

No. 01-7912

IN THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

RANDOM HOUSE, INC.,
Plaintiff-Appellant,

v.

ROSETTA BOOKS LLC and ARTHUR M. KLEBANOFF,
Defendants-Appellees.

On Appeal from the United States District Court
for the Southern District of New York

INTEREST OF AMICUS CURIAE

The Association of American Publishers, Inc. (AAP) is the national association in the United States of publishers of general books, textbooks and educational materials.¹ The AAP's approximately 300 members include most of the major commercial book publishers in the United States and many smaller or non-profit publishers, including university presses and scholarly associations. AAP members publish most of the general, educational and religious books and materials produced in the United States. With the written consent of each of the parties, the AAP submits this *amicus curiae* brief supporting Random House, Inc., and reversal.

The decision below is of great concern to publishers, for two reasons. First, the district court's opinion makes a series of errors — concerning both general

¹Pursuant to its obligation under FRAP 26.1, the AAP notes that it has no parent corporation and no publicly held companies own more than 10% of its stock.

principles in new use cases and book publishing agreements generally — that threaten mischief even in cases involving different contractual terms. Second, the breadth of the district court’s sweeping errors has the effect of threatening the economic structure that has permitted publishers to continue in business notwithstanding the risks that most books will *not* be economically successful, and the reality that it is the success of some limited number of works, which constitute a publisher’s backlist, that permit investment in new authors and new works not likely to have blockbuster appeal. The decision below is nothing but an open invitation to cream-skimming, which threatens substantial damage to the very revenues that permit publishers to publish new authors and new works, particularly works likely to appeal at most to relatively narrow audiences.

It is no secret — indeed, it has been widely reported — that the number of publishers has shrunk in recent years and that publishers who select, edit, and market texts for readers, particularly publishers of quality literary works, have been hard pressed in recent years to continue making the profits that can sustain the investments in new works that enrich the nation’s intellectual life. The district court’s broad decision sanctioning Rosetta’s attempt to cherry-pick an established publisher’s most successful backlist works, and avoid the risks of publishing untested titles by selling its most successful backlist titles to prospective readers in a different format, would greatly shrink any publisher’s ability to exploit its backlist, even though “without a successful backlist, a house would have to publish a high percentage of money- making books each year — something that is difficult to do.” McDowell, *Publishing’s Backbone: Older Books*, N.Y. Times, March 26, 1990, at D12. Without a backlist, publisher’s ability to publish new works, and thereby serve the creation-inducing function of copyright law, is correspondingly diminished.

The decision below thus threatens substantial harm to the nation's readers by holding that even under contracts that can reasonably be to provide publishers rights to publish works in ebook format, publishers' exclusive rights to publish books for readers must be shared, and their investments may be disregarded and set at nought by the simple expedient of licensing their competitors to publish the very same texts, to the same readers and in the same markets, in electronic format. Under the district court's view, the existing markets for which publishers have contracted — covering persons who want to read texts, black print against a white background, word by word, start to finish — may be invaded by competitors notwithstanding solemn contracts honorably complied with, so long as the resulting books will be read on some medium other than paper and ink.

The AAP submits this *amicus curiae* brief to demonstrate how unfaithful the decision is to the Second Circuit's longstanding approach to determining whether alleged new uses are within existing licenses, or beyond their scope.

ARGUMENT

I. THE DISTRICT COURT MISAPPLIED THIS COURT’S NEW USE PRECEDENTS BY FAILING TO ALLOW THE LICENSEE TO “PURSUE ANY USES THAT MAY REASONABLY BE SAID TO FALL WITHIN THE MEDIUM AS DESCRIBED IN THE LICENSE” AND BY APPLYING INSTEAD A “MOST REASONABLE INTERPRETATION OF THE GRANT” TEST THAT THE SECOND CIRCUIT AND LEADING COMMENTATORS HAVE REJECTED.

A. *Bartsch v. Metro-Goldwyn Mayer* Required the District Court to Determine Whether the Grants to Random House “Could Reasonably Be Said to Fall Within the Medium as Described in the License,” and If So to Uphold Random House’s Claim.

More than thirty years ago — before many of the contracts at issue in this dispute were formed — Judge Henry Friendly charted the course this Court has taken in so-called new-use cases, where the issue is whether a license previously granted includes a use technologically infeasible or not clearly envisioned at the time the license was granted. With characteristically clear and direct reasoning, Judge Friendly wrote:

[A]ny effort to reconstruct what the parties actually intended nearly forty years ago is doomed to failure. In the end, decision must turn, as Professor Nimmer has suggested . . . on a choice between two basic approaches more than on an attempt to distill decisive meaning out of language that very likely had none. As between an approach that “a license of rights in a given medium (e.g., ‘motion picture rights’) includes only such uses as fall within the unambiguous core meaning of the term (e.g., exhibition of motion picture film in motion picture theaters) and exclude any uses which lie within the ambiguous penumbra (e.g., exhibition of motion picture film on television)” and another whereby “the licensee may properly pursue any uses which may reasonably be said to fall within the medium as described in the license,” he prefers the latter. So do we.

Bartsch v. Metro-Goldwyn-Mayer, Inc., 391 F.2d 150, 155 (2d Cir. 1968). Explaining the reasons for preferring the analytical approach the Court was adopting, Judge Friendly wrote:

If the words are broad enough to cover the new use, it seems fairer that the burden of framing and negotiating an exception should fall on the grantor; if Bartsch or his assignors had desired to limit “exhibition” of the motion picture to the conventional method where light is carried from a projector to a screen directly beheld by the viewer, they could have said so. A further reason favoring the broader view in a case like this is that it provides a single person who can make the copyrighted work available to the public over the penumbral medium, whereas the narrower one involves the risk that a deadlock between the grantor and the grantee might prevent the work’s being shown over the new medium at all.

Id., 391 F.2d at 155. The fundamental point was that grantees are generally entitled “to rely on general words that were sufficiently broad,” since grantors are well positioned to use narrower language or to insist on specified exclusions. *Id.*, 391 F.2d at 154-55.

B. *Boosey & Hawkes v. The Walt Disney Company* Followed *Bartsch* and Also Required the District Court to Determine Whether the Grants to Random House “Could Reasonably Be Said to Fall Within the Medium as Described in the License.”

The Court expressly adhered to *Bartsch* in *Boosey v. Hawkes Music Publishers, Ltd. v. The Walt Disney Company*, 145 F.3d 481 (2d Cir. 1998). Reversing a district court’s grant of summary judgment for the licensor,² which had been made on the same “most reasonable reading of the contract” approach taken here by Judge Stein, Judge Leval’s opinion for a unanimous panel held that *Bartsch* “continues to articulate our ‘preferred’ approach to new-use questions, Nimmer, § 10.10[B] at 10-91” *Boosey*, 145 F.3d at 488. The Court quoted the central passage from *Bartsch* reproduced above, and again addressed itself to the “two principal approaches” identified in the Nimmer treatise, the second of which is “that the licensee may properly pursue *any uses* that may reasonably be said to fall within the medium as described in the license.” *Boosey*, 145 F.3d at 486. Expressly tying its holding to *Bartsch* and the second position identified in the Nimmer Treatise, Judge Leval wrote:

Nimmer expresses clear preferences for the latter approach on the ground that it is “less likely to prove unjust.” As Judge Friendly noted in *Bartsch*, “So do we.”

Id. at 487. Emphasizing that under *Bartsch* the question is whether the grant may reasonably be read to reach the use in question (regardless of whether it is best read that way), not the *most* reasonable reading of a license, the panel wrote:

We acknowledge that a result which deprives the author-licensor of participation in the profits of new unforeseen channels of distribution is not an altogether happy solution. Nonetheless, we think it more fair and sensible than a result that

²*Boosey & Hawkes Music Publishers, Ltd. v. The Walt Disney Company*, 934 F. Supp. 119, 124 (S.D.N.Y. 1996).

would deprive a contracting party of the rights reasonably found in the terms of the contract it negotiates.

Id. The *Boosey* panel again mentioned, as Judge Friendly had, reasons for its approach to new use cases:

Other significant jurisprudential and policy considerations confirm our approach to new-use problems. We think that our view is more consistent with the law of contract than the view that would exclude new technologies even when they reasonably fall within the description of what is licensed. Although contract interpretation normally requires inquiry into the intent of the contracting parties, intent is not likely to be helpful when the subject of the inquiry is something the parties were not thinking about. See Nimmer, § 10.10[B] at 10-90 (noting that usually "there simply was no intent at all at the time of execution with respect to . . . whether the grant includes a new use developed at a later time"). Nor is extrinsic evidence such as past dealings or industry custom likely to illuminate the intent of the parties, because the use in question was, by hypothesis, new, and could not have been the subject of prior negotiations or established practice . . . Moreover, many years after formation of the contract, it may well be impossible to consult the principals or retrieve documentary evidence to ascertain the parties' intent, if any, with respect to new uses. On the other hand, the parties or assignees of the contract should be entitled to rely on the words of the contract.

Making plain its adherence to the binding precedent of *Bartsch*, Judge Leval concluded by emphasizing that "Bartsch therefore continues to articulate our "preferred" approach to new-use questions, Nimmer, § 10.10[B] at 10-91"³

³While *Boosey* was explicit in following *Bartsch*, we recognize that it contains some language that might be read as adopting the very approach that *Bartsch* squarely rejected — looking for the "most reasonable" reading, and requiring any exception from *that* reading be justified by the party seeking an exception. *Bartsch*'s very holding, however, "turn[ed]" on its adoption of Professor Nimmer's "second position," under which "the licensee may properly pursue any uses which may reasonably be said to fall within the medium as described in the license," 391 F.3d at 155, and Judge Friendly's opinion for the panel held that the governing analysis looks to whether the license may reasonably be read to encompass the new use, not to which is the most reasonable reading. Not only should *Boosey*'s expressly affirmed fidelity to *Bartsch* be taken at face value, but it must be, as the panel was not free to

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C. *Bartsch* states the New York contract law rule for new use cases.

Unlike the Ninth Circuit, this Circuit has declined to craft or apply a federal common law rule for new use cases, preferring to apply state law contract rules. *Compare Bartsch*, 391 F.2d at 153, 155 n.3 (applying New York law) *with S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989) (federal common law based on “federal copyright law or policy”). Notably, the Appellate Division, First Department, has agreed that *Bartsch* correctly discerned the New York contract law rule for these circumstances.

In *Tele-Pac, Inc. v. Grainger*, 168 A.D.2d 11, 18 (1st Dep’t 1991), the Appellate Division acknowledged the “new use” doctrine in New York, and noted, applying the *Bartsch* methodology, that the specific grant of rights at issue in that case (i.e., the right to exhibit films by television or other similar device) could not be interpreted to encompass videocassette distribution rights, because such rights did not fall within the “ambiguous penumbra” of the terms used in the agreement. *Id.* (citing *Bartsch* and 3 NIMMER ON COPYRIGHT § 10.10[B], at 10-86).

Notable as well is *Kirke La Shelle Co. v. Paul Armstrong Co.*, 263 N.Y. 79, 90 (1933), where the Court of Appeals held that a contract wherein the parties agreed to share equally in revenues derived from the production of a stage play required the author to pay half the proceeds from a “talkie” movie production of the play to his counterparts, because to hold otherwise would render valueless the right conferred by the contract. *Id.* Thus, the court determined that, even though the mode of exploitation at issue in *Kirke La Shelle Co.* was unknown at the time of contracting, there was an implied obligation on the part of the grantor “not to do

depart from *Bartsch* and its rationale. *BankBoston N.A. v. Sokoloski*, 205 F.3d 532, 535 (“this court is bound by a decision of a prior panel unless and until its rationale is overruled, implicitly or expressly, by the Supreme Court or this court *en banc*.”) (internal citations omitted); *Kushner v. King*, 219 F.3d 115, 117 n.4 (2d Cir. 2000) (same), *rev’d on other grounds*, 121 S. Ct. 2087 (2001).

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anything to destroy or ignore appellant's rights under the contract" *Id.* at 83, 90.

D. The "Second Position Described by Nimmer," Which the Second Circuit Adopted in *Bartsch* and *Bourne* and the Appellate Division Has Followed, Is Less Likely to Prove Unjust, and Courts Are Better Equipped to Determine the Outer Limits of the Reasonable Meaning of a Term Than to Identify the True Intent of the Parties That Generally Never in Fact Existed.

Because *Bartsch* relied on and expressly adopted Professor Nimmer's suggestion that "In the end, decision must turn . . . on a choice between two basic approaches more than on an attempt to distill precise meaning out of language that very likely had none," 391 F.2d at 155, because it further adopted the second of the two approaches he described for the reasons Nimmer himself preferred that position, and because *Boosey* preferred that same approach as well, a closer look at Professor Nimmer's reasoning is warranted.

After considering the approach which tries to decode what a grant term means at its core (which is the approach that Judge Stein took), Professor Nimmer turned to

[t]he other alternative, and the one that it is believed is to be preferred, namely "to hold that the licensee may properly pursue any uses that may reasonably be said to fall within the medium as described in the license. This would include uses within the ambiguous penumbra because if whether or not a given use falls within the description of the medium is ambiguous, it must, by definition, mean that it is within the medium in a reasonable sense (albeit this is not the only reasonable sense). "In other words, the question before the court is not whether he [the licensee] gave the words the right meaning, but whether or not the words authorized the meaning he gives them.

Nimmer § 10.10[B], at 10-90 (2001) (footnotes omitted).

Professor Nimmer's extended justification for this second, "preferred" approach made plain that it focuses on the reasonably apprehendable breadth of the grant, not on any attempt to discern what the parties "intended" through the traditional tools of contract interpretation:

This approach commends itself in part because the courts are equipped to determine the outer limits of the reasonable meaning of a term when it may well be impossible to locate a supposed true and single intent of the parties that generally never in fact existed. It further appears preferable to the strict construction alternative first suggested above because it is less likely to prove unjust. Remember that the licensor has consented to the use of a term (*e.g.*, motion picture rights) that under one, although not the only, reasonable meaning includes the ambiguous penumbra . . . [I]n weighing these two alternative possibilities [either that the parties intended the broader grant, or that neither did or would have intended such meaning], the decisive fact (in the absence of direct evidence of intent) is that both parties agreed to include a term that in its ambiguity was capable of the extended meaning. In such circumstances, it is surely more arbitrary and unjust to put the onus on the licensee by holding that he should have obtained a further clarification of a meaning that was already present than it is to hold that the licensor should have negated a meaning that the licensee might then or thereafter rely on.

Nimmer § 10.10[B], at 10-90 through 10-91 (2001) (footnotes omitted).

E. The District Court Erred by Failing to Determine Whether the Grants to Random House “Could Reasonably Be Said to Fall Within the Medium as Described in the License,” and by Looking Instead For the “Most Reasonable Interpretation of the Grant in the Contracts.”

It requires no extended discussion to establish that the decision below rests on the very opposite of the approach mandated by *Bartsch* and *Boosey*. The district court did not ask, or decide, whether ebooks could reasonably be said to fall within the grants “to publish and sell the work in book form.”

Instead, the district court focused on precisely question that *Bartsch* held is the wrong question, namely what is the “most reasonable interpretation of the grant in the contracts at issue.” 2001 U.S. Dist. LEXIS 9456 * 19 (S.D.N.Y. July 11, 2001). The district court attempted to discern the “intent by these authors,” which *Bartsch* noted was likely to be a fruitless inquiry, and couched its ultimate finding in terms of “the most reasonable interpretation of the grant in the contracts at issue.” *Id.* In doing so, it used tools designed for deciding what the parties’ intent was, notwithstanding the teaching of *Nimmer*, and the holdings of *Bartsch* and *Boosey*, that such a search is “doomed to failure.” Its disregard of the *Bartsch* analysis, and its failure to ask the whether “the words are broad enough to cover the new use,” are inexplicable, and in any event error as a matter of law.

Asking the right question in this case — could the publication on ebooks of the texts by Styron, Vonnegut, and Parker reasonably be said to fall within the grant of the exclusive right to publish the work “in book form”? — leads ineluctably to judgment for Random House. *Of course* ebooks could reasonably be said to fall within a grant “to publish and sell the work in book form.” Ebooks do not transform the novel into some other, derivative work, such as a film, or television show, or musical setting; they do not address the special needs of those

who cannot read books, such as the blind; they are simply an alternative, up-to-date format for the very same North American readers whom Random House was exclusively reserving and counting on when it entered into its contracts with its authors decades ago. Ebooks are books, just as eshopping is shopping and etrading is stock trading.

Readers who want to read William Styron's novel *Sophie's Choice* may read it on paper or on screen, but in either case, when asked "Read any good books lately?" the answer will unmistakably, unambiguously, and accurately be "yes." Readers in a book club may join together and decide that the next book they'll read will be *Confessions of Nat Turner*, and discuss it over the next weeks, without caring or even knowing whether club members read the book in hardcover, paperback, or ebook editions. This case should be not much more complicated than that. Moreover, Rosetta's various admissions, including that it plans to become "the leading electronic publisher of classic books" by exploiting the "opportunity in *backlist books* which have already proven their high rate of sale" (Klebanoff Dep. 29) (emphasis added), and the Authors Guild's own position statement that "Electronic books are books" (Bloom Decl., Ex. D), make plain that the grant to publish the work in book form could reasonably be thought to extend to ebooks.

In making this argument, and assigning as error the district court's failure to ask whether the grant "could reasonably be said to fall within the medium as described in the license," the AAP does not suggest, or want to be understood as conceding, that the district court correctly ascertained "the most reasonable" reading of the grant. On that point, authority is strongly with Random House. *See, e.g., Dresser v. William Morrow & Co.*, 105 N.Y.S.2d 706, 707 (1st Dep't 1951), *aff'd* 304 N.Y. 603 (1952) (grant of right to publish the work "in book form"

extends to “cheap” reprints, even though, as the dissent noted, “the provisions of the contract form authorizing the publisher to publish cheap editions were expressly deleted before execution”); *Dolch v. Garrard Publ’g Co.*, 289 F. Supp 687 (S.D.N.Y. 1968) (rejecting contention that “the exclusive right of publication of the books” did not reach paperback versions). But the AAP’s interest on this appeal, and the importance of the issues presented to the publishing industry and the public at large, flows not from Random House’s own form of contract, but from the more general rules that *Bartsch* discerned and that have been applied subsequently — and that the district court, in our view, grievously misconceived and misapplied.

Bartsch’s “could [the new use] reasonably be said to fall within the medium as described in the license?” methodology is not only controlling law from which the district court was not free to depart (*see n. 2 supra*), but also, as Judge Friendly and Professor Nimmer saw, more fairly, efficiently, justly, and predictably produces solutions consistent with contract law, the values underlying copyright law, and common sense, than the “most reasonable interpretation of the grant” test woodenly applied by the district court.

II. THIS COURT SHOULD CORRECT THE DISTRICT COURT’S OTHER ERRORS AND MAKE PLAIN THAT ITS DECISION DOES NOT BROADLY SEVER EBOOKS FROM PUBLICATION RIGHTS.

In the course of sanctioning Rosetta’s cherry-picking by erroneously distinguishing *Bartsch*, *Boosey*, and other prior decisions on numerous grounds, the district court erred in numerous additional respects that may create much mischief in future cases unless corrected. Publishing agreements are not often litigated, and *amici* are therefore particularly concerned that those errors be corrected, *whichever party prevails on the particular language of the contracts at*

issue here. Moreover, given the district court's broad approach and the number and nature of its errors along the way to its holding, its decision may easily be read as amounting to a seemingly sweeping, general holding that ebooks fall outside the standard grants of rights in publishing agreements. Regardless of which side prevails in this particular case under a proper view of the law, it is vital that the district court's errors not be repeated or left to cause future error, and that a resolution of this dispute, necessarily based on the particular language of the Random House contracts at issue, not become an occasion for changing the groundrules under which other publishers and authors have long contracted.

1. First, and most importantly, the Court should reaffirm that the "new use" rules of *Bartsch* and *Boosey* apply only when the agreement is ambiguous and the ordinary rules of resolving contractual ambiguities are unavailing.

2. Next, the Court should correct the district court's erroneous holding (150 F. Supp. 2d 613, 619-20) that when a publishing agreement supplements an author's basic grant of publishing rights with additional clauses granting the publisher rights *to license* certain uses (book club editions, reprint editions, abridged forms, Braille editions), the licensing clauses must be read to narrow and subtract from the basic publication right and to eliminate what would otherwise have been the publisher's right to undertake those same activities.

The district court's analysis ignored that Section 106 grants copyright owners the exclusive rights both "to do *and to authorize* any of the following [acts of reproduction and distribution]," and the 1909 Copyright Act entailed comparable distinctions. The law's separate treatment of what the grantee may actually *do* and those activities the grantee may also *authorize* (license) fully accounts for the two-fold structure of the rights-granting provisions in the Random House agreements, and therefore precludes the strong inference of subtraction that

the district court mistakenly drew from the provisions authorizing Random House to license certain rights. Indeed, the contrast between the general publishing grant and the narrower, itemized specification of the subsidiary rights that Random House was authorized to license would seem, by way of various canons of construction, to support a broad reading of the basic publication grant to reach *any* format in which the work is published in book form (*i.e.*, in form for reading), while warranting a narrower reading for the itemized grants of the right to license (which do not, for example, extend to a right to license the publication or sale of the work in movie or theatrical form).

3. The Court should also correct the district court's erroneous view that the "publishing industry generally interprets the phrase 'in book form' as granting the publisher" only the right to publish a hardcover edition, and as not including paperbacks. *Rosetta*, 150 F. Supp. 2d at 622 . There is no basis for that misstatement at all, and in fact industry practice is precisely the opposite of the district court's unsupported view, as should have been clear from even defendant's express admission that "in book form" "may include other forms of books such as book club editions, large print editions, leather bound editions, [and] trade and mass market paperbacks." *Id.*⁴

4. The district court's attempt to draw support from dictionary definitions was particularly egregious. Most, if not all, leading American dictionaries define "book" as a lengthy literary work, that is, a work to be read. Such definitions

⁴The district court seems to have been misled by the existence of separate royalty provisions for paperback editions into holding that paperbacks are not books (or that a paperback is not "in book form"), but different royalty arrangements do not lead to that conclusion. The only case cited to support the court's analysis, *Field v. True Comics*, 89 F. Supp. 611, 613-14 (S.D.N.Y. 1950), is inapposite, holding only that under the 1909 Copyright Act a plaintiff-publisher lacked standing to assert an infringement claim against a comic book adaptation of a book it published pursuant to an exclusive license to publish the work "in book form" when the copyright owner had not been joined as a plaintiff. Nothing in *Field* or any other case cited by *Rosetta* suggests that the exclusive right "to print, publish and sell the work in book form," without more, excludes publication of the work in paperback format.

strongly support Random House’s argument that publishing or selling the text “in book form” extends to ebooks as well as paper formats.⁵ Reliance on dictionary definitions is all well and good, but where, as here, standard dictionaries contain standard definitions sufficiently numerous that both parties may choose their favorites, those definitions cannot provide a sound basis for deciding a case one way or the other.

5. Finally, the spurious distinctions asserted between this case, on the one hand, and *Bartsch* and *Boosey*, on the other, warrant correction too. To take the principal distinctions asserted in order:

First, the “language conveying the rights” in those cases was not “far broader than here.” The assignment to Bartsch of “motion picture rights throughout the world,” so as to permit the making and “exhibit[ion]” of a motion picture photoplay, far less easily reaches telecasting a motion picture than the grant here to “print, publish and sell the work in book form” reaches ebooks. Further, the fit between the right granted Disney “to record the composition in any manner, medium or form” for use “in a motion picture” and Disney’s subsequent manufacture and distribution of videocassettes with the film and its synchronized songs is far less comfortable than the fit between the grant to Random House and its publication and sale of ebooks.

Second, the proffered distinction (at 612-23) that ebooks are “a new use” in “a separate medium,” whereas “Boosey and Bartsch . . . apply to new uses within the same medium,” is insupportable. Any justification for considering videocassettes or telecasts to be “the same medium” as motion pictures would

⁵See, e.g., the following definitions in *Webster’s Third New International Dictionary* (“a long systematic literary composition”); *Merriam-Webster’s College Dictionary* (“a long written or printed literary composition”); *Webster’s New College Dictionary* (“a printed or written literary work”); *The American Heritage Dictionary* (Second College Edition) (“A written or printed literary work”).

apply equally to the relationship between ebooks and books. If a film is a film (whether viewed on celluloid in a theater, via airwaves on a television screen, or via a videocassette on a television screen), then a book is a book— whether read on paper or read on an ebook reader.

Nor is it even clear that ebooks are a “new use” in the way that the videocassettes or telecasts at issue in *Bartsch* and *Boosey* were new uses. A new use is one that creates new audiences and new markets, not one that merely serves the already anticipated audiences and markets with updated technology. Thus, motion pictures, comicbook formats, and videogames offer “new uses” for novels and their characters, and whether older contracts reach those new uses is a question properly governed by “new use” cases. By contrast, an ebook would seem much more aptly characterized as the same use, aimed at the very same users, with the same end result (a reader has read the complete text of the work), militating against the district court’s analysis.

Consideration of the underlying economic realities strongly supports this view. Telecasts, cablecasts, and videocassettes are considered to be new uses for motion pictures in large part because they represent new markets and may well produce unintended, substantially larger-than-expected revenues. It is far less likely that ebooks represent new uses (or a new medium) promising comparably expanded audiences and revenues, and far more likely that ebooks are simply a different format to which some readers who would have acquired the work for reading in any event will migrate.⁶ Making *Sophie’s Choice* into a film expands the audience to non-readers; placing it on ebooks simply gives readers a new

⁶See, e.g., David Kirkpatrick, “Forecasts of an E-Book Era Were, It seems, Premature,” *The New York Times*, August 28, 2001, at A-1.

format choice to add to the existing hardcover, trade paperback, and massmarket paperback formats.

Because ebooks appear much less likely than the telecasting and videocassettes at issue in *Bartsch* and *Boosey* to expand previously expected audiences, revenues, and markets, and much more likely merely to preserve for the initial grantee the markets and audiences that the parties expected when the initial publishing agreement was entered into, the distinctions between this case and *Bartsch* and *Boosey* would seem to militate all the more strongly toward judgment for Random House, the original grantee. E-books are simply a new distribution mechanism for the very work already licensed, as in *Bartsch* and *Boosey*, and the same result as in those cases should follow absent language (not present here) plainly excluding that new distribution medium from the grant.

Certainly *Greenberg v. National Geographic Soc’y*, 244 F.3d 1267, 1273 n. 12 (11th Cir. 2001), *petition for certiorari pending* (Sup. Ct., No. 01- 186), does not support the district court’s surprising holding that ebooks are a “separate medium from the original use,” which was wrong root and branch. Despite the district court’s reliance, nothing in *Greenberg* — which held that 17 U.S.C. § 201 does not authorize the National Geographic Society to create CD-ROMs containing all past issues of the Society’s journal because those disks contain a computer program and are therefore “a new work,” not a “revision” of the older collective works — supports Judge Stein’s holding below. *Greenberg*, and the statutory provision at issue there, are entirely inapposite here.

Moreover, the Supreme Court’s rather striking silence concerning *Greenberg* and its studied avoidance of *Greenberg*’s rationale in its recent decision in *New York Times Co. v. Tasini*, 121 S. Ct. 2381 (2001), suggests that the Eleventh Circuit’s analysis is unpersuasive even with respect to the issue and

statutory provision in *Tasini* (which was common to *Greenberg* but is entirely irrelevant here). Indeed, by affirming that “the transfer of a work between media’ does not ‘alter the character of that work for copyright purposes’” and that the 1976 act is “media neutral,” *see Tasini*, 121 S.Ct. at 2392, *Tasini* has probably rendered *Greenberg* a dead letter even in the Eleventh Circuit, and in any event supports Random House’s contention that the media neutrality of the Copyright Act supports its claims here. Similarly, *Tasini*’s distinction between uses that present the work to a user in its original context and uses that strip or alter that context would also seem to support Random House, if it has any relevance at all.

The third difference the district court discerned between this case and *Bartsch* and *Boosey* — that the grantee created a new (derivative) work in those cases, but not here — is merely a difference that creates no valid distinction. Nothing in *Bartsch* or *Boosey* asserted or turned on any such rationale, and no case, or any principle of copyright law, contract law, or any other field supports the distinction proffered by the district court. Nor would those cases have been decided differently if the plaintiffs had been assignees of rights in the motion pictures, rather than the initial copyright owners.

CONCLUSION For all the foregoing reasons, the Court should reverse the order below.

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I certify that the above brief complies with the type-volume limitations of FRAP 29(d), and contains 5626 words by the count of the Wordperfect wordprocessing software with which it was prepared.

Charles S. Sims

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I THE DISTRICT COURT MISAPPLIED THIS COURT’S NEW USE PRECEDENTS BY FAILING TO ALLOW THE LICENCEE TO “PURSUE ANY USES THAT MAY REASONABLY BE SAID TO FALL WITHIN THE MEDIUM AS DESCRIBED IN THE LICENSE” AND BY APPLYING INSTEAD A “MOST REASONABLE INTERPRETATION OF THE GRANT” TEST THAT THE SECOND CIRCUIT AND LEADING COMMENTATORS HAVE EXPRESSLY REJECTED 4

A. *Bartsch v. Metro-Goldwyn Mayer* Required the District Court to Determine Whether the Grants to Random House “Could Reasonably Be Said to Fall Within the Medium as Described in the License,” and If So to Uphold Random House’s Claim 4

B. *Boosey & Hawkes v. The Walt Disney Company* Followed *Bartsch* and also Required the District Court to Determine Whether the Grants to Random House “Could Reasonably Be Said to Fall Within the Medium as Described in the License.” 6

C. *Bartsch* states the New York contract law rule for new use cases 8

D. The “Second Position Described by Nimmer,” Which the Second Circuit Adopted in *Bartsch* and *Bourne* and the Appellate Division Has Followed, Is Less Likely to Prove Unjust, and Courts Are Better Equipped to Determine the Outer Limits of the Reasonable Meaning of a Term Than to Identify the True Intent of the Parties That Generally Never in Fact Existed. 10

E. The District Court Erred by Failing to Determine Whether the Grants to Random House “Could Reasonably Be Said to Fall Within the Medium as Described in the License,” and By Looking Instead For the “Most Reasonable Interpretation of the Grant in the Contracts.” ” 12

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II. THIS COURT SHOULD CORRECT THE DISTRICT COURT'S
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No. 01-7912

IN THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

RANDOM HOUSE, INC.,
Plaintiff-Appellant,

v.

ROSETTA BOOKS LLC and ARTHUR M. KLEBANOFF,
Defendants-Appellees.

On Appeal from the United States District Court
for the Southern District of New York

**BRIEF FOR THE ASSOCIATION OF AMERICAN PUBLISHERS,
AMICUS CURIAE,
SUPPORTING APPELLANT AND SEEKING REVERSAL**

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