New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau

TSB-A-87(1)S
Sales Tax
December 12, 1986

STATE OF NEW YORK
STATE TAX COMMISSION

ADVISORY OPINION PETITION NO. S830822A

On August 22, 1983, a Petition for Advisory Opinion was received from Trademark Service Corporation, 747 Third Avenue, New York, New York 10017.

The issue raised is whether the services performed by Petitioner are subject to the sales tax imposed under Section 1105(c)(1) of the New York Tax Law.

Petitioner states that it owns and maintains the trademark records of the U.S. Patent and Trademark Office and that it has compiled and is continuously updating an "extensive library of common law marks, and a comprehensive list of unregistered marks from magazines and specialized journals". Petitioner uses this information, which has been compiled by it on more than 5.4 million index cards, along with the background and the experience of the researcher to compile a "personalized and customized reports to the legal profession."

A schedule of charges supplied with the Petition lists the following search categories, as developed by the Petitioner:

(1) STATE SEARCH

Search of the trademark records of the fifty individual states.

(2) FEDERAL SEARCH

Search of the trademark records of the United States Patent and Trademark Office, covering registered published and pending marks, including records of cancellations, assignments, abandonments and oppositions.

(3) EXTENDED SEARCH

Search of the trademark records of the fifty individual states, common law marks and business titles.

(4) INDEX SEARCH

Search of applicants' and registrants' files.

(5) DESIGN SEARCH

United States Patent Office Records only. Search covers primary and related classes.

(6) COMPREHENSIVE SEARCH

Standard search; includes (1) through (4) above.

(7) ALL-CLASS COMPREHENSIVE SEARCH

Search of a word mark in all classifications, covering all areas of our searching facilities.

In each search request, the client simply selects a search plan and states the trademark and the product or services to which it applies. The flat fees charged in 1983 ranged from $75.00 for a State or Federal Search to $375.00 for the All-Class Comprehensive Search.

Copies of completed search reports appended to the Petition list, on a standardized form under pre-printed categories, trademark applications and registrations of the U.S. Patent Office (with photocopies of Petitioners file cards attached), marks listed in trade directories, state registrations, and excerpts from a list of business titles relating to the trademark. The search reports contain neither narrative, nor comments or opinions of the researcher.

Section 1105(c)(1) of the Tax Law imposes a tax on the receipts from every sale, except for resale, of: "The furnishing of information by printed, mimeographed or multigraphed matter or by duplicating written or printed matter in any other manner, including the services of collecting, compiling or analyzing information of any kind or nature and furnishing reports thereof to other persons, but excluding the furnishing of information which is personal or individual in nature and which is not or may not be substantially incorporated in reports furnished to other persons. . . ."

The collecting, compiling or analyzing of information of any kind or nature and the furnishing of reports thereof to other persons constitutes the rendering of an information service. 20 NYCRR 527.3(a)(2). The reports furnished by Petitioner consist of information which has been collected, compiled or analyzed. Therefore, the sale of these reports constitutes the rendering of an information service within the meaning of the statutory provision set forth above.

The first of the two criteria which must be met to exclude Petitioner's reports from taxation is that the information supplied must be "personal or individual" in nature. Petitioner maintains that, in searching for exact trademarks, different searches would obtain the same result; however, a search beyond the exact trademarks would generally produce different results. This difference is due, according to Petitioner, to the "suggestion or association" method which allows the searcher to employ his own experience to develop the search. Thus, the report furnished by Petitioner, while utilizing information in its files, is described as a personalized effort based on the information given to the searcher and is designed individually in conformity with the requesting attorney's unique needs and interests.

In the Matter of New York Life Insurance Co. v. State Tax Commission, 80 AD 2d 675, aff'd. no op 55 NY 2d 760, confidential character reports prepared by licensed detective agencies were deemed to be personal or individual in nature by virtue of the fact that the interview phase of the investigations, the primary basis of the report, was tailored in each instance to the specifications of the client. However, in the Matter of Twin Coast Newspapers, Inc., v. State Tax Commission, 101 AD 2d 977, the Court held that information is not personal or individual in nature merely because it is compiled for a specific person. The information must be of the uniquely personal nature contemplated by the statute in order to come within the purview of the exclusion. Thus, information which has been published elsewhere and which is merely complied to the specifications of a particular person is not personal or individual in nature.

The requirement that the information furnished be of a uniquely personal nature also formed the basis for the determination of the State Tax Commission in the Matter of Towne-Oller & Associates, Inc., TSB-H-85(36)S; aff'd. 502 NYS2d 544(1986). In that instance, Towne-Oller provided information reports to manufacturers of health and beauty aids. The information provided by Towne-Oller was used by its customers to determine whether the manufacturers' products were in stock in the appropriate distribution outlets. The Tax Commission, citing Twin Coast, concluded that the fact that some of the reports were prepared to a customer's specifications did not in and of itself, render the reports personal or individual in nature and held further that the information provided by Towne-Oller was not of the uniquely personal nature contemplated by the Tax Law 1105(c)(1).

Additionally, in Allstate Insurance Company v. Tax Commission of the State of New York, 115 A.D.2d 831 (1985), Department of Motor Vehicle reports (MVR's) were held to not qualify as personal and individual in nature. The court held that "[t]his exclusion (Tax Law 1105(c)(1)) refers to uniquely personal information and does not apply to information filed with a governmental agency as a public record to which there is unlimited public access" (citations omitted).

Unlike Towne-Oller, Petitioner engages in the marketing of information which it has gathered, not for a particular client, but for the purpose of compiling and keeping up-to-date the repository of data which constitutes the stock-in-trade of its business. Moreover, this information is collected from public records of governmental agencies and publications and is therefore not of the uniquely personal and individual character required by the statute.

The second criterion of the exclusionary portion of the statute is that the information "is not or may not be substantially incorporated in reports furnished to other persons."

Petitioner urges that the information contained in the reports it furnishes to its customers "may not be substantially incorporated in reports furnished to other persons," because of the applicability of the attorney-client privilege and the work-product immunity doctrine. (Petitioner performs its trademark search service exclusively for attorneys.) The attorney-client privilege is embodied in CPLR 4503, which provides, in pertinent part, as follows:

> Unless the client waives the privilege, an attorney or his employee, or any person who obtains without the knowledge of the client evidence of a confidential communication made between the attorney or his employee and the client in the course of professional employment, shall not disclose, or be allowed to disclose such communication, nor shall the client be compelled to disclose such communication in any action, disciplinary trial or hearing, or administrative action, proceeding or hearing conducted by or on behalf of any state, municipal or local governmental agency or by the legislature or any committee or body thereof.

It will be readily seen, from the very language thereof, that CPLR 4503 relates to confidential communications between an attorney (or an employee of an attorney) and the attorney's client, and prohibits the disclosure thereof in specified actions, disciplinary trials or hearings, or administrative actions, proceedings or hearings. Such provision does not relate to information gathered by an attorney from sources other than his or her client, and does not prohibit the disclosure of such information by such outside source. King v. Ashley, 179 N.Y. 281 (1904) (decided under a predecessor provision). Nor does the attorney's work-product doctrine compel any other conclusion. Such doctrine, as set forth in the leading case in the area, Hickman v. Taylor, 329 U.S. 495, does not provide for an absolute privilege attaching to every document in an attorney's hands and in every possible situation. Rather, it protects such materials from disclosure in a discovery proceeding conducted in connection with a judicial proceeding, where there is no "showing of necessity or any indication or claim that denial of such production would unduly prejudice the preparation of [a litigant's] . . . case or cause him any hardship or injustice." In the present matter we are concerned with neither a discovery proceeding nor a document in an attorney's files. Rather, the question is whether Petitioner is prohibited from incorporating in a report to one customer information contained in a report sold to a previous customer. Even if business ethics were to prohibit the disclosure of the fact of Petitioner's dealings with a particular customer, there is no prohibition, arising from either the attorney-client privilege or the attorney's work-product doctrine, which would prevent Petitioner from selling to a customer a report substantially incorporating data included in a report furnished to a prior customer.

Petitioner contends, finally, that its reports satisfy the "is not" test of the statute.

Petitioner represents that in thirty-one years of business, it has not incorporated the results of one report into another, and that because of the danger of inaccuracy, the searchers are permitted access to past search reports as an additional reference only after the customized report is completed. Searchers are not permitted access to old search reports to aid them in compiling new reports.

Petitioner emphasizes the circumstances that its employees do not initially work from previously issued reports in preparing new reports, using the old reports "only to double-check search requests for an identical name or trademark after the new report is completed". However, the fact that old reports may ultimately be used for reference implies the existence of prior reports which are of value to the searcher, because they are essentially similar to the new report. The statute, moreover, does not require that a report itself be used as a basis for later reports, but only that the information embodied therein be substantially incorporated in reports to others.

Sales tax regulation section 527.3(a)(3) provides the following example:

Example 4: A computer service company owns a service program consisting of analyses of law cases and statutes. It is asked by a customer to research all references to the word "assessment". The fee for the printout received by the customer constitutes a taxable receipt from an information service, as the citations listed may be given to another subscriber requesting the same information.

Since, from Petitioner's description of its activities, it appears likely that the information contained in a report issued to one customer has been substantially incorporated in reports to other on previous occasions, it can reasonably be anticipated that the information will be so used in the future.

Accordingly, Petitioner's information services do not meet the criteria for exclusion from the tax imposed under Section 1105(c)(1) of the Tax Law, and its receipts from the sale of search reports are subject to the applicable state and local sales taxes.

DATED: December 12, 1986

s/FRANK J. PUCCIA
Director
Technical Services Bureau

NOTE: The opinions expressed in Advisory Opinions are limited to the facts set forth therein.