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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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RANDOM HOUSE, INC.,

Plaintiff,

v. 01 Civ. 1728 (SHS)

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

Defendants.

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

The Authors Guild, Inc. and the Association of Authors' Representatives, Inc. submit this memorandum as *amici curiae* in support of defendants and in opposition

to the motion of plaintiff Random House, Inc. ("Random House") for a preliminary injunction. Accompanying this memorandum is a motion, to which defendants have consented but the plaintiff has not, seeking leave to file this memorandum.

INTEREST OF THE *AMICI*

Amici curiae are two prominent organizations that represent the interests of authors and of author representatives.

The Authors Guild, Inc. (the "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. Approximately 50% (3,947) of its author members identify themselves as having literary agents. Guild members have won Pulitzer and Nobel Prizes, National Book Awards and many other awards and prizes.

The Guild works to promote the professional interests of authors in various areas, primarily copyright, publishing contracts and freedom of expression. In the area of copyright, 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. In the area of promoting fairness in publishing contracts, the Guild's activity has been extensive. For many years, the Guild has surveyed its members to determine trends in various clauses in book publishing contracts, and has published its results annually in its quarterly Bulletin. Since as early as 1947, the Guild has published a Recommended Trade Book Contract and Guide. This model contract, well-

known throughout the publishing industry, is intended to be used as an aid in negotiating a publisher's printed form contract.

Since the early 1990s the Guild has employed a staff of attorneys to assist hundreds of Guild members annually to negotiate and enforce their publishing contracts. In the past five years, the Guild's Contract Services Department has addressed more than 5,000 separate matters for Guild members, virtually all of them in the area of publishing industry law and business.

As authors of literary works of every genre, members of the Guild are intimately concerned with the dissemination of knowledge and the sharing of ideas. As creators of intellectual property, Guild members believe this goal is best achieved by preserving authors' control over the exploitation of their creative work product. The most substantial part of the financial rewards received for their imaginative labors are the royalties and license fees paid in exchange for the commercial exploitation of their works. The Court's decision on plaintiff's motion will thus directly impact 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 ("SAR"), which was founded in 1928, and the Independent Literary Agents' Association ("ILAA"), which was founded in 1977. Membership in AAR is limited to professional literary and dramatic agents who meet the Association'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 plaintiff Random House. Major changes in these agreements or in interpretations of these agreements are of vital importance to the AAR and its members. Where appropriate, AAR will publicly express the views of its members concerning such changes.

AAR fundamentally disputes the central premise of Random House's position in this case, that the grant to a publisher of the right to "print, publish and sell in book form" necessarily and automatically, without discussion or negotiation, includes the right to disseminate a non-print electronic version of the work.

PRELIMINARY STATEMENT

With this action, Random House seeks retroactively to re-define the rights it has acquired from authors for generations. For decades, authors -- many of whom negotiate their contracts without the benefit of agents -- have relied on the plain language of Random House's boilerplate contract. When authors signed Random House contracts licensing the publisher to "print, publish and sell the Work in book form," the authors had a right to believe those were precisely the rights they were licensing. Now, more than 30

years after some of the contracts were signed, Random House seeks to demonstrate that its straightforward language has acquired new meaning.

At stake is the fundamental interpretation of book contracts, documents which carefully and explicitly define 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 Random House prevail, then the traditional interpretation of countless other specifically enumerated rights – including the traditional "reservation of rights" clause – may 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 vibrant future of the electronic publishing industry. Should Random House succeed in its attempt to radically and retroactively revise its own contract, it would (1) prevent authors from fairly sharing in the rewards of the electronic publishing industry by allowing Random House alone to exploit these rights, (2) thwart the essential congressional intent and constitutional purpose of the Copyright Act – to ensure that incentives properly flow to the authors of creative works, and (3) chill the emergence of an electronic publishing industry by preventing entrepreneurial companies such as Rosetta Books from acquiring the rights to tens of thousands of works.

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 Guild and the AAR have for the first time joined as *amici* in an action.

Argument

THE PUBLISHING AGREEMENTS IN THIS CASE DO NOT GRANT ELECTRONIC RIGHTS IN THE WORKS TO RANDOM HOUSE

A. Under Principles of Contract Interpretation, the Grant of a Right to "Print, Publish and Sell in Book Form" Does Not Include a Grant of Electronic Rights

In this action, to which no author has been made a party, Random House takes the position that any publishing agreement in which an author granted it exclusive rights to publish a work "in book form" necessarily conveyed to Random House the exclusive right to produce the work in an "eBook" format. (Complaint, ¶ 1)[1] Random House seeks preliminary and permanent injunctions enjoining defendants -- publishers of electronic books -- from publishing as eBooks "any . . . Random House works as to which Random House has been granted an exclusive license to publish 'in book form,'" not just the works of Kurt Vonnegut, William Styron, and Robert Parker cited by plaintiff. (Complaint, Prayer for Relief, ¶B; emphasis added).

Granting this relief to plaintiff, the "world's largest English language general book publisher" (Complaint, ¶ 5), whose imprints include Random House, Ballantine, Bantam, Broadway, Crown, Dell, Doubleday, Knopf, and many others (see Sarnoff Aff. ¶ 5), would mean that the thousands of authors who, since the 1960's or earlier, signed standard publishing agreements granting book publication rights to plaintiff – categorized as the right to "print, publish, and sell in book form" in the relevant contracts with Vonnegut, Styron, Parker, and many other authors -- would be deemed to have contracted

[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 plaintiff's post-1994 form contracts are not effective grants of those enumerated rights.

away any eBook rights to their works as of the date the contracts were originally signed. Apparently, Random House would like this interpretation applied even to those "book form" publishing contracts signed well before the advent of the modern, personal computer, cyberspace and Internet savvy era. This would be the wrong result, for a number of reasons.

Traditionally, throughout the publishing industry, the term "book form" has been understood to mean a compilation of words inked on paper and bound between two covers. In the same way that no one living in today's cyberspeak-fluent world could reasonably confuse the term "United States postal mail" with the term "electronic mail", mistakenly thinking that email involves the use of bond paper and business-sized envelopes and thirty-four cent postage stamps, it is inconceivable that authors or publishers negotiating contracts prior to the mid-1990s would have understood the phrase "book form" to have included electronic books. A book can have its spine cracked, its pages rifled and dog-eared. An eBook is a computer file rendered in HTML or other computer language, which cannot even be visually accessed without the assistance of a computer software program and reading device such as a personal computer, Palm Pilot, or dedicated eBook reader.

As stated in Field v. True Comics, a copyright infringement case that explored the definition of the term "book form," "[i]t is immaterial whether the [disputed work] is classifiable as a book under the Copyright Act; *the question is whether the publication is a publication in 'book form' as the term is used in the agreement.*" 89 F. Supp. 611, 613-14 (S.D.N.Y. 1950) (emphasis added). Accord, Boosey & Hawkes Music Publishers Ltd. v. Walt Disney Co., 145 F.3d 481 (2d Cir. 1998) ("[w]hat governs under

Bartsch is the language of the contract …. If the contract is more reasonably read to convey one meaning, the party benefited by that reading should be able to rely on it; 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.").

Random House makes the extravagant claim that it obtained electronic rights to works whenever an author signed a standard publishing agreement licensing the right to a work "in book form." See Complaint ¶ 1. The Vonnegut, Styron, and Parker publishing agreements entered into between 1961 and 1982 cannot be "reasonably read" to have conveyed electronic rights to Random House or its predecessors. Although the electronic transmission of text may have been a possibility at the time the authors signed these agreements, the grant of rights to "print, publish, and sell the Work in book form" is surely more plainly understood to grant rights only in the traditional 500-year-old bound print form, as emphasized by the use of the word "print" in the grant. The words used – "in book form" – do not grant rights to produce the work in "any form" or by "any method," let alone in "electronic form" or "eBook form." They grant only the right to print the work "in book form."

Boosey cautions that "new-use analysis should rely on neutral principles of contract interpretation." 145 F.3d at 484. Even though the material in question may come within federal copyright law, state contract law governs the interpretation of the contract. Bartsch v. Metro-Goldwyn-Mayer, Inc., 391 F.2d 150, 153-54 (2d Cir.), cert. denied, 393 U.S. 826 (1968). See also James W. Dabney, "Licenses and New Technology: Apportioning and Benefits," Trademarks, Copyrights, and Unfair

Compeitition Under Recent Law Revisions and Decisions (ALI 1991). Under New York law, which governs each of the specific publishing agreements at issue, the words used are to "be construed in accordance with [their] plain and ordinary meaning." Tele-Pac, Inc. v. Grainger, 168 A.D.2d 11, 570 N.Y.S.2d 521, 523 (1st Dep't 1991) (holding that the right to "broadcast by television" does not include right to broadcast by videocassette), appeal dismissed, 79 N.Y.2d 822, 580 N.Y.S.2d 201 (1991).

The dictionary definitions of the relevant terms "print," "book," and "form" could not be clearer:

> **print** … *v.* …**1.** To press (a mark or design, for example) onto or into a surface. **2.a.** To make an impression on or in (a surface) with a device… **b.** To press (a stamp or similar device) onto or into a surface… **3.a.** To produce by means of pressed type on a paper surface, with or as if with a printing press. **b.** To offer in printed form; publish.
>
> **book** …*n.* … **1.** A set of written, printed, or blank pages fastened along one side and encased between protective covers. **2.a.** A printed or written literary work.
>
> **form** …*n.* …**1.a.** The shape or structure of an object.

American Heritage Dictionary of the English Language (3d ed. 1996).[2]

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[2] We cite the American Heritage Dictionary because of the large number of working trade book authors and editors on its usage panel, for example, Roger Angell, Natalie Angier, Margaret Atwood, Roy Blount, Jr., Barbara Taylor Bradford, Joan Didion, Mark Helprin, Oscar Hijuelos, Molly Ivins, Erica Jong, Roger Kahn, Justin Kaplan, Garrison Keillor, Jamaica Kincaid, Maxine Kumin, Alice Mayhew, Cynthia Ozick, Susan Sontag, Paul Theroux, Calvin Trillin, Anne Tyler, and William Zinsser. (American Heritage Dictionary, at xii-xiv).

Random House's own 1996 College Dictionary makes the point equally well:

> **print** … *v.* **1.** to produce (a text, picture, etc.) by applying inked types, plates, blocks, or the like, to paper or other material either by direct pressure or indirectly by offsetting an image onto an intermediate cylinder. **2.** to reproduce (a design or pattern) by engraving on a plate or block. **3.** to publish in printed form.

Other traditional principles of contract construction compel the conclusion that the grant of rights "in book form" does not include the right to produce the work as an eBook. Any ambiguity in the phrase "in book form" in the standard form publishing agreements must be construed against the drafter. See, e.g., Chatterjee Fund Management, LP v. Dimensional Media Associates, 260 A.D.2d 159, 687 N.Y.S.2d 364, 365 (1st Dep't 1999) ("if there is any ambiguity in this language, it must be construed against plaintiff as drafter of the document"). Similarly, to the extent that any other provisions of the contract conflict with the authors having granted Random House rights only "in book form," the contract "must be resolved against the party who drew the contract." Certified Fence Corp. v. Felix Industries, Inc., 260 A.D.2d 338, 687 N.Y.S.2d 682, 683 (2d Dep't 1999).

B. Contrary to Plaintiff's Contention, eBooks Differ Substantially from Books

In contrast to the clear, everyday meaning of "book" and "form," electronic books are so little established that the meaning of the word "eBook" is, even at the present time, uncertain. Random House defines the eBook at issue in this case as "an electronic file that contains the text of an entire book." (Smith Aff. ¶ 4). However, Random House's own new College Dictionary defines "eBook" not as an electronic file but as a device relating to both books or magazines: "a portable electronic device used to download and read books or magazines that are in digital form." Random House

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book 1. a long written or printed work, usu. on sheets of paper fastened or bound together within covers: *a book of poems; a book of short stories.*

form 1. external appearance of a clearly defined area, as distinguished from color or material; configuration: *a triangular form.* **2.** the shape of a thing or person.

Random House Webster's College Dictionary (1996).

Webster's College Dictionary (Random House 2000). The same definition dates the first written occurrence of the word from "1980-85." *Id.*

Notwithstanding the slipperiness of the definition of "eBook" as opposed to the stable meaning of "in book form," Random House claims that an eBook is like a printed book because an eBook presents the author's text to the reader "in a linear text version." (Green Aff. ¶¶ 5-6). This is simply not the case. An eBook's "nonlinear" capacity is one of its distinguishing characteristics:

> 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*.

1 Perle & Williams on Publishing Law § 4.01[A] at 4-4 (3d ed. 2000) (emphases added). See also Allen R. Grogan, "Acquiring Content for New Media Works: The Rights Acquisition Process and Contract Drafting Considerations," Online Law: Emerging Legal and Business Issues (1996) ("traditional media tend to be *linear, e.g.* one is compelled to read a book or listen to a record or tape or view a videotape from beginning to end, whereas a digital new media work permits instantaneous *non-linear* access, *e.g.*, one can instantly jump to any point on a CD or CD-ROM") (emphases in original). Although the word "eBook" incorporates the word "book," it is no closer to a "book" than are other examples of digital technology to their traditional counterparts:

eBook / book
computer notebook / notebook
computer file / file
E-Mail / mail

Where the language of the grant covers a technology that is so different from the technology claimed by the grantee, New York cases find that the new technology is outside the licensor's grant. See, e.g., General Mills, Inc. v. Filmtel Int'l Corp., 195 A.D.2d 251, 599 N.Y.S.2d 820, 821 (1st Dep't 1993) (license that includes cable television "does not extend to videocassettes or videodiscs for home use because these media comprise 'an entirely different device involving an entirely different concept and technology from that involved in a television broadcast'" (quoting Tele-Pac v. Grainger, 570 N.Y.S.2d at 523)).[3]

Also inaccurate is Random House's assertion that "the eBook is directly competitive with the paper format of the book." (Complaint, ¶ 52). In a recent edition of PW Daily for Booksellers, a publishing industry listserv created and maintained by Publishers Weekly, Jeff Blackburn, general manager of Amazon.com's worldwide digital

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[3] 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 display, one of the exclusive rights of copyright owners set forth in Section 106(5) of the Copyright Act, 17 U.S.C. § 106(5).

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. It "does not involve an infringement of the reproduction right, nor does it constitute a performance of the work." 2 Nimmer on Copyright, id.

The display right only became an exclusive right under copyright in the Copyright Act of 1976: "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. In fact, it was 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.

None of the publishing agreements grants a display right in the author's work to Random House or its predecessors, which is not surprising since all of the agreements, with the exception of the February 4, 1982 Parker/Dell agreement, were signed before the display right came into existence. The authors who signed the agreements prior to 1980 could not therefore have granted any display rights, including rights to eBooks, to the publisher.

group, is noted to have remarked that "Amazon has seen no cannibalization of the sale of printed titles since it began offering e-books . . . ." Jim Milliot, "New Head of Amazon Digital Group Looks to Add E-Titles," PW Daily for Booksellers, March 13, 2001. In fact, this "cannibalization" argument is in direct contravention of growing anecdotal evidence suggesting that eBooks sales may actually boost, not hurt, print book sales of the same titles. See, e.g., Gabriel Snyder, "Another Dot Com Dream Punctured: Random House Scaling Back E-Books, New York Observer, March 19, 2001, at 6.

In an emerging business in which so much remains unknown, Random House cannot convincingly demonstrate significant lost print sales. Given the highly different purposes and uses of electronic versions of a work, the electronic rights to the authors' disputed books ought to remain as separate, and separately negotiable, as Random House acknowledges said authors' audio, movie and "multimedia" rights to be. That accords with long-held understandings in the book publishing industry, and it accords with the practice of virtually every major book publisher, including Random House, since the mid-1990s.

C. Longstanding Industry Custom and Practice Belie Plaintiff's Interpretation of the Grant

When additional rights beyond the primary right to publish a printed book have been sought by a publisher, they have traditionally been the subject of separate negotiation, and reflected in separate contractual language added either in the basic contract itself, or in amendments to the contract. See F. Robert Stein, "Standard 'Trade Book' Author Publisher Agreements," in Siegel, Entertainment Law, 351-59 (1996); Tad Crawford, The Writer's Legal Guide, 133-34 (2d Ed. 1998).

From an historical perspective, whenever publishers have sought additional rights in addition to the right to "print, publish and sell the work in book form," they have separately negotiated for them. An example is the printing of an excerpt of a work in a magazine in advance of book publication, or the serialization of the full or partial text of a work in installment form in a magazine in advance of book publication ("first serial rights"). Even though such use involves the same text as in the printed book, the right to this use has never been considered in the trade to be encompassed in the grant to "print, publish and sell the work in book form." "First serial rights" always have been subject to a separate negotiation and contractual language between the author and publisher.

Even the right to "reprint" the author's work (i.e., to produce an inexpensive paperback edition) is not encompassed in the grant to "print, publish and sell the work in book form." Rather, reprint rights normally involve separate negotiation, separate consideration, and separate contractual language. See Stein, supra at 354. Indeed, reprint rights can be, and sometimes are, reserved to the author. *Id.* The same is also true for the rights to produce abridgements, condensations or digest editions, book club editions, editions in English language for the British and Commonwealth markets, and translations of the work into other languages. *Id.* at 353, 354. All such rights are separately enumerated and set forth in contract grant language, and the author frequently retains many such rights.

In the 1970's, the recording of authors' work on magnetic tape for consumer use arose ("audio books" or "books on tape"). Either the author, or another, read the complete or abridged written text of the author's work verbatim onto tape. This was not considered in trade usage to be included in the right to "print, publish and sell the work in book form." In order for the publishers to obtain these rights from the author, separate

negotiation and consideration, and separate contractual language, were required See Maass Decl. ¶ 9.

The same history of separate negotiation for new rights applies with respect to electronic rights, as discussed below.

D. When Electronic Rights Were Introduced into Publishing Contract Negotiations in the Early 1990's, They were the Subject of Intense Negotiation

In the 1980's the possibility of selling works in electronic form on disc for reading on personal computers became known in the industry. See Maass Decl. ¶ 9. In the 1990's the possibility of the distribution of electronic editions over the World Wide Web was conceived. Only in the late 1990's was the possibility of "eBook" editions for reading on portable handheld electronic devices, or on dedicated electronic book readers (such as the "Rocket eBook"), foreseen. David Kirkpatrick, "With Plot Still Sketchy, Characters Vie for Roles; The Struggles Over E-Books Abound, Though Readership Remains Elusive," New York Times, Nov. 27, 2000. It was only in the mid-1990's that the question of how electronic rights should be negotiated and compensated arose among authors, agents and publishers (and most publicly, by Random House). See Calvin Reid, "Authors, Agents Pan New Random Media Rights Contract," Publishers Weekly, April 16, 1994 at.11.

With the emergence of electronic rights in the 1990's, those rights, if addressed in publishing contracts, were routinely handled as specific additional rights, apart from the grant of rights "in book form." Jonathan Kirsch, Kirsch's Hanbook of Publishing Law (1995) at 196-199; John F. Baker, "Behind the Scenes with Multimedia," Publisherss Weekly, April 17, 1995, 30, at 32; see also Harper Decl. Ex. A; Maass Decl. ¶ 13.

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 author would license to the publisher "electronic rights" in the author's work. Among other provisions, this document included a new 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." See Harper Decl. Ex. A.

Random House now claims in this lawsuit that the grants by Messrs. Vonnegut, Styron and Parker in the 1960's and 1970's of a license to "print, publish and sell" their works "in book form" conveyed to Random House the same "electronic publishing" rights that its extensive new -- *i.e.*, since 1994 --"electronic publishing" clause clearly treats as separate and distinct from traditional "book form" rights. That claim is contrary to what "print, publish and sell the work in book form" historically has meant in the industry, and what it means today.

E. Other Provisions of the Form Contracts Belie the Grant of eBook Rights

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). ("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." (Green Aff. ¶¶ 5-6). The clause would be rendered superfluous if the words "in book form" had the meaning Random House now tries to ascribe to them.

"[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 photography-based copying rights ("microfilming, Xerox"), neither of which resembles computer-based electronic rights. If, as plaintiff contends, computer-based precursors of eBook technology were available at the time of the publishing agreements in this case, it would have been reasonable to include a reference to that technology in the clause, but 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 agreements at issue do not grant electronic rights to Random House is further dispelled by the fact that, when electronic rights are in fact mentioned in the agreements at issue, they are retained in whole or in major part by the author. In the 1982 agreement between Robert Parker and Dell Publishing Co., "mechanical or electronic recordings of the text" are reserved exclusively to the author. Parker Agreement, ¶ 5. In the 1967 Vonnegut/Delacorte Agreement, 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. Vonnegut Agreement ¶ 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.

Thus, Random House's alternative argument that electronic rights are covered by the grant found in some of the agreements covering photography-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. Here, the existence of the specific electronic rights clauses negates the possibility that the other clause, covering photography-based copying, granted electronic rights to the publisher.

F. Plaintiff's Interpretation of Its Contract Language Would Conflict with the Goals of Copyright

Although Random House brings this action pursuant to the Copyright Act, it is undisputed that the authors own the copyrights to their books. 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 by personal gain is the best way to advance the public welfare through the talents of authors and inventors in science and useful arts. See 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 effectively provided the incentive of "personal gain" to authors by giving them limited monopoly rights to their works and the ability to market those rights. Thus, Section 106 of the Copyright Act, 17U.S.C. § 106, 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.

The incentives provided by copyright law play a crucial role in publishing. Authors create valuable works and publishers sell 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 certain rights constitutes the incentive for authors to produce valuable works. These incentives are the cornerstone of the publishing industry.

Plaintiff's interpretation of the grant of the right to "print, publish and sell the work in book form," found in virtually every publishing contract in force today, would, if accepted, threaten both the monetary and non-monetary facets of this incentive and, rather than promote the "progress of science and the arts," as the Constitution requires, would in fact do the opposite. If the nation's largest book publisher may simply subsume an important potential new publishing format from every author it has published, without any negotiation but instead by judicial decree, the monetary blow -- and the blow to the new market for eBooks -- will harm the writing profession.

G. Copyright Policy Requires that Grants of Rights Should be Construed in Favor of the Authors Who Are the Owners of the Copyrights in the Works

Random House's position in this lawsuit would strip authors of rights far beyond what the language in any of the publishing agreements at issue warrants. But interpreting the grant of the right "to print, publish, and sell the Work in book form" to include eBooks doesn't just try to push the language beyond any reasonable reading. It also violates federal copyright policy that protects authors from unintentional grants of the exclusive rights in their created works.

Random House's lawsuit for copyright infringement seeks to enforce against defendants certain claimed exclusive rights in copyright under Section 106 of the Copyright Act, 17 U.S.C. § 106. (Plaintiff's Memorandum, at 18-20). However, Random House's claims arise solely from its claimed status as the exclusive licensee of those rights – rights that it or its predecessors could have obtained only by being granted those rights by authors, the owners of the copyrights in the works in question.

Under Section 204(a) of the Copyright Act, a "transfer of copyright ownership" (which under Section 101 includes an "exclusive license, or any other conveyance . . . of a copyright or of any of the exclusive rights comprised in a copyright") is "not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed." 17 U.S.C. § 204(a). Under the prior Act of 1909, in effect until the January 1, 1978 effective date of the current Copyright Act, an assignment of copyright required a signed instrument in writing, although an exclusive license could be done orally or implied from conduct. See 3 Nimmer on Copyright § 10.03[B][1] at 10-47 to 10-48 (2000).

As stated by Professor Patry, the "principle embodied in Section 204(a)" – that "a transfer of rights is valid if it is in writing and signed by the owner of the rights conveyed" – reflects "a policy judgment that copyright owners should retain all rights unless specifically transferred." 1 Patry, Copyright Law and Practice 392 (1994). Based on this copyright policy, Professor Patry states that "agreements should, wherever possible, be construed in favor of the copyright transferor." *Id.*

Copyright policy requires that in this case authors not be deemed to have given up valuable rights without clear language showing that those rights were being

granted. Such clear language is noticeably absent in the agreements cited by Random House.

H. Random House's Control Over eBook Rights in Thousands of Works Will Not Serve the Interests of the Authors or Consumers

According to plaintiff's own papers, it currently has a "backlist" of some 20,000 titles. (Sarnoff Afft. ¶ 6) Also, according to plaintiff, to date it has published as eBooks some 300 titles, which total includes "frontlist" works, so that at most only one per cent of that claimed backlist has been published as eBooks by plaintiff. At least one-third of that 300 are public domain works for which it has no contracts -- or royalty obligations -- with authors. (Sarnoff Afft. ¶¶ 20-21.) Thus, to date, plaintiff concedes that it has produced as eBooks only 200 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.

Further, plaintiff 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. (Sarnoff Afft. ¶ 20) Those "expected" 2000 additional titles would represent less than ten per cent of plaintiff's total claimed backlist. See also Gabriel Snyder, "Another Dot Com Dream Punctured," New York Observer (March 19, 2001) (quoting the Editorial Director of plaintiff's eBook division as saying "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 to 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 being formed). Should plaintiff prevail here, 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 is eBooks 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).

Few writers can ignore potentially lucrative sources of income from their works. A study completed in 1981 found that the average writer earns less than $5000 a year from his profession, with only ten percent of writers earning more than $45,000. 1 Thomas D. Selz, Melvin Simensky & Patricia Acton, Entertainment Law § 3.02 (1991). While the average writer's income has increased over the past 20 years, it is still remarkably low. The average Authors Guild member earns less than $25,000 a year from writing. The writers most directly affected by the decision in this case, therefore, are the writers who struggle to earn a living from their craft and who can ill afford to turn their back on the opportunity to profit from their work -- no matter how small the profit might be for a particular author at a particular time -- if they want to continue writing.

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 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 authors and the public, the groups the Copyright Act was designed primarily to protect.

CONCLUSION

Granting the relief sought by Random House in this case would rewrite thousands of publishing agreements signed by authors decades ago and now grant rights not reflected in any reasonable reading of those agreements. *Amici* The Authors Guild and the Association of Authors' Representatives urge the Court to deny plaintiff's motion for a preliminary injunction.

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