. 1984) (maps and mileage tables).

<sup>115</sup> See, e.g., *National Business Lists v. Dun & Bradstreet, Inc.*, 552 F. Supp. 89, 94 (N.D. Ill. 1982) (reference works on businesses and their employees).

<sup>116</sup> See note 19 *supra* for a discussion of unfair competition/misappropriation claims. Indeed, the plaintiff in *Moody's* brought a state unfair competition claim as well as a copyright claim. 751 F.2d at 502.

<sup>117</sup> See note 19 *supra*.

<sup>118</sup> Under section 301 of the 1976 Act, 17 U.S.C. § 301 (1982), state protection extending to works within the subject matter of the federal copyright statute is preempted if it provides for rights that are equivalent to those granted under the 1976 Act. It is not clear whether unfair competition/misappropriation claims are preempted.

In four cases decided prior to the adoption of section 301, the Supreme Court considered the issue of federal preemption of state intellectual property claims. In *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) (federal patent preemption) and *Compto Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) (same), the Supreme Court held that state remedies proscribing copying were preempted when they proscribed copying that was permitted under federal law. The reach of these decisions, which seemed to preclude almost all state remedies covering intellectual properties, was limited by *Goldstein v. California*, 412 U.S. 546 (1973) (federal copyright preemption), and *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974) (federal patent preemption). In *Goldstein*, the Court permitted state regulation of sound recordings which, at that

As noted above, the Second Circuit's rule is also troubling insofar as it will permit extensive copying of a factual compilation. Under its reasoning, only the distinctive selection or arrangement warrants protection and if that element is not copied, there would be no violation. Thus, in the *Eckes* case, if the defendants had copied all of the cards and not used merely the "premium" or "star" cards, there would be no infringement. Further, if an arrangement of the data was the only copyrightable element, a new work which copied all of the data in a new arrangement would be permissible. Either of these results would reduce the author's potential for economic reward and, there-

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time, were not covered by the federal copyright statute. The Court held that as to sound recordings, "Congress [had] drawn no balance; rather it [had] left the area unattended" and thus the states were free to regulate. 412 U.S. at 570. In *Kewanee Oil*, the Court held that the state regulation at issue was permissible, even though the federal law covered the works in question. The Court reasoned that the state law did not "clash" with the federal statute, that the state law sought to regulate different yet compatible objectives, and, thus, the state law was not preempted. 416 U.S. at 491-93. These cases were deemed to have permitted state unfair competition/misappropriation remedies. See generally Dannay, *The Sears-Compco Doctrine Today: Trademarks and Unfair Competition*, 67 TRADEMARK REP. 132 (1976).

Under section 301 of the 1976 Act, the federal copyright statute contains, for the first time, an explicit statement on preemption. It is unclear to what extent section 301 alters prior law and whether state misappropriation claims in cases such as *Moody's* are proscribed. The legislative history is unclear. The Department of Justice had lobbied for omission of misappropriation claims from a list of permissible state claims to be included in section 301. That list was subsequently deleted and it is unclear whether the deletion was the result of the Justice Department's successful lobbying or a compromise that simply left the issue unresolved. See Note, *The Misappropriation Doctrine After the Copyright Revision Act of 1976*, 81 DICK. L. REV. 469, 487-90 (1977). Some commentators have suggested that misappropriation claims would be preempted inasmuch as the subject matter, factual compilations, are the subject of the federal statutes and the 1976 Act has left such works available for public use. See, e.g., Denicola, *supra* note 104, at 517-18 n.7. Others have argued that federal copyright protection does not extend to factual compilations per se and thus state protection is not preempted. 1 NIMMER, *supra* note 1, § 1.01[B][2][b]. See generally Mitchell, *Misappropriation and the New Copyright Act: An Overview*, 10 GOLDEN GATE U. L. REV. 587 (1980).

The Second Circuit appears to have accepted the later view. In *Moody's* it held that if FII's copyright claim was valid, the state claim would be preempted, 751 F.2d at 510, apparently reasoning that the two remedies would cover the same subject matter and provide equivalent rights. It further held, however, that if FII's copyright claim did not prevail, "the state claim [would] have to be considered," suggesting that the claims would not be preempted. *Id.* See also *Roy Export Co. Establishment of Vaduz v. CBS*, 672 F.2d 1095, 1106 n.19 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982). But see *Warner Bros. v. American Broadcasting Companies*, 720 F.2d 231, 247 (2d Cir. 1983) ("state law claims that rely on the misappropriation branch of unfair competition are preempted"). Indeed, the district court on remand held that FII's state claim was preempted. *FII/Dist. Ct. III*, No. 81 Civ. 6001, slip op. at 11 (S.D.N.Y. July 10, 1986).

fore, seem inconsistent with the copyright clause's goal of encouraging the production of writing by economic incentive.

E. *The Quantum of Selectivity, Coordination, and Arrangement Required*

Another issue in *Moody's* was the quantitative level of creativity. The copyright statutes have required not only a certain minimum *quality* of creative input, but also a minimum *quantity* of creative input as well. As District Judge Wyzanski stated in *Triangle Publications, Inc. v. New England Newspaper Publishing Co.*:

To constitute a copyrightable compilation, a compendium must ordinarily result from the labor of assembling, connecting and categorizing disparate facts which in nature occurred in isolation. A compilation, in short, is a synthesis. *It is rare indeed that an analysis of any one actual occurrence could be regarded as compilation.* For an account of a single event to be subject to copyright, it must have individuality of expression or must reflect peculiar skill and judgment.<sup>119</sup>

Thus, for example, although a telephone directory could be validly copyrighted, a copyright could not be issued for a piece of paper which merely stated: "Doe, John, 123 Main St, 555-5151." This "writing" would not meet the quantum of creative input required by the statute, under either the coordination theory or the selectivity theory.

Although no bright-line rule has been or should be established to determine whether the quantity of creativity is sufficient, there are a variety of factors which could be considered when a determination is made. Consideration might be given to factors such as the size of the writing, whether the expression is highly unusual or distinctive, and whether others contemplating the subject would be likely to produce a similar result. A court could review as well whether the writing reflects any unusual coordination of facts, what form the data was in prior to its compilation, how intellectually difficult it was to locate the data, and the extent of the labor involved in producing the work.<sup>120</sup>

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<sup>119</sup> 46 F. Supp. 198, 201 (D. Mass. 1942) (emphasis added).

<sup>120</sup> See, e.g., *Rand McNally & Co v. Fleet Management Systems, Inc.*, 600 F. Supp. 933, 934-40 (N.D. Ill. 1984) (data collected from city, county, and state maps; however, Rand McNally manipulated information to obtain accurate mileage and updated mileage data).

It was not clear during the appeal in *Moody's* whether FII had exercised the requisite type or quantity of intellectual input in producing any individual bond card for the card to be copyrightable under either the standard announced by the Second Circuit or under the collection theory. Although the plaintiff introduced evidence on this issue during the remand, the district court analyzed this issue largely on the basis of information submitted during the first hearing. It appears from the court's decision that the information on each card was gathered principally from a single source, a call notice or tombstone in a newspaper. In some instances, the FII staff found it necessary to check the information or collect additional information from another source.<sup>121</sup> As the district court correctly held, the effort was insufficient to warrant protection under the selectivity theory.<sup>122</sup> The district court on remand did not evaluate FII's coordinative effort. The evidence reported in the opinion, however, suggests that no significant coordinative effort was required to produce any single bond card. If so, the coordinative effort would be minimal and the bond cards would not be individually copyrightable.<sup>123</sup>

Also left unresolved was the question of whether the packets of bond cards mailed on a daily basis to subscribers contained an adequate amount of selectivity or coordination to be copyrighted.<sup>124</sup> The record on appeal and on remand is insufficient to provide a resolution of this issue as well. It does appear as if some coordinative effort was involved; the call notices were not published in any single place and FII had to make determinations as to which resources should be reviewed or contacted in order to transform the various notices into its bond cards.

### III. SERIALIZATION

The plaintiff in *Moody's* argued, and the district court agreed, that the copyrightability of the bond cards should be

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<sup>121</sup> *FII/Dist. Ct. III*, slip op. at 7.

<sup>122</sup> *Id.* at 7-8.

<sup>123</sup> See Exhibit 1-1980 N. 4, Plaintiff's Memorandum in Opposition to Defendant's Motion for Summary Judgment, *Financial Information Inc. v. Moody's*, 751 F.2d 50 (2d Cir. 1984).

<sup>124</sup> It should be noted that there is no evidence in either the district or circuit court opinions that FII made any effort to obtain a copyright on the packets of cards. Thus it would be unlikely that the packets could be protected under the facts of the case.

viewed in light of the existence of FII's annual volume. Under this reasoning, because the annual volume could be copyrighted, and it was produced by compiling the cards, the bond cards could gain their copyright protection from the annual volume even if the individual bond cards could not be copyrighted standing by themselves. The district court noted:

In amassing its bond data [for the annual volume], FII is not just assembling a handful of statistics about a single, solitary occurrence, but is instead weaving together into a handy, coherent entity thousands of facts . . . . To accord copyright protection to the annual compilation but deny it to each daily component would negate the value of the protection accorded the yearly compilation . . . . Just as an annual aggregation of called bond data should be considered a compilation, so, too should each serial ingredient.<sup>125</sup>

The Second Circuit did not resolve this issue noting that the evidence in the record did not reveal whether the annual cumulative volume served any real purpose.<sup>126</sup> On remand the district court found that the volume served only a historical or preservation function.<sup>127</sup> As noted above, information about bond redemptions is generally utilized before the redemption. After the redemption date, interest is not paid. The annual volume, therefore, has no real significant purpose. The packets of bond cards were not merely steps in the creation of a larger end product but were the end product themselves. The district court correctly found that FII should not be able to gain a copyright on an otherwise uncopyrightable work by production of a useless volume.

Even if the annual volume served a legitimate function, it would be inconsistent with much of the copyright law to permit published bond cards (or packets of bond cards) to gain a copyright merely because they were later collected into an annual volume. The point of publication is a significant event in the life of a writing. It is at this juncture that the author has chosen to make his writing public, to reveal his private decision-making, to relinquish his ability to change or alter the work, to distribute it to the public, to receive a financial reward for the work and to relinquish physical control over copies. It is at this point that

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<sup>125</sup> *FII/Dist. Ct. I*, 599 F. Supp. at 998.

<sup>126</sup> *Moody's*, 751 F.2d at 507.

<sup>127</sup> *FII/Dist. Ct. III*, slip op. at 8-9.



copyrightability should be determined, not later.

In a variety of circumstances, the point at which a work is published has been found to be an event of considerable legal significance when determining the nature or extent of the protection an author has in his work. For example, in *Harper & Row v. Nation Enterprises*<sup>128</sup> the Supreme Court, in evaluating the range of permissible fair use<sup>129</sup> of President Ford's autobiography, gave considerable significance to the fact that Ford had not yet published the work. The Court was apparently quite concerned that the use of his materials substantially reduced the economic return which would be available upon publication.<sup>130</sup> Similarly, in *Public Affairs Associates v. Rickover*,<sup>131</sup> the Court of Appeals for the District of Columbia found the public distribution of the speeches of Admiral Rickover sufficient to divest him of common law copyright.<sup>132</sup>

The physical transfer of the writing in return for consideration is also recognized in caselaw and statute as the point at which the author loses the right to control sales of that copy of the writing and loses as well the right to prevent the destruction or physical alteration of that copy.<sup>133</sup> Furthermore, an author cannot generally secure a copyright on those component parts of a compilation that were in the public domain when he publishes a larger work containing this public domain material.<sup>134</sup> When

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<sup>128</sup> 105 S. Ct. 2218 (1985).

<sup>129</sup> See note 22 *supra* for a discussion of the doctrine of fair use.

<sup>130</sup> 105 S. Ct. at 2234.

<sup>131</sup> 284 F.2d 262, 270-71 (D.C. Cir. 1960), judgment vacated on other grounds, 369 U.S. 111 (1962), on remand, 268 F. Supp. 444 (D.D.C. 1967).

<sup>132</sup> *Id.* See also *American Visuals Corp. v. Holland*, 239 F.2d 740, 744 (2d Cir. 1956); *Atlantic Monthly Co. v. Post Publishing Co.*, 27 F.2d 556, 559 (D. Mass. 1928).

<sup>133</sup> 17 U.S.C. § 109(a) (1982) ("Notwithstanding the provisions of section 106(3) [exclusive right to distribute], the owner of a particular copy or phonorecord . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."). See also *Fawcett Publications, Inc. v. Elliott Publishing Co., Inc.*, 46 F. Supp. 717, 718 (S.D.N.Y. 1942) (defendant may purchase second-hand copies of plaintiff's comics and bind them together with other comics and sell with the words "Double Comics" thereon). But see *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14, 23-24 (2d Cir. 1976) (preventing alterations of a copy of a work under the 1976 Act and section 43(a) of the Lanham Trade-Mark Act, 15 U.S.C. § 1125(a)) (1982); CAL. CIV. CODE § 987(c) (West 1986) (limiting ability of owner of a copy of a work of fine art to alter or destroy copy); N.Y. Arts and Cultural Affairs Law § 14-03 Gen. Bus. Law (McKinney Supp. 1985) (limiting owner's ability to display an altered copy of a work of fine art).

<sup>134</sup> 17 U.S.C. § 103 (1982). See 1976 HOUSE REPORT, *supra* note 22, at 57-58.

an author has treated the components in a manner that results in their entering into public circulation, no different result should accrue merely because he intends to place the segments in a larger compilation which would receive a copyright.

The publication of FII's bond cards caused a number of significant events to occur: the cards were made public; decisions as to content and any necessary selection or coordination could no longer be altered; the bond cards were distributed widely; FII received compensation for its sale of the cards; and the subscribers to the Bond Service were free to retain or destroy the cards. These significant events suggest that the copyrightability of the bond cards should be determined at the point of publication rather than at some future time, such as when an annual volume is published.

The *Moody's* case is very similar to *Holmes v. Hurst*,<sup>135</sup> a case that involved *The Autocrat of the Breakfast Table*, a book by Oliver Wendell Holmes. Holmes had published portions of the work in twelve successive volumes of the magazine *The Atlantic Monthly*. No copyright was secured on any of the issues of the magazine and no copyright was registered on Holmes's work until after the entire work had been published. The defendant had copied and sold portions of the book.<sup>136</sup> The issue in the case was whether the prior serial publication of the book nullified the attempts to secure a copyright for the book. The Court noted that the copyright attached "to that arrangement of words which the author ha[d] selected to express his ideas," which he alone had the right to determine, and that copyright attaches to those words, if at all, at the point at which he chose to publish his work.<sup>137</sup> The Court held that the author could not secure a copyright on his book after he had published his work, even when serially published.<sup>138</sup> Similarly, FII should not receive a copyright for its bond cards merely because of its later efforts to obtain copyright protection after the cards have been published.

The district court in *Moody's* was concerned that unless the bond cards were copyrightable someone would be able to legally

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<sup>135</sup> 174 U.S. 82 (1899).

<sup>136</sup> *Id.* at 84.

<sup>137</sup> *Id.* at 86-87.

<sup>138</sup> *Id.* at 89.

copy a work in progress. That result would not necessarily be inevitable. Generally, an author will not reveal or publish his work until produced in a copyrightable form. Prior to that time the author's right of first publication will protect him from a copier.<sup>139</sup>

FII chose to publish small segments of its annual volume and to reap the financial benefits of early publication. If those segments are too small to warrant protection, FII should bear the cost of such a decision, namely the loss of copyright.

## CONCLUSION

The Second Circuit's decisions in *FII v. Moody's* and *Eckes v. Card Prices Update* have substantially limited the ability of authors of comprehensive compilations to receive copyright protection, thus limiting their ability to prevent others from copying their works. The decisions are not mandated by the 1976 Act, the U. S. Constitution, or prior caselaw. The route the Second Circuit has chosen is unfortunate. By severely restricting the copyright protection afforded factual compilations, the court has reduced the financial awards ordinarily available to those producing comprehensive works.

In the future, authors of comprehensive works may well hesitate to devote the time and energy so necessary to the production of this type of work. The inexorable result can only be significant erosion of the federal copyright statute's mandate to "promote the Progress of Science and useful Arts."<sup>140</sup>

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<sup>139</sup> 17 U.S.C. § 106(3) (1982). See also *Harper & Row v. Nation Enterprises*, 105 S. Ct. at 2232-33.

<sup>140</sup> U.S. CONST. art I, § 8, cl. 8.