

01-7912

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

RANDOM HOUSE, INC.,

Plaintiff-Appellant,

-against-

ROSETTA BOOKS LLC
and ARTHUR M. KLEBANOFF, in his individual
capacity and as principal of Rosetta Books LLC,

Defendants-Appellees.

**BRIEF OF *AMICI CURIAE* THE AUTHORS GUILD, INC.
AND ASSOCIATION OF AUTHORS' REPRESENTATIVES, INC.
IN SUPPORT OF DEFENDANTS-APPELLEES**

The Authors Guild, Inc. and the Association of Authors' Representatives, Inc., with the consent of the parties, submit this brief as *amici curiae* in support of defendants-appellees (hereinafter "Rosetta") and in opposition to plaintiff-appellant Random House, Inc. ("Random House").

INTEREST OF THE *AMICI*

Amici curiae are two major organizations representing the interests of authors and of author representatives.

The Authors Guild, Inc. (the "Authors Guild"), founded in 1912, is a national non-profit association of more than 7,800 professional, published writers of all genres, 160 authors who have active publishing contracts and are awaiting publication of their first books, and approximately 260 literary agents and other authors' representatives. More than half of its author members identify themselves as having literary agents. Author Guild members have won Pulitzer and Nobel Prizes, National Book Awards and countless other awards and prizes.

The Authors Guild works to promote the professional interests of authors in various areas, primarily copyright, publishing contracts and freedom of expression. The Guild has fought to procure satisfactory domestic and international copyright protection and to secure fair payment of royalties, license fees and non-monetary compensation for authors' work. For years, the Authors Guild surveyed its members to determine trends in various clauses in book publishing contracts, and published its results annually in its quarterly Bulletin. Since 1947, it has published a Recommended Trade Book Contract and Guide. This model contract, well known throughout the publishing industry, is meant to aid authors in negotiating their publishers' form contracts.

As authors of literary works of every genre, members of the Authors Guild are intimately concerned with the dissemination of knowledge

and the sharing of ideas. As creators of intellectual property, Authors Guild members believe this goal is best achieved by preserving authors' control over the exploitation of their creative work product. Most of the financial rewards for their imaginative labors are the royalties and license fees paid in exchange for their exploitation of their works. This Court's decision will therefore directly affect the rights and the livelihoods of thousands of authors.

Association of Authors' Representatives, Inc. ("AAR") is a New York not-for-profit membership corporation that was formed in 1991 by the consolidation of the Society of Authors' Representatives, which was founded in 1928, and the Independent Literary Agents' Association, which was founded in 1977. Membership in AAR is limited to professional literary and dramatic agents who meet AAR's requirements of professional experience as agents and who subscribe to its Canon of Ethics.

AAR is the only national organization of literary and dramatic agents, and it currently has over 350 members from all parts of North America. AAR members represent authors of all types of literary and dramatic works, especially the types of literary works that are the subject of this action, and the works of AAR-represented authors routinely appear on every national bestseller list. AAR members represent two of the authors whose works are at issue in this case.

Negotiating the terms pursuant to which authors grant rights in their works to publishers is at the heart of what literary agents have always done. AAR members past and present have negotiated tens of thousands -- perhaps hundreds of thousands -- of author-publisher agreements with the companies that now comprise Random House. Major changes in these agreements or in interpretations of these agreements are of vital importance to AAR and its members. Where appropriate, AAR will publicly express the views of its members concerning such changes.

PRELIMINARY STATEMENT

For decades, authors -- many of whom negotiate their contracts without the benefit of agents or attorneys -- have relied on the plain language of Random House's boilerplate contract. When authors signed Random House contracts licensing the right to “print, publish and sell the Work in book form,” the authors were entitled to believe that the rights described in this grant were precisely the rights they were licensing.¹

Now, more than 30 years after some of the contracts were signed, Random House seeks to demonstrate that its straightforward language has

¹ At issue here are publishing agreements executed before Random House revised its standard form contract in early 1994 (see discussion, *infra*). *Amici* do not argue that specifically negotiated and enumerated ebook rights such as appear in Random House's post-1994 form contracts are not effective grants of those enumerated rights.

acquired new meaning – and not just in the eight contracts at issue in this action. Random House seeks to enjoin defendants from publishing as ebooks “any . . . Random House works as to which Random House has been granted an exclusive license to publish ‘in book form,’” (Complaint, Prayer for Relief, ¶8; emphasis added) JA 11. Reversal would thus harm the interests of the thousands of authors who, since the 1960's or earlier, signed standard publishing agreements granting the right to “print, publish, and sell the[ir] Work in book form” to any of the numerous imprints owned by Random House.

At stake in this action is the fundamental interpretation of book contracts, documents that carefully and explicitly describe the rights and formats that are being licensed to a publisher and clearly spell out the royalties to be paid for the exploitation of these rights. Should this Court reverse, the traditional interpretation of many other specifically enumerated rights could be thrown into question. The end result would not be clarity of contract, but confusion, as authors, agents and publishers struggle to understand the scope of rights licensed in contracts negotiated long ago.

Also at stake are fundamental copyright questions and the public interest in having authors’ works available through new technologies. Allowing Random House to succeed in its attempt to rewrite its own

contracts retroactively would (1) prevent authors from freely sharing in the rewards of the electronic publishing industry by allowing Random House absolute control over their electronic rights; (2) permit Random House, by far the world's largest English-language trade book publisher, to keep tens of thousands of titles from reaching the public in any form; and (3) stifle the fledgling ebook industry at the expense of consumers who want to purchase ebooks.

Authors, of all people, should be able to rely upon the plain meaning of words when they enter into a contract. In defense of this basic contractual principle, the Authors Guild and the AAR have joined as *amici* for the first time in this action.

ARGUMENT

THE DISTRICT COURT'S DECISION THAT AN AUTHOR DOES NOT CONVEY ELECTRONIC RIGHTS BY GRANTING RIGHTS TO "PRINT" A WORK "IN BOOK FORM" ACCORDS WITH CONTRACT LANGUAGE AND PUBLISHING INDUSTRY USAGE

In the pertinent contractual clause, authors granted to Random House the specific and limited right to "print, publish and sell the[ir] Work[s] in book form." That plain language limits not only the final form the reproduction will ultimately take to "book form," but also limits the means of reproduction of the work to that of printing. Random House -- through an ever-shifting redefinition of the rights conveyed and the artful interpretation of movie industry cases involving far broader and sweepingly ambiguous grants of rights -- asks this Court to override the unambiguous meaning of these words and decades of industry custom and practice. Such a result would unjustly and radically rewrite thousands of carefully negotiated contracts.

A. Random House's Newly Adopted Definition Of The Right Granted Is Even Broader Than That Rejected By The District Court

Before the District Court, Random House argued that in acquiring "book form" rights, it had acquired the right "to transmit the author's words in a linear text fashion." JA 114-15 ¶¶5-6; Rec.Doc. #5 at 2,20. Having failed in

that argument, Random House now claims the even broader right “to present the artistic expression of these authors in complete textual form.” (RH Brief at 5).² The language of the contract, industry custom and practice, and the law of this Circuit supports neither proposed reinterpretation of the rights granted.

On appeal, Random House again inflates the rights it claims to have acquired from authors in the primary grant. It argued before the district court that the book form grant gave it the right "to transmit the author's words in a linear text fashion." JA 114-15 ¶¶5-6; Rec.Doc. # 5 at 2,20. That definition of "in book form" could not include electronic books, one of whose principal traits is its "nonlinear" capacity. See 1 Perle & Williams on Publishing Law 4.02[A] at 4-4 (3d ed. 2000) ("whereas traditional print works lead all readers through the same linear narrative, electronic works have the capacity -- through the power of computers -- to encapsulate, index, and cross-reference a great body of information that the reader is then free to navigate and digest in a nonlinear form").

Random House has abandoned its "linear text" definition in the arguments made to this Court. Now it attempts a breathtaking semantic leap in an effort to concoct a definition of "to print, publish and sell the Work in book form" broad enough to encompass electronic rights. Collapsing the distinction

² References to Random House’s Brief are cited herein as “RH__.”

between the author's work (the artistic creation as a whole independent of its physical format) and the physical publication format ("book form"), Random House now argues that the right to "print, publish and sell the Work in book form" gives it control over all uses of the author's "medium of expression" and allows it to exploit "the full authorial content in textual form for reading." (RH Brief at 4). Rosetta, according to this new line of reasoning, infringes on Random House's rights by "presenting the precise authorial content as is published by Random House." (RH Brief at 20). Accepting this astonishingly broad definition of the license granted is tantamount to telling authors that they have really lost control over use of the words that comprise their artistic creations, their "authorial content."

In fact, the grant language cannot reasonably have any of the meanings that Random House proposes on appeal, including "the right to present the artistic expression of these authors in complete textual form," (RH Brief at 5), for it would include rights to formats containing the authors' words that are clearly beyond the scope of "in book form," for example, multimedia CDs and publication of the work as an opera libretto. It would encompass an entirely separate right under copyright law, the public display right, a right not otherwise hinted at in the contracts or by industry custom and practice, and as shown below, not even made part of the Copyright Act,

and applied to computer technology, until 1980. Even Random House concedes that a right to produce audiobooks – the reading of the author's words on tape – is not included in the right to "print, publish, and sell the Work in book form." JA 114-115 ¶ 6.

B. The District Court Properly Interpreted The Contracts

Random House and its *amicus*, Association of American Publishers ("AAP"), distort Judge Stein's own "authorial content." Random House claims that the district court's "most fundamental[]" error was to perceive its role as "uncovering the unambiguous, core meaning of the grant language." (RH Brief at 42). AAP charges that the court's "disregard of the Bartsch analysis, and its failure to ask whether 'the words are broad enough to cover the new use,' are inexplicable." (RH Brief at 12). Both claims are plainly wrong. Discussing Bartsch v. Metro-Goldwyn-Mayer, Inc., 391 F.2d 150 (2d Cir.), cert. denied, 393 U.S. 826 (1968), Judge Stein correctly identified the test to be whether the "words of the grant were broad enough to cover the new use" and concluded that "the most reasonable interpretation of the grant . . . does not include the right to publish the work as an ebook." JA 1679. The court found in fact that the grant clause was unambiguous. JA 1682 n.7.

AAP even castigates the court for using "traditional tools of contract interpretation" in reaching this result. (AAP Brief at 11). But that is exactly what Bartsch and Boosey & Hawkes Music Publishers Ltd. v. Walt Disney Co., 145 F.3d 481 (2d Cir. 1998) required the court to do. As stated by Judge Leval, Bartsch "announces no special rule of contract interpretation for the new use context . . . it instructs courts to rely on the language of the license contract and basic principles of interpretation." Boosey, 145 F.3d at 487 n.3. Judge Stein adroitly used those tools to determine that the grant was not broad enough to include the claimed use.

As instructed by this Court, the district court properly applied principles of contract interpretation under state law. See Bartsch, 391 F.2d at 153 (“[w]e hold that New York law governs”; expressly rejecting the application of federal common law); Boosey, 145 F.3d at 487 (“new-use analysis should rely on neutral principles of contract interpretation”). The court correctly concluded under state contract law that the grant to Random House to "print, publish and sell the Work in book form" does not include “the right to publish the works in the format that has come to be known as the ‘ebook.’” JA 1679.

The court first examined the plain and ordinary meaning of the words of the grant, as required under New York contract law. See, e.g.,

Tele-Pac, Inc. v. Grainger, 168 A.D.2d 11, 570 N.Y.S.2d 521, 523 (1st Dep’t 1991) (words used in publishing agreements are to “be construed in accordance with [their] plain and ordinary meaning”; holding that right to “broadcast by television” does not include right to broadcast by videocassette). Examining the plain meaning of the words of the grant is, of course, also the method used by this Court in determining the scope of a grant. Thus, in Bartsch, this Court's holding relied on the plain meaning of the word "exhibit:"

The words of Bartsch's assignment . . . were well designed to give the assignee the broadest rights with respect to its copyrighted property . . . 'Exhibit' means to 'display' or to 'show' by any method, and nothing in the rest of the grant sufficiently reveals a contrary intention." 391 F.2d at 154.

The district court then examined the meaning of the grant as affected by other contract provisions, comparing the meaning proposed by Random House with the meaning proposed by Rosetta. Here, too, the court was following state law, Uribe v. Merchants Bank of New York, 91 N.Y.2d 336, 340, 670 N.Y.S.2d 393 (1998) (analyzing the meaning of “valuable papers” by looking at other contract provisions) and the example of this Court. As stated in Bartsch, referring to the broad grant in Manners v. Morosco, 252 U.S. 317 (1920), “an all encompassing grant found in one provision must be limited by the context created by other terms of the agreement.” 391 F.2d at

154. Finally the district court examined the trade usage of the term, again as permitted by state law and this Court. See Fox Film Corp. v. Springer, 273 N.Y. 434, 437, 8 N.E.2d 23 (1937) (the court “must be informed of the meaning of the language as generally understood in that business, in light of the customs and practices of the business”) (emphasis added); Bourne v. Walt Disney Co., 68 F.3d 621, 627 (2d Cir. 1995), cert denied, 517 U.S. 1240 (1996). (“language is ambiguous if it is ‘capable of more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business’”).

Based on its application of these uncontroversial, “neutral principles of contract interpretation,” Boosey, 145 F.3d at 487, the court concluded that the language of the grant “to print, publish and sell the Work in book form” was more reasonably, indeed unambiguously, read to exclude the grant of electronic rights:

Not only does the language of the contract itself lead almost ineluctably to the conclusion that Random House does not own the right to publish the works as ebooks, but also a reasonable person “cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business,” Sayers [v. Rochester Tel. Corp. Supplemental Management Pension Plan], 7 F.3d [1092] at 1095 [2d Cir. 1993], would conclude that the language does not include ebooks.

Random House further distorts the district court decision by claiming that finding one interpretation more reasonable than another is nothing more than finding the "core meaning" -- an unduly restrictive approach, it argues, that is contrary to this Circuit's new use cases.³ Indeed, Random House argues that the "key issue" is "identifying the 'fundamental characteristic' of the grant language here involved." (RH Brief at 42).

Random House misreads the law. To find one meaning of a term "more reasonable" than another is not a search for "core meaning." It is simply another way of saying that the contract language is not ambiguous, for ambiguity requires at least two equally reasonable interpretations. "'Where the language used is susceptible to differing interpretations, each of which may be said to be as reasonable as another,' then the interpretation of the contract becomes a question of fact for the jury . . .", Bourne, 68 F.3d 621 at 628 (emphasis added), quoting Seiden Assocs., Inc. v. ANC Holdings, Inc., 959 F.2d 425, 428 (2d Cir. 1992). As stated in Boosey, "if the contract is more reasonably read to convey one meaning than another, then the party benefited by that reading should be able to rely on it; the party seeking exception or

³ AAP erroneously claims that in Boosey this Court reversed a grant of summary judgment "which had been made on the same 'most reasonable reading of the contract' approach taken here by Judge Stein." (AAP Brief at 6). In fact, this Court found that "the district court properly applied" Bartsch

deviation from the meaning reasonably conveyed by the words of the contract should bear the burden of negotiating for language that would express the limitation or deviation." 145 F.3d at 485 (emphases added).

Random House misstates the law when it claims that “the key issue” is “identifying the ‘fundamental characteristic’ of the grant language here involved.” (RH Brief at 42-43). It purports to base this “fundamental characteristic” rule on Bourne, 68 F.3d 621 (2d Cir. 1995), cert. denied, 517 U.S. 1240 (1996), but Bourne created no such rule.

Random House states that Bourne “concluded” that “the term ‘motion picture’ reasonably should be construed to refer to ‘a broad genus whose fundamental characteristic is a series of related images that impart an impression of motion when shown in succession” (RH Brief at 32) (emphasis added). But the quoted language is not the Second Circuit’s: it is the language of a 1971 Senate Report. The Court did not state that the term “motion picture” “reasonably should be construed” as stated in the Report. The Court quoted the Report to show that “the term ‘motion picture’ reasonably could be understood” that way, rejecting Bourne’s contention that the term “has a sufficiently definite and precise meaning as to allow for

to determine the scope of the grant, but disagreed with the court’s analysis of an ASCAP Condition in the license. 145 F.3d at 489.

interpretation as a matter of law” and holding that the question was “properly submitted to the jury.” 68 F.3d at 630.

Random House also purports to rely on L.C. Page & Co., Inc. v. Fox Film Corp., 83 F.2d 196 (2d Cir. 1936), which it identifies as the first Second Circuit case “giving rise to the operative principles.” (RH Brief at 30). But Page is not operative here at all. Not only does Bartsch caution that Page predates Erie, but Page expressly rejected contract analysis by the New York Court of Appeals which is directly relevant after this Court’s decisions in Bartsch and Boosey. 83 F.2d at 199.

This Court, as did the court below, should reject Random House’s confused and unreasoned attempt to render ambiguous the language of the publishing contracts that has been clear for generations. See Loblaw, Inc. v. Employers’ Liability Assurance Corp., 57 N.Y.2d 872, 877, 456 N.Y.S.2d 409 (1982) (language whose meaning is otherwise plain is not rendered ambiguous merely because the parties in the litigation urge different interpretations). “In book form” – when interpreted according to New York contract law principles -- is simply not sufficiently ambiguous to contain within it the various murky meanings that Random House proposes; those meanings are not even within the “ambiguous penumbra” of “in book form” that Random House so relentlessly advocates. See Manners v. Morosco, 252

U.S. at 325-26) (license to produce a play does not include right to produce a motion picture of the play where other provisions of license geared to stage productions). As the treatise so heavily relied on by Random House and AAP states, ambiguity is necessary for there to be an “ambiguous penumbra,” 3 Nimmer on Copyright § 10.10[B] at 10-90 (2001): “the question before the court is not whether [the licensee] gave the words the right meaning, but whether or not the words authorized the meaning he gives them” (citation omitted). Some proposed meanings are outside both the “core meaning” and the “ambiguous penumbra.” *Id.* at 10-92.1 – 10-93.

C. Long-Standing Industry Practice Belies Random House’s New Interpretation

Although Random House and its *amicus* choose to disregard the long-standing custom and practice of their own industry, the district court did not, helped by the voluminous record showing the concise and accepted meaning of “to print, publish, and sell the Work in book form,” as cited in the court’s decision. JA 1683. The district court, applying basic New York contract law as required by Bartsch and Boosey, found that the language of the agreements as a whole, and particularly the inclusion of separate grant and royalty language for the grants of rights to book club editions, reprint editions and the like, required a finding that the print book clause did not grant electronic

rights, and that uncontradicted evidence of trade usage reached the same result. That finding is amply supported by the record.

Until Random House brought this action, the term "book form" had been understood throughout the publishing industry to signify a compilation of words printed on paper and bound between two covers. No party negotiating publishing contracts prior to the mid-1990s would have understood the phrase "book form" to have included electronic publishing rights in an author's work. A book can have its spine cracked, its pages rifled and dog-eared. An ebook, however, is a computer file rendered in HTML or other computer language, which cannot even be viewed without the assistance of computer software and a reading device such as a personal computer, Palm Pilot, or dedicated ebook reader. The words of the grant – “print, publish, and sell the Work in book form” – do not grant rights to reproduce the work in “any form” or by “any method,” let alone in the radically different “electronic” or “ebook form.”

In fact, a publisher's acquisition of subsidiary rights – the additional rights beyond the primary right to publish a printed book – has long been accomplished by means of separate negotiation, separate contractual language and separate royalty provisions. See F. R. Stein, “Standard ‘Trade Book’ Author Publisher Agreements,” in H. Siegel, Entertainment Law 351-59 (2d

ed. 1996). As the district court found, subsidiary rights provisions in the contracts at issue illustrate this point. JA 1679-1680. Even the Copyright Primer published by *amicus* AAP in 2000 defines subsidiary rights as “all the rights not covered by the primary publishing rights (also referred to as *volume rights*)” and defines electronic publishing rights as one of “[t]he most commonly licensed subsidiary rights.” Association of American Publishers, Inc., The New & Updated Copyright Primer 56 (2000).

Indeed, when electronic rights provisions were added to the Random House form contract in 1994, they were subject to intense negotiation. JA 513-14, 1349, 1369.⁴ Random House’s claim now that the grants by Msrs. Vonnegut, Styron and Parker in the 1960's and 1970's of the license to “print,

⁴ On March 28, 1994 Random House announced to the trade that it was amending its standard form publishing agreement to include a new clause by which the authors would license to the publisher “electronic rights” in the author’s work. This new form agreement included, for the first time, a proposed grant to Random House of rights “to prepare, reproduce, publish and sell, to distribute, transmit, download or otherwise transfer copies of, and, with the Author’s consent, which consent shall not unreasonably be withheld or delayed, to license the foregoing rights in, electronic versions of the work,” defining “Electronic Versions” to mean versions that include the text of the work and any illustrations contained in the work (in complete, condensed, adapted or abridged versions, and in compilations) for performance and display (i) in any manner intended to make such Electronic Versions of the work available in visual form for reading (whether sequentially or non-sequentially, and together with accompanying sounds and images, if any and (ii) by any electronic means, method, device, process or medium) referred to as Electronic Device or Medium.” Royalties offered for exploiting these formats were a paltry 5% of the publisher’s profits. See Harper Decl. Ex. A, JA 410.

publish and sell the[ir] Work[s] in book form” conveyed the same “electronic publishing” rights that its extensive post-1994 “electronic publishing” clause treats as separate and different from traditional “book form” rights makes little sense.

As is customary in the publishing industry, when the authors in this case granted to Random House rights other than “in book form,” they did so in separate, very specific provisions. See, e.g., Parker Agreement ¶ 1(d). JA 161. (“Exclusive right to publish and to license the Work for publication, prior to or after book publication, within the territory set forth in this Paragraph, in anthologies, selections, digests, abridgements, magazine condensations, second serialization, newspaper syndication, microfilming, Xerox and other forms of copying of the printed page, either now in use or hereafter developed”). If the words "in book form" had the meaning now claimed by Random House, there would have been no need to include these separate rights, which also allow the publisher "to transmit the author's words to the reader in a linear text fashion,” as Random House argued below, or “to present the artistic expression of these authors in complete textual form,” as Random House has chosen to argue to this Court. See JA 114-115 ¶¶ 5-6. The clause would be rendered superfluous if the words "in book form" had the meanings Random House now tries to ascribe to them.

Random House’s alternative argument that electronic rights are included in the grant found in some of the agreements covering reprography-based rights must be rejected. As stated by Judge Friendly in Bartsch, in discussing Manners v. Morosco, 252 U.S. 317 (1920), “an all encompassing grant found in one provision must be limited by the context created by other terms of the agreement indicating that the use of the copyrighted material in only one medium was contemplated.” 391 F.2d at 154.

“[T]he most reasonable reading,” Boosey & Hawkes, 145 F.3d at 484, is that electronic rights are not included in clauses like ¶ 1(d) in the Parker Agreement. The clause includes certain reprography-based copying rights (“microfilming, Xerox”), neither of which resembles computer-based electronic rights. If, as Random House contends, computer-based precursors of ebook technology were available at the time of the publishing agreements in this case (RH Brief at 17-18), it would have been reasonable to expect the publishers -- the drafter of the agreements -- to include a reference to that technology in the clause. This was not done. See Random House Webster’s College Dictionary, at 274, 370 (Random House 2000) (stating that the first written use of the word “computerize” dates from 1955-60 and the first written use of the word “digitize” dates from 1950-55).

Also noticeably absent in this clause is the broad language of the grant in Boosey & Hawkes, “to record in any manner, medium or form.” 145 F.3d at 481, or language, such as used in the grant in Bartsch, “well designed,” as stated by Judge Friendly, to give the “broadest rights” with respect to the property.” 391 F.2d at 154. The words “microfilming, Xerox and other forms of copying of the printed page, either now in use or hereafter developed” are very far from granting rights “in any manner, medium or form,” particularly if such a medium – computer-based electronic rights – was known as plaintiff contends at the time.

Any doubt that the contracts at issue do not grant electronic rights to Random House is further dispelled by the author’s specific reservation, in whole or in major part, when any kind of electronic exploitation is mentioned in the agreements. In the 1982 agreement between Robert Parker and Dell Publishing Co., "mechanical or electronic recordings of the text" are reserved exclusively to the author. JA 165 ¶ 5. In the 1967 agreement between Kurt Vonnegut and Dell Publishing Co., a category of rights set forth as "Radio Broadcasting (including mechanical renditions and/or recordings of the text)" is reserved 95% to the author, 5% to Dell. JA 152 ¶ 5. If, as Random House now claims, ebook rights were contemplated by the publishing industry at the time of these agreements, it appears that

Random House decided not to obtain them from the authors. See Boosey, 145 F.3d at 487 (“the party seeking exception or deviation from the meaning reasonably conveyed by the words of the contract should bear the burden of negotiating for language that would express the limitation or deviation”).

D. Since It Did Not Acquire Public Display Rights Random House Could Not Have Obtained the Electronic Rights in Authors' Works

Not only is Random House trying to re-write old publishing agreements, but it is trying to get retroactively an exclusive right that was not even recognized by the Copyright Act when most of those agreements were signed.

The transmission of a literary work so that it can be read through computer technology – as is the case with eBooks – implicates the exclusive right of public display, one of the bundle of exclusive rights of copyright owners set forth in Section 106(5) of the Copyright Act, 17 U.S.C. § 106(5). "Display" is defined in Section 101 of the Copyright Act as showing a copy of a work either directly or by means of "any other device or process."

As stated by Nimmer, “the important function of the display

right with respect to literary, musical and dramatic works . . . can be found in its application to the transmission of the manuscript or printed version of such works so that they may be read by electronic means on collude ray tubes or otherwise through computer technology.” 2 Nimmer on Copyright § 8.20[A] at 8-280 (2000). Such an activity implicates only an author’s display right and “does not involve an infringement of the reproduction right.” *Id.* The electronic books at issue in this case clearly involve an exercise of the authors' right of public display. See F. R. Stein, “Book Publishing: Standard ‘Trade Book’ Author/ Publisher Agreements,” in H. Siegel, Entertainment Law, *supra*, at 352, 355 (2d ed. 1996) (“in the last few years [the] phrase [‘to print, publish and sell’] has been augmented by the addition of words such as ‘display,’ ‘perform’ and ‘transmit’ – all intended to authorize the publisher to distribute books electronically . . . ‘Display rights’ refer to the right to reproduce and transmit the verbatim contents of a book . . . in various digital media such as diskettes, CD-ROM sand on-line transmission”).

The public display right did not become an exclusive right under copyright until the Copyright Act of 1976 (effective January 1, 1978). In adopting the public display right Congress rejected a proposal by publishers that the display right be merged with the existing right of

reproduction. H.R. Rep. No. 89-2237, at 55 (1966). As stated by the Register of Copyrights Mary Beth Peters in a statement to Congress referred to by the Supreme Court in New York Times Co. v. Tasini, 121 S.Ct. 2381, 2389 n. 3, 2390 n.8 (2001):

Congress established the new public display right in the 1976 Act . . . When Congress followed the Register’s advice and created a new display right, it specifically considered and rejected a proposal by publishers to merge the display right with the reproduction right, notwithstanding its recognition that “in the future electronic images may take the place of printed copies in some situations.” H.R. Rep. No. 89-2237, at 55 (1966).

Letter from M. Peters to Rep. McGovern, reprinted in 147 Cong. Rec. E182 (Feb. 14, 2001).

“By virtue of its inclusion of Section 106(5), the Copyright Act of 1976 for the first time conferred upon copyright owners an exclusive right to publicly display certain types of works.” 2 Nimmer on Copyright § 8.20[A] at 8-278.4. It was in fact only after amendment of the Copyright Act at the end of 1980 that the display right was applied to computer technology. 2 Nimmer on Copyright § 8.20[A] at 8-280n.20.

Authors who signed publishing agreements prior to 1980 could not therefore have granted any exclusive public display rights, including rights to eBooks, to publishers because such exclusive rights did not exist prior to that time. None of the publishing agreements cited in this case

grants a public display right in the author's work, which is not surprising since all of the agreements, with the exception of the February 4, 1982 Parker/Dell agreement, were signed before that exclusive right came into existence. Random House could not have obtained this right.

E. Accepting Random House's Position In This Case Would Undercut Copyright's Fundamental Goal of Providing Incentives To Authors To Advance Public Welfare

Although Random House brings this action under the Copyright Act as a claimed exclusive licensee, it is the authors who first of all own the bundle of rights that make up the copyrights in their works. The economic philosophy behind Article 1 Section 8 of the U.S. Constitution, empowering Congress to grant patents and copyrights, is “the conviction that encouragement of individual effort [motivated] by personal gain is the best way to advance the public welfare.” New York Times Co. v. Tasini, 121 S. Ct. at 2389 n.3, quoting Mazer v. Stein, 347 U.S. 201, 219 (1954). Accord, Harper & Row, Inc. v. Nation Enterprises, 471 U.S. 539, 545-46 (1985); Sony Corp. of America v. Universal City Studios, 464 U.S. 417, 429 (1984). Congress provided a personal gain incentive to authors by giving them limited monopoly rights in their work and the opportunity to market those rights. Section 106 of the Copyright Act grants authors exclusive rights *inter alia* to reproduce,

distribute, and prepare derivative works based upon their copyrighted work, and to license those rights to others.

In New York Times Co. v. Tasini, 121 S.Ct. 238 (2001), the Supreme Court quoted two Registers of Copyright who stated that the 1976 revision of the Copyright Act represented "a break with the two hundred-year-old tradition that has identified copyright more closely with the publisher than with the author." The Court held that the 1976 Act was intended "to enhance the author's position vis-a-vis the patron" and that "Congress' adjustment of the author/publisher balance is a permissible expression of the 'economic policy behind the [Copyright Clause],'*i.e.*, 'the conviction that encouragement of individual effort [motivated] by personal gain is the best way to advance public welfare.'" 121 S.Ct. at 2389 n.3 (citations omitted).

The incentives provided by copyright law play a crucial role in publishing. Authors create valuable works and publishers produce and distribute copies of the works to generate revenue. Authors and publishers are thus interdependent – authors provide the talent, knowledge, labor and time essential to creation of the work, and publishers provide the means and expertise to print, ship and sell the work. Publishing agreements reflect this interdependence. Authors license some of their exclusive rights to a publisher in exchange for payment and the publishers' provision of editorial assistance,

production, distribution and publicity. This ability to license exclusive rights is the cornerstone of the incentive for authors to produce valuable works.

Allowing the nation's largest book publisher to subsume exclusive electronic rights in authors' works despite clear contract language and industry custom would frustrate, not advance, copyright's system of incentives, particularly in light of the Copyright Act's intent "to enhance the author's position vis-a-vis the patron." Tasini, 121 S.Ct. at 2389 n.3.

F. Contrary To Random House's Argument, The Public Good Would Be Promoted By Affirmance And Disserved By Reversal

Random House argues that its position is supported by public policy considerations, because this Court noted in the context of motion pictures and videocassettes that "an approach to new-use problems that tilts against licensees gives rise to antiprogressive incentives" in that licensees "would be reluctant to explore and utilize innovative technologies." Boosey, 145 F.3d at 488 n.4. The court below correctly found that this consideration did not apply as between authors and publishers in the 21st century.

This case amply bears out the court's position: Random House is trying to enjoin the exploitation of new technology while warehousing its backlist, whereas it is the authors who are trying to exploit that technology. According to Random House's own papers, it currently has a "backlist" of

some 20,000 titles. JA 119 ¶ 6. To date it has published in ebook form some 450 titles, which total includes “frontlist” works, so that at most only two percent of that claimed backlist has been published in ebook form by plaintiff. (RH Brief] at 12). At least one-third of that 450 are public domain works for which it has no contracts -- or royalty obligations -- with authors. JA 124-125 ¶¶ 20-21. Thus, to date, Random House concedes that it has published at most 300 of its total claimed backlist titles, which are derived from contracts with the authors of those works -- who, presumably, would stand to share from any ebook exploitation of those rights.

Random House represents that within the next “18 months” -- a virtual lifetime in the Information Age -- it “expects” (but does not promise) to add an additional “2000” backlist titles to its ebook offerings. JA 124 ¶ 20. Those “expected” 2000 additional titles would represent less than 10% of plaintiff’s total claimed backlist. See also Gabriel Snyder, “Another Dot Com Dream Fractured,” New York Observer (March 19, 2001) (quoting the Editorial Director of plaintiff’s ebook division that “next fall’s list of Random ebooks won’t have any novels on it, and ... readers shouldn’t expect much in the way of long-form literary journalism, either.”)

The authors of those titles, the ebook rights of which Random House seeks to control, could readily exploit those rights to their works on their

own if legally free to do so. See David Kirkpatrick, “With Plot Still Sketchy, Characters Vie for Roles,” New York Times, Nov. 27, 2000 (describing at least nine separate ebook publishers that are currently operating or forming). Should this Court reverse and Random House prevail, those titles might well never reach the ebook market. Random House’s plan to warehouse and not exploit more than ninety-five percent of its claimed backlist in ebook form is, if it is allowed to occur, contrary to New York law. See Mellencamp v. Riva Music Ltd., 698 F. Supp. 1154 (S.D.N.Y. 1988) (“[w]hen the essence of a contract is the assignment or grant of an exclusive license in exchange for a share of the assignee's profits in exploiting the license, these principles imply an obligation on the part of the assignee to make reasonable efforts to exploit the license”) (citations omitted).

Even if Random House purports to pay what it chooses to call a fair royalty if and when it chooses to enter the ebook market, a ruling in its favor would certainly curtail the dissemination of creative work by making it economically implausible for new providers of ebook technology to compete with any of the large established print publishers. Such a holding would harm the interests of both authors and the public, the groups the Copyright Act was designed primarily to benefit.

CONCLUSION

Amici the Authors Guild and the Association of Authors’

Representatives urge this Court to affirm the decision of the district court.

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I certify that the above brief complies with the type-volume limitations of Fed.R.App.P. 29(d) and 32(a)(7) and contains 6861 words by count of the Word word processing software with which it was prepared.

Dated: October 26, 2001

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