

R. Bruce Rich (RBR-0313)
Jonathan Bloom (JB-7966)
Jonathan S. Shapiro (JS-3068)
WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153-0119
Telephone: (212) 310-8000



Attorneys for Plaintiff
Random House, Inc.

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. :
-----X

**REPLY MEMORANDUM OF LAW IN FURTHER SUPPORT OF
PLAINTIFF'S MOTION FOR A PRELIMINARY INJUNCTION**

Of Counsel:
Harriette K. Dorsen
Linda Steinman
Matthew E. Martin
Anke Steinecke
RANDOM HOUSE, INC.

PRELIMINARY STATEMENT

Random House, Inc. (“Random House”) commenced this copyright infringement and tortious interference action against RosettaBooks LLC (“Rosetta”) and its founder and Chief Executive Officer Arthur M. Klebanoff to enforce its exclusive contractual right to “print, publish and sell” novels by William Styron, Kurt Vonnegut, and Robert B. Parker (the “Works”) in “book form,” which right defendants have violated by, in the words of Mr. Klebanoff, “cleanly and simply” “publish[ing] in electronic format the words of the author precisely as they wrote them.” Deposition of Arthur M. Klebanoff (“Klebanoff Dep.”) at 25-26, 90 (Ex. A to the Declaration of Jonathan Bloom, dated April 30, 2001 (“Bloom Decl.”)).

The discovery record has only emphasized the “emperor’s clothes” nature of the defense, to wit, the assertion that an “eBook” of the type Rosetta publishes and offers for sale is something other than a “book” – and hence somehow constitutes publication in other than “book form.” The premise not only defies common sense; it is refuted by defendants’ own words, as well as those of their supporting amici.

Rosetta’s pre-litigation marketing documents are rife with admissions as to the obvious: eBooks are books. But a sampling:

- “The mission of [Rosetta] is to use the digital revolution to bring classic books, in new and exciting form, to more people worldwide.”
- “[Rosetta] will create substantial value through the control of classic books”
- “Result: Facilitate and expand the reading of classic books in particular.”
- “As a publisher dedicated only to electronic publishing, we have no conflict between physical and virtual books.”

Klebanoff Dep. Ex. 1 at 3, 8, 10 (emphasis added); Klebanoff Dep. Ex. 5 at 2 (emphasis added). (Bloom Decl., Exs. B and C).

At his deposition, Mr. Klebanoff forthrightly stated Rosetta’s business plan to entail becoming “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. at 29 (emphasis added). Though simply stating what otherwise should be obvious, Rosetta amicus The Authors Guild, outside of the context of this litigation and in a formal statement of position, has made the salient point: “Electronic books are books.” The Authors Guild and The American Society of Journalists and Authors, “Electronic Publishing Rights: A Position Statement” (Oct. 18, 1993) at 3 (Bloom Decl., Ex. D).

As a litigation construct, defendants, supported by the self-interested, generally identically worded declarations of authors’ agents and attorneys specializing in representing authors, have mounted the argument that eBook publishing is other than publication “in book form” essentially because the platform of delivery is other than a bound book in paper format. As with most litigation constructs, this position does not withstand analysis. It is evident that the core attributes of a book are not defined by the container in which it is presented; rather, the essence of a book is (1) its text, or content, (2) presented as a reading experience, (3) in complete, full-length form. See Expert Affidavit of Edward A. Miller, sworn to on February 23, 2001 at ¶ 15; Affidavit of Ashbel Green, sworn to on February 26, 2001 at ¶ 6; Klebanoff Dep. at 9-10; Deposition of Ellen Levine (“Levine Dep.”) at 32 (Bloom Decl., Ex. E).

The physical form in which a book, so understood, is presented, is a function of the state of technology at any given point in time. Books over the ages have been carved into stone tablets, then came to be bound and inscribed on papyrus (made from plants), parchment (animal skins), vellum (animal skins) and then paper (made from wood). See “publishing, history of” at <http://www.britannica.com/eb/print?eu=117358>. The conception of a book has embraced all such technological evolutions – as Rosetta itself has recognized. In Rosetta’s very own Mission Statement, Mr. Klebanoff observes that the earliest books were “handwritten manuscripts dating back to original vellum sheets of Virgil”; that “Gutenberg changed that world 500 years ago and brought the book to us all”; and that “E-publishing,” which will “bring books to an ever wider marketplace,”

represents “the first substantive change in publishing since Gutenberg.” Bloom Decl., Ex. B at 3 (emphasis added).

The relevant cases comfortably support a construction of the words “in book form” that embraces this latest technological iteration by which books are distributed to the reading public. As the Second Circuit has observed in the closely-related motion picture setting, in evaluating whether a new distribution mechanism falls within the ambit of the license at issue, one must look to whether the “fundamental characteristic” of the intellectual property involved – here, a faithful presentation of the author’s text – remains unaltered. See Bourne v. Walt Disney Co., 68 F.3d 621, 630 (2d Cir. 1995) (quoting S. Rep. No. 72, 92nd Cong., 1st Sess. 5 (1971), reprinted in U.S.C.C.A.N. 1566). If so, “the physical form in which the [work] is fixed – film, tape, discs, and so forth – is irrelevant.” Id.; accord L.C. Page & Co. v. Fox Film Corp., 83 F.2d 196, 199 (2d Cir. 1936) (where “genus” – here, the fundamental characteristics of a book – remains the same, means of presentation enabled by advances in technology represent merely “a forward step in the same art”).

In an attempt to obscure that Rosetta’s very raison d’etre is to present the identical text to the reader as is supplied by Random House, defendants’ opposition papers emphasize the potentially different features that a reader of eBooks might have available at some future point in time. See, e.g., Defendants’ Response in Opposition to Plaintiff’s Motion for Preliminary Injunction (“Def. Mem.”) at 15 (“The reader [of eBooks] will increasingly be able to use hyperlinks and hypertext to access a variety of related visual, sound and text.”). But this is a classic straw man. Mr. Klebanoff, Rosetta’s CEO, expressed skepticism whether meaningful augmentations to the traditional reading experience will find a market; in any event, he testified that this is not a direction in which Rosetta is moving. See Klebanoff Dep. at 93-94. Leo Dwyer, Rosetta’s Chief Operating Officer, made clear in his testimony that the functional features presently found in Rosetta’s eBooks are merely electronic analogues to aspects of the print-on-paper reading experience, such as being able to highlight and write notes on the book. See, e.g., Deposition of Leo Dwyer (“Dwyer Dep.”) at

71 (explaining that eBook readers “can create their custom version, just as when you buy a softback and you put notes in it”) (Bloom Decl., Ex. F). In other words, the Rosetta eBooks here in issue concededly are the functional equivalents of the Random House editions.

At bottom, Rosetta’s business is built squarely on its infringement of Random House’s intellectual property – the cherry-picking of “iconographic” authors of “evergreen works of fiction and non-fiction that essentially constitute annuities for publishers” predicated on the theory that, “[i]f the backlist is the financial sweet spot in publishing, classics are the sweet spot within the backlist.” Bloom Decl., Ex. C at 1, Ex. B at 10. Not only has Rosetta made no investment in the success of these classics; it even has determined to free ride on their production costs by scanning the text of the original paper editions of the works – right down to the permissions page.¹

The balance of this reply brief responds in greater detail to Rosetta’s efforts to cloud the meaning of “in book form”; its misconstruction of the tools of analysis to be employed by this Court under the governing case law; its misportrayal of the competing formats of the Works offered by the respective parties; as well as Rosetta’s resistance to a preliminary injunction insofar as it would be tantamount to a “death sentence.” Klebanoff Decl. at ¶ 26. This latter argument, we demonstrate, simply is not legally cognizable: “A willful infringer should not by the extent of his investment be allowed to gain immunity from the injunctive remedy.” Page, 83 F.2d at 200.

¹ Without seeking permission from Random House, Rosetta acquired paper versions of the Works (from a bookstore) and, at least in the case of the Vonnegut works, copied every word into a digital file through use of a process called “scanning.” See Dwyer Dep. at 40, 51-52; Klebanoff Dep. at 115. This action is, itself, copyright infringement. See 17 U.S.C. § 106; *id.* § 101 (defining “copies” as “material objects...in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device”); Memorandum of Law in Support of Plaintiff’s Motion for a Preliminary Injunction (“Pl. Mem.”) at 18-20.

ARGUMENT

I. DEFENDANTS' ATTEMPT TO LIMIT "IN BOOK FORM" TO BOOKS IN PAPER FORMAT IS INCONSISTENT WITH THE PLAIN MEANING OF THE CONTRACTS

The central issue in this case is whether the grant language contained in the Styron, Vonnegut and Parker book contracts – “to print, publish and sell the work in book form” – gives Random House the right to publish the Works as eBooks. Defendants’ principal argument rests on the contention that “print, publish and sell . . . in book form” means only that “the publisher has obtained the right of first publication of the manuscript in the format of a print book.” Def. Mem. at 6. Through language repeated in haec verba throughout their declarants’ submissions, defendants contend that the grant of rights is limited to a “‘physical’ book, i.e., printing the work with ink on sheets of paper which are sewn or glued between covers of a volume.” See Declarations of Georges Borchardt at ¶ 10; Helen Brann at ¶ 5; Donald Congdon at ¶ 10; Donald C. Farber at ¶ 8; Ellen Levine at ¶ 10; Donald Maass at ¶ 7. Defendants’ rote formulation is fundamentally at odds with the plain contract language and the case law interpreting such language. It also is undermined by Mr. Klebanoff’s own testimony, as well as the divergent views among the declarants themselves.²

A. The Contract Language Comfortably Encompasses eBook Publication

There is nothing on the face of the contracts that purports to limit “book form” to one species of distribution of a book. The contracts could have stipulated, but did not, that the sole “book form” to which publishing rights had been conferred on Random House was hardcover and/or paperback. Similarly, the contracts could have stipulated, but did not, that the author reserved to himself the right to exploit the work in later-developed distribution formats or by means of future

² The deposition record makes clear the obvious self-interest of the six literary agent declarants. The ability of authors to re-license eBook rights to another publisher stands to generate immediate income to the agents. See Levine Dep. at 6-11.

technologies.³ The language instead is non-specific as to the means of distribution for presenting the author's work. So long as the work is presented in "book" form, Random House owns the exclusive right to publish it.

As noted, a book is not limited in concept to an author's work as fixed in one particular mode of packaging. See Klebanoff Dep. 153-54; Levine Dep. at 43. It encompasses any means of presentation that faithfully reproduces the author's full text in a fashion that allows that text to be read. Rosetta itself recognizes that eBooks are "books." Bloom Decl., Ex. B at 3-4, 8-10. To suggest, notwithstanding this reality, that the publication of eBooks is not publication "in book form" is sophistry.

Rosetta's marketing materials recognize that "content is king" – that the author's words are what matter most to consumers. See Klebanoff Dep. at 90. That is why defendants have focused on delivering the author's words to the reader in text that is "identical to the text of the paper version" – the "words of the author precisely as they wrote them," "cleanly and simply." Id. at 85, 25-26, 90. And that is why defendants' claim that there is a material distinction between paper and electronic books for purposes of defining Random House's rights to the Works is fallacious.

Defendants argue that the fact that first serial rights and audio rights are negotiated separately undermines Random House's position that it controls the right to the text of the eight works at issue, whatever the means of distribution. See, e.g., Def. Mem. at 6-7. To the contrary, Random House's position rests on the logical proposition that paper books and Rosetta's eBooks share the same "fundamental characteristic[s]" of a book (Bourne, 68 F.3d at 630) – namely, the same (1) text or content, (2) presented as a reading experience (3) in complete full-length form. As Ellen Levine testified, first serial rights do not share these core attributes, but instead involve (1) excerpts or condensations of the work (2) published as part of a different, other collective work like a

³ As the court stated in Bartsch v. Metro-Goldwyn-Mayer, Inc., 391 F.2d 150, 155 (2d Cir. 1968): "[I]f 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."

magazine. Levine Dep. at 33-34. (Ms. Levine made clear that if, hypothetically, in contrast, the several Esquire magazine installments of a work were bound into a single volume containing the full text, they would become an “Esquire book.” Levine Dep. at 35.) Similarly, audio books are not read through the use of visual symbols like a book is, but rather are absorbed through hearing and are performed through the intercession of a reader.⁴

B. Defendants’ “Well Recognized Trade Usage” Is Anything But

The various Rosetta-sponsored declarants purport to ascribe an extraordinarily narrow definition to the “in book form” grant language – ostensibly reflecting “well-recognized trade usage.” See, e.g., Donald C. Farber Decl. at ¶ 7. Defendants’ brief, as well as several of their declarants, assert that the sole form of publication that is “in book form” is the “first” publication of a work – i.e., publication solely of the hardcover edition. Def. Mem. at 35; Brann Decl. at ¶ 5; Congdon Decl. at ¶ 10; Farber Decl. at ¶ 8. But Mr. Klebanoff himself debunked that assertion, acknowledging that publication in book form embraces many book formats, including hardcover, mass market paperback, trade paperback, book club editions, large print editions, and leather bound editions, among others. Klebanoff Dep. at 153-54; see also Levine Dep. at 37-39. Ms. Levine similarly debunked the notions that “in book form” (a) is restricted to publication on paper; (b) requires binding by glue or stitching; or (c) even requires “printing” in the traditional sense of the word. Levine Dep. at 46.⁵

⁴ Rosetta’s declarants’ similar attempts to narrowly construe “in book form,” e.g., by supposed distinctions between “primary” and “subsidiary” rights, are equally beside the point. As demonstrated, “in book form” comfortably embraces Rosetta’s eBook activities, notwithstanding the fact that the contracts in issue do not specify electronic rights.

⁵ The contracts at issue, as well as others produced by Random House that predate the 1961 Styron contract, also prove that not all rights conferred by a grant clause need be specifically delineated in the grant language. For example, a 1957 Random House contract produced in this case contains identical grant language to that here at issue. That clause makes no mention of a College Series reprint edition or a paperback reprint edition, yet the inclusion of royalty provisions for such reprints makes clear that they are encompassed by the right to publish “in book form.” Bloom Decl., Ex. G at ¶¶ 1.a, x. Similarly, a 1952 Ballantine Books agreement specifies a royalty for a paperbound edition notwithstanding the absence of any reference to paperbound publication in the grant language. Bloom Decl., Ex. H at ¶¶ 1.a, 7.b. The 1961 Styron agreement likewise stipulates a royalty for a Modern Library reprint edition notwithstanding the absence of any mention of reprints in the grant clause. Affidavit of Richard Sarnoff, sworn to on February 26, 2001 (“Sarnoff Aff.”), Ex. A at ¶¶ 1, 10.

To be sure, Mr. Klebanoff and Ms. Levine drew the “in book form” line at “physical,” as opposed to electronic, books; but when pressed for the basis for that distinction, the most each could muster was that an eBook is not a book but an “E thing” (Levine Dep. at 47) and “The name e-book has come about I mean I would argue because it is actually a different form of a book.” Klebanoff Dep. at 10. Ms. Levine found herself in the absurd position of arguing that a Rosetta eBook is not a book, but that if one printed out the text from the Rosetta eBook (as in the Affidavit of Lisa Cantos, sworn to on February 27, 2001, Exs. D-G) and velobound it, it would magically transform back into a book. Levine Dep. at 65-66.⁶

To further bolster their constricted reading of the grant language in issue, defendants and their declarants claim that, under prevailing trade practice, the publisher gets what is expressly and literally granted to it by the author, and no more. Def. Mem. at 6, 35; Borchardt Decl. at ¶11; Congdon Decl. ¶12. It is thus asserted that if a publisher desired to acquire paperback publishing rights, for example, it would need to have expressly acquired those rights, since, assertedly, the conveyance of the right to publish “in book form” is not sufficient. See id. Once again, this argument is directly contradicted by Mr. Klebanoff’s and Ms. Levine’s testimony, which, as noted, recognizes the broadly encompassing scope of “in book form.” It has also been directly rejected in prominent book publishing cases (see Section I.C, infra).

Indeed, if the absence of express contractual delineation of a later-developed technology were dispositive, then Boosey, Bartsch, Page, and the other “new-use” cases cited in Random House’s moving papers (see Pl. Mem. at 23-33) were all wrongly decided; in none of those cases was the new use in question specified in the license. The whole point of the new-use cases is to

⁶ We note that the record of defendants’ favorite case contains evidence highlighting the fact that the faithful presentation of the complete text as a reading experience, rather than the means of distribution in which it is disseminated, has long been understood as the defining characteristic of “book form.” A 1949 affidavit that defendants submit from Field v. True Comics, Inc., 89 F. Supp. 611 (S.D.N.Y. 1950), states that “publish in book form” means “the right of a publisher to publish a full length work in the form in which the work is written (Affidavit of Frederic Melcher, annexed to the Declaration of Robert J. Larocca, dated April 6, 2001) (emphasis added). The clear import of this language is that it is the content (“the form in which the work is written”) that is determinative, not the physical means by which it is packaged.

determine whether it is reasonable to interpret grant language to embrace new uses that are not specifically delineated in the contract. Thus, the fact that the license at issue in Boosey did not refer to “videocassettes,” in Bartsch did not refer to television, and in Page did not refer specifically to motion pictures with sound, was of no moment.

Defendants’ related claim that electronic rights were not granted because the contracts do not specify a royalty rate for electronic rights is also meritless. First, it is important to observe that rights are conveyed in the grant clause, not the royalty clause, which merely establishes the compensation when particular rights are exercised. See Levine Dep. at 74; Deposition of Richard Sarnoff (“Sarnoff Dep.”) at 118 (Ex. I to Bloom Decl.). Moreover, it is common practice in the publishing industry to defer negotiation of certain royalty terms either because of an initial lack of expectation that a particular publishing format will be exploited or because neither party can fairly value new formats in their early stages of exploitation. See Levine Dep. at 75-78. Thus, for example, the Random House form contract with Georges Borchardt, Inc., whose principal is one of defendants’ declarants, provides: “Prior to exploitation by the Publisher, the Author and the Publisher shall negotiate in good faith the royalties payable to the Author with respect to Electronic Books in light of then-current market conditions” Bloom Decl., Ex. J at ¶ 10.z. Similarly, the 1993 Position Paper on Electronic Rights issued by Rosetta amicus The Association of Authors Representatives includes a proposed clause providing that royalties shall be paid on an electronic book edition “at a rate which shall be mutually agreed on before any such publication.” Bloom Decl., Ex. K at 3.⁷

The further notion that the absence of a royalty rate ab initio means that the author will receive no consideration for electronic rights, see Def. Mem. at 40, is frivolous. Aside from the fact that the author receives an advance, filling in missing royalty provisions, including for electronic

⁷ Defendants misconstrue the import of Mr. Sarnoff’s testimony that Random House has negotiated royalty rates for electronic rights with authors whose contracts did not include a royalty rate for electronic rights. See Sarnoff Dep. at 185-87 (cited in Def. Mem. at 39). Rather than showing that electronic rights were not granted by the original contract, it indicates that they in fact were granted, and that solely the compensation for those rights had not been agreed upon.

rights, is common, as Ms. Levine testified. Levine Dep. at 75-78. Mr. Sarnoff, in turn, testified that Random House has not exploited and will not exploit its eBook rights in a work unless and until royalty terms are established. Sarnoff Dep. at 177, 185. It is thus apparent that, contrary to defendants' claim, no "essential elements" of the contract (Def. Mem. at 40) are missing.

C. **The Controlling Case Law Supports Random House's Construction**

Defendants' "in book form" arguments are also directly contrary to controlling case law. In Dresser v. William Morrow & Co., 105 N.Y.S.2d 706, 707 (1st Dep't 1951), aff'd, 304 N.Y. 603 (1952), the court held that a grant giving the publisher the right to publish plaintiff's literary works "in book form" was broad enough to include "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." The Appellate Division, affirmed by the Court of Appeals, rejected the very argument made by Rosetta here, namely, that both the contract and trade practice dictated that a grant to publish "in book form" was limited to the "right of original publication in book form" and did not include other formats not enumerated, such as cheap reprint editions (i.e., paperbacks). Id. (dissent).

In Dolch v. Garrard Publ'g Co., 289 F. Supp. 687 (S.D.N.Y. 1968), the court held that the "exclusive right of publication of the books" in an educational book series included the right to publish them in paperback. The plaintiffs in Dolch made very similar arguments to Rosetta, namely, that the grant was limited to hardcover publication because the royalty clauses did not appropriately pertain to paperbacks and because "this is the construction which the parties themselves made before the controversy . . . began." 289 F. Supp. at 691. The district court rejected those arguments, holding that the grant to publish books "cannot reasonably be construed as withholding the right of paperback publication" and noting that "the provision granting [the publisher] 'the exclusive right of publication of the books' is not indefinite or ambiguous." 289 F. Supp. at 693, 696.

Field v. True Comics, Inc., 89 F. Supp. 611 (S.D.N.Y. 1950) – which defendants cite

for the proposition that “in book form” is a “very limited grant” (Def. Mem. at 22) – is not to the contrary. The court there merely held that “publish, print and market in book form” is not broad enough to cover an eight-page cartoon strip based on a full-length book and incorporated within a comic magazine. The uncontroversial conclusion that “book form” rights do not encompass such a cartoon strip in a cartoon magazine does nothing to support defendants’ contention that such rights are limited to first hardcover publication or other specifically enumerated book formats. Moreover, in context, it is clear that the court was characterizing the grant to publish the work in book form as “of a limited character” only in the sense that it did not convey all of the copyright rights to the publisher. The court’s point was merely that “[DiMaggio] could . . . have licensed or permitted True Comics to publish the copyrighted work in any manner except in book form.” Field, 89 F. Supp. at 613.

D. The Right “To Print ... In Book Form” Does Not Derogate From Random House’s Rights

Defendants also would assign great import to the word “print” as it appears in the grant language in issue. They assert that this word somehow limits the rights granted to the “printing” of paper, as opposed to electronic, books. Def. Mem. at 21-22. The Court need not dwell on this argument, since it is apparent that the grant language in which “print” appears – “to print, publish and sell” – entitles Random House to engage in any, some, or all of those activities. Mr. Klebanoff conceded this point of contract construction in interpreting the grant language from Rosetta’s own boilerplate agreement:

Q: So is it accurate that the grant clause we’re talking about which grants the right to publish, transmit, distribute, sell and produce essentially with the possible exception of the core right of the publishing means to do any or all of the foregoing?

A. Yes.

Klebanoff Dep. at 78 (emphasis added); see also id. at 77 (agreeing that publisher is not obliged to carry out every one of the verbs included in the grant language); Murphy v. Long Island Oyster

Farms, Inc., 491 N.Y.S.2d 721, 722 (2d Dep’t 1985) (“‘And’ is considered also as ‘or’ unless the document shows on its face that the word ‘and’ is to be literally construed”). Since Random House possesses the independent rights to publish and sell the works under license, Rosetta is infringing upon those exclusive rights – however the word “print” is construed.⁸

II. DEFENDANTS CANNOT MEANINGFULLY DISTINGUISH THIS CIRCUIT’S “NEW-USE” PRECEDENTS

In Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co., 145 F.3d 481, 487 (2d Cir. 1988) the Second Circuit, building upon a long line of cases, announced the rule that controls this case: “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.” Once it is recognized that “in book form” is reasonably construed to entail the faithful presentation of the author’s content, in its full form, and in a readable format, it is obvious that under Boosey the burden was on the authors of the Works to carve out a reservation of rights encompassing eBooks, not on the publishers to specifically include them.

Defendants, tellingly, address only two of the “new-use” cases discussed by Random House, and their attempt to distinguish those cases – Bartsch and Boosey – fails.

A. The Contracts Are Reasonably Construed to Convey eBook Publishing Rights to Random House

Defendants artificially attempt to distinguish Bartsch and Boosey on the ground that those cases involved “broad” grants of rights, whereas “in book form” is “a very limited grant.” Def. Mem. at 25-29. Of course, whether the grant is more fairly characterized as broad or limited is immaterial; the issue is whether the grant is broad enough to cover the use in question. In this case, it

⁸ In any event, defendants’ construction of the meaning of “to print” is far too narrow. This is made apparent by defendants’ references to provisions in the 1961 Styron contract and several others at issue that use the terms “type” and “plates” assertedly to “refer, and ... only refer, to printing with ink on paper.” Def. Mem. at 34. In fact, it has been many years since type has been set as it was when these contracts were written. “Today, text is set directly from a digitized, *i.e.*, electronic, version of the author’s work.” Sarnoff Aff. at ¶ 17. We do not understand defendants to be contending that this use of later-developed printing technology somehow strips Random House of its publishing rights in the Works. Further, the term “print” itself has evolved in the computer age and is no longer confined to ink on paper, but includes, among others, “printing to file” and “printing to disc.” *See, e.g.*, Sarnoff Dep. at 89-90 (discussing print-to-screen concept).

plainly is. Defendants' sole legal authority for the proposition that "print, publish and sell in book form" is a "very limited" grant is Field, supra, which, as noted above, merely held that "in book form" is not broad enough to cover an eight-page cartoon strip. This "limitation" scarcely supports the contention that "in book form" is limited to print-on-paper books.

The only other authority on which defendants rely to support their crabbed interpretation of "in book form" is the rote assertions of their declarants that "print, publish and sell . . . in book form" has never been understood in the publishing industry to encompass electronic books. See Def. Mem. at 35 (citing declarations).⁹ This evidence is not probative of the issue at hand, since, as explained in Boosey, "industry custom [is not] 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." 145 F.3d at 488.

Because intent to grant the right to exploit a specific later-developed new use could not, by definition, have existed at the time of the agreement, Boosey and Bartsch properly hold the licensor responsible for negotiating language that would clearly exclude the new use. As the court stated in Boosey, licensees "should be entitled to rely on the words of the contract." 145 F.3d at 488. And as Judge Friendly explained in Bartsch: "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." 391 F.2d at 155.

In this regard, Page, supra, which defendants completely ignore, is highly instructive. In Page (discussed in Pl. Mem. at 24-25), the court found that the words "'exclusive moving picture rights,' were sufficient to embrace not only motion pictures of the sort then known but also such technical improvements in motion pictures as might be developed during the term of the license" 83 F.2d at 199. Using reasoning fully applicable here, the court termed the development of talking

⁹ The deposition record established that the declarants' boilerplate references to what has been "understood in the publishing industry" in fact represents solely the alleged viewpoint of half that industry – authors and their agents. See Levine Dep. at 28-29.

pictures “nothing more than a forward step in the same art,” id., and noted that the “genus” of “motion pictures” remained the same irrespective of the addition of sound because “‘talkies’ are but a species of the genus motion pictures.” Id.¹⁰ It is not surprising that defendants ignore Page, because the court’s reasoning in that case devastates their argument. The simple and dispositive fact is that an eBook is nothing more than a species of the genus “book.” The operative grant language – “in book form” – describes a genus of content that is broad enough to encompass later-developed species of that genus, such as eBooks.¹¹ Defendants’ own portrayal of eBooks as the progeny of Gutenberg (see Bloom Decl., Ex. B at 3) makes this very point. Accordingly, under Boosey, the onus was on the authors to negotiate a reservation of rights that would have prohibited Random House from publishing the Works via new technologies, such as eBooks, without further license.

The breadth of the grant of rights to Random House is reinforced by other provisions of the contracts in issue. As in Dresser, supra, several of the contracts give Random House the right to publish “in such style and manner” as it “deems suitable” (1961 Styron Contract, Sarnoff Aff., Ex. A at ¶ 2; 1979 Styron Contract, Sarnoff Aff., Ex. B at ¶ 6), and several grant the right to publish the Works via forms of copying “either now in use or hereafter developed” (1967 Vonnegut Contract, Sarnoff Aff., Ex. C at ¶ 1.d; 1970 Vonnegut Contract, Sarnoff Aff., Ex. D at ¶ 1.d; Parker Contract, Sarnoff Aff., Ex. E at ¶ 1.d). Others prevent the authors from “publish[ing] or permit[ing] to be published any material in book or pamphlet form, based on material in the work” (1961 Styron Contract, Sarnoff Aff., Ex. A at ¶ 8; Parker Contract, Sarnoff Aff., Ex. E at ¶ 18). The plain import of these provisions is to permit Random House to publish or license the Works in all appropriate text

¹⁰ See also Bourne, 68 F.3d at 630 (“motion picture” reasonably understood to refer not simply to celluloid-film medium but to “a broad genus whose fundamental characteristic is a series of related images that impart an impression of motion when shown in succession [T]he physical form in which the motion picture is fixed . . . is irrelevant”) (quoting S. Rep. No. 72, 92nd Cong., 1st Sess. 5 (1971), reprinted in 1971 U.S.C.C.A.N. 1566) (emphasis added).

¹¹ Defendants’ analogy to a court rewriting a license for use of “ground transportation” to include airplanes and helicopters (Def. Mem. at 25), is inapt because the former clearly excludes the latter, which is not true with respect to the generic term “in book form” and an electronic book.

formats, free of competitive interference.

Defendants' efforts to neutralize the import of these clauses (Def. Mem. at 44-46) are transparently weak. Defendants' declarants, in identically worded discussions, contend that the terminology "forms of copying now known or hereafter defined" pertains exclusively to "Xerox" type, hard-copy photocopying. See, e.g., Borchardt Decl. at ¶ 23; Congdon Decl. at ¶ 27; Farber Decl. at ¶ 26. This is an unsupportable construction of plainly broader language, as both common sense and the deposition testimony of both Ellen Levine and Catherine Fowler make apparent.¹²

Similarly unavailing is defendants' attempt to read the non-compete provisions out of the contracts on the ground that they do not apply to works of fiction. Besides being contrary to the plain language of the provisions, the view is belied by a case involving none other than Mr. Klebanoff's own Scott Meredith Literary Agency. See Harlequin Enters. Ltd. v. Warner Books, Inc., 639 F. Supp. 1081 (S.D.N.Y. 1986) (applying non-compete clause to dispute concerning two series of fiction works); see also Levine Dep. at 67 (non-compete clauses may appear in fiction contracts).

B. Contractual Intent Is Irrelevant in the Absence of Specific Language Implementing That Intent

Defendants, attempting to salvage their legal position, assert that this case is distinguishable from Boosey on the basis of "evidence" that the agents for Styron and Parker did not intend to convey electronic rights when they negotiated the agreements for those authors. Def. Mem. at 29.

These attestations of intent are irrelevant. As Boosey noted, "intent is not likely to be helpful when the subject of the inquiry is something the parties were not thinking about." 145 F.3d at 488; see also Page, 83 F.2d at 198-99 (finding of no relevance fact that objecting party did not have talking motion pictures in mind at time agreement was concluded). The point of Boosey, Bartsch,

¹² Ms. Levine testified that scanning text on paper into a computer file without authorization would be an infringing copy and that a facsimile reproduction would be a copy. Levine Dep. at 60-62; see also Deposition of Catherine Fowler ("Fowler Dep.") at 103 (transforming material in a form that is in a usable information and retrieval system constitutes copying) (Bloom Decl., Ex. L).

and Page, among other new-use cases, is that the consequences of failing to specifically exclude a new use from the license fall upon the licensor. Thus, the fact that Messrs. Styron and Parker may not have intended to convey electronic rights is of no consequence if the grant language that they negotiated does not embody that intent – and it plainly does not.¹³

C. **Any Foreseeability Hurdle Is Easily Met Here**

Defendants contend that Boosey “requires there to be at least a ‘nascent market’ at the time of contract for the new-use right to be read into even a very broad contractual grant of rights” (Def. Mem. at 30), and they claim that the fact that eBooks per se, distributed over the Internet, did not exist until the 1990s means that electronic rights could not have been conveyed in 1961. Their argument is supported by neither the law nor the facts.

To the extent foreseeability does figure into the analysis,¹⁴ it is a liberal requirement that does not demand proof that the precise technology at issue was commercially viable at the time of contracting. See Pl. Mem. at 30-31. Boosey specifically rejected a narrower approach to analyzing the foreseeability of new distribution methods that would focus solely on technology in use at the time of contracting and exclude any uses lying within the “ambiguous penumbra.” See Boosey, 145 F.3d at 486. The foreseeability requirement is satisfied if experimentation with some form of the technology in question was occurring at the time the agreements were negotiated. See Bartsch, 391 F.2d at 154 (sufficient that in 1930 future possibilities of television were recognized); Bourne, 68 F.3d at 630 (accepting credible evidence that home viewing of motion pictures – as distinguished from VCRs – was foreseeable during 1930s). Professor van Dam’s uncontroverted affidavit notes that as early as 1945, President Roosevelt’s Science Advisor Vannevar Bush wrote

¹³ See Bourne, 68 F.3d at 628-29 (primary objective is to give effect to intent of parties “‘as revealed by the language they chose to use’”) (quoting Seiden Assocs., Inc. v. ANC Holdings, Inc., 959 F.2d 425, 428 (2d Cir. 1992); Harlequin, 639 F. Supp. at 1087 (“the actual intent of the parties, if not clearly expressed in the written contract, is ineffective”).

¹⁴ Boosey and Bartsch both stop short of holding that either foreseeability or the existence of a nascent market must be shown in order to fairly construe grant language to cover a new use. See Boosey, 145 F.3d at 486.

about a “memex” reader that would enable a microfilm version of text to be retrieved electronically via a keypad and further establishes that reading books in an electronic format was a foreseeable consequence of computerized methods of textual storage and retrieval methods developed in the 1950s and 1960s. See Expert Declaration of Andries van Dam, executed on February 26, 2001, at ¶¶ 8, 11, 12, 18. Professor van Dam testified that he “had certainly read articles about what we could call electronic book systems for authoring and reading them starting in the 60’s.” Deposition of Andries van Dam at 51 (Bloom Decl., Ex. M) Rosetta amicus AAR echoed this view in its 1993 position paper on electronic rights, which explains that electronics “first entered the field of publishing in the late 1950’s and early 1960’s” and that, although “no one knew what other forms of storage and retrieval would be invented,” it was “obvious that there would be more and that they would be electronic.” Bloom Decl., Ex K at 1. Ms. Levine, who was on AAR’s Board at the time, affirmed the accuracy of this conception. Levine Dep. at 71-73.¹⁵

Indeed, by the 1960s, concern with the capabilities of computers to facilitate infringement of copyrighted works led Congress to take note of the issue. See 114 Cong. Rec. 17,042-45 (June 12, 1968) (Bloom Decl., Ex. N). By the mid-1960s, magazine articles were appearing containing statements such as: “In the future, all material – text, line illustrations, and photographs – will be fed into the computer/video system simply by placing them into optical scanning devices.” E.L. Campbell, “Electronics and the Printed Word,” Electronic Age (Spring 1967) (Bloom Decl., Ex. O) at 13. The April 15, 1967 issue of Library Journal contained an article predicting that with the advent of new electronic technology “[t]he printed book is going to become an information service rather than a package on bookshelves.” Bloom Decl., Ex. P at 1703.

The foregoing makes clear the irrelevance of Rosetta’s expert submission by David Farber, who sets up the wrong purported foreseeability “issue before the court,” only to knock it down. Mr. Farber’s exceedingly narrow formulation of foreseeability would entail ascertaining

¹⁵ Rosetta’s own contracts with authors recognize that the root technology underlying eBooks is one or another

whether, when Messrs. Styron, Vonnegut and Parker entered into their contracts with Random House, “they or the United States publishing industry could have reasonably foreseen a market distribution of their works over the internet.”¹⁶ Farber Decl. at ¶3. As the cases addressed above make clear, Random House bears no such burden. Mr. Farber’s foreseeability premise is tantamount to Disney’s having to have demonstrated that VCR and laser disc technology – as opposed to merely home theatre viewing – was foreseeable in the 1930s. This, of course, was not the test. Notably, Mr. Farber’s declaration does not dispute the accuracy of a single factual assertion of Professor van Dam directed at the far more appropriate foreseeability inquiry.¹⁷

It is obvious from the foregoing that electronic books were foreseeable at the time the contracts at issue were executed.

D. Defendants’ Focus on the Differences Between the Print “Medium” and the Digital “Medium” Is Misplaced

Defendants argue that Boosey and Bartsch do not apply to this case because, unlike those cases, “two separate and distinct media [are] involved, namely the print medium as opposed to the digital or computer medium.” Def. Mem. at 31. This argument is baseless. First, as noted above, the determinative characteristic of “in book form” is not the means by which the content is delivered but rather the nature of the content, *i.e.*, a full presentation of the author’s text in a format enabling that work to be read. Accordingly, the fact that paper and digital delivery formats concededly differ

form of information storage and retrieval. See Klebanoff Dep. at 81-82.

¹⁶ According to Mr. Farber, “[t]his distribution involves formatting large text files in computer code, transmitting them over telephone lines and the world-wide web, and downloading them into computers to be viewed on a computer screen via software like Adobe Acrobat Reader.” Farber Decl. at ¶3.

¹⁷ Although there is ample evidence that the potential of electronic publishing was well-known in the publishing industry prior to 1961, the cases do not require that the contracting parties be aware of the technological developments that render the new use foreseeable, merely that some evidence of such developments exist. See Philadelphia Orchestra Ass’n v. Walt Disney Co., 821 F. Supp. 341, 346 (E.D. Pa. 1993) (rejecting argument that home video was not contemplated in 1939, citing, inter alia, 1927 demonstration at London department store).

is irrelevant.¹⁸

Second, the case law makes clear that differences in means of delivery are not material if the grant language is broad enough to cover them. See Pl. Mem. at 22 n.15. Thus, Boosey rejected the approach to the term “motion picture” that would have included only the core uses as understood in 1939 but not “subsequently developed methods of distribution such as television videocassettes or laser discs.” Boosey, 145 F.3d at 486 (emphasis added). Celluloid films and laser discs are surely no less distinct distribution vehicles than are paper and electronic books.¹⁹

III. NEITHER ROSETTA’S ATTEMPT TO OBSCURE THE NATURE OF ITS COMPETITIVE OFFERINGS NOR ITS MISPORTRAYAL OF RANDOM HOUSE’S CONTRACT REVISIONS OVER TIME ALTER RANDOM HOUSE’S ENTITLEMENT TO PRELIMINARY INJUNCTIVE RELIEF

A. Rosetta’s Hypothetical eBook of the Future

Faced with the stark reality that their publishing mission is to “cleanly and simply”

¹⁸ Greenberg v. National Geographic Soc’y, No. 00-10510, 2001 WL 280075, at *1 (11th Cir. Mar. 22, 2001), cited at pages 31-32 of defendants’ brief, is easily distinguishable. Greenberg involved the use of a 1961 photograph that originally appeared on the cover of National Geographic magazine in a CD-ROM compilation of all back issues of the magazine as well as in an opening sequence in which photographs of ten different covers “morph” into one another. The court held that the work as a whole constituted a new work that did not fall within the scope of the National Geographic Society’s right to create revisions under 17 U.S.C. § 201(c). The court rested this finding, in part, on the fact that the opening sequence was an added element, not merely a republication of a preexisting work without substantive change, and that a copyrighted computer program was used to create the CD-ROM. Critically, the court noted that the case was “both factually and legally different than a media transformation.” Id. at n.12.

¹⁹ The fact that the Bartsch court concluded that “project, transmit and otherwise reproduce . . . by the art of cinematography or any process analogous thereto” did not encompass television, 391 F.2d at 153, does not help defendants because that grant language specifically described the “process” to which the grant was limited. The grant language at issue here contains no such limitation. Further, the Bartsch court determined that such language was “directed at how the musical play was to be made into a photoplay . . . due to uncertainties as to the best method for linking visual and audible reproduction” and thus was simply “irrelevant” to the question of whether the assignee of motion picture rights to the musical play was authorized to telecast the film. Id. (citations omitted).

Neither can defendants escape the logic of Boosey and its precursors by claiming that those decisions reflect the convention in the movie industry that creators are presumed to convey all rights to their work except those explicitly reserved. See Def. Mem. at 6. This notion finds no support in the new-use cases, which do not involve such “all rights” contracts. See, e.g., Boosey, supra (involving non-exclusive grant of pre-existing well-known musical composition by Stravinsky). Further, Boosey expressly grounded its analysis in “neutral principles of contract interpretation rather than solicitude for either party.” 145 F.3d at 487. None of the cases cited relied upon industry custom or convention in analyzing the plain language of the agreements. Finally, Ms. Levine notwithstanding her sweeping pronouncements as to asserted movie industry practice, conceded (1) that she had no experience with licensing musical works in connection with motion picture exhibition, the

present competing editions of the identical paper editions to readers, see Klebanoff Dep. at 25-26, 90, defendants attempt to reinvent their product into something it is not. They thus devote much argument to the asserted future directions of eBooks – in terms of hyperlinking, interactivity, multimedia dimensions, and the like. See, e.g., Def. Mem. at 15; Dwyer Decl. at ¶ 10. Their apparent effort is to convince the Court that these hypothetical eBooks of the future will be so fundamentally different than either the paper or electronic books of today that Random House could not seriously claim them to be close substitutes for the Random House editions of the works.

The short answer to this argumentation is that it is irrelevant to the issue at hand. Rosetta’s present – and foreseeable – eBook offerings contain none of the hypothesized, materially different features, such as added sound, images, or video, that might distinguish them from the Random House editions. Klebanoff Dep. at 88-90; see also Sarnoff Dep. at 153-57. In fact, Rosetta is contractually barred from offering such augmentation without its authors’ permission – something Mr. Klebanoff expressed doubt as to the prospects of obtaining, even were such permission sought. Klebanoff Dep. at 85, 89.²⁰

B. Random House’s Contract Revisions Over Time

Defendants raise another red herring in asserting that Random House’s updating of its Adult Trade Division basic form of contract in 1994 somehow evidences that Random House had not previously acquired eBook rights. Def. Mem. at 41-43. Defendants’ declarants seize on one paragraph of the 1994 revision – ¶ 1.a.x – as purported evidence for their position. See, e.g., Decls.

issue in Boosey, and (2) that in her own representations of authors involved in licensing motion picture rights, only discrete rights are ceded to the studios based on a typical negotiating process. Levine Dep. at 49, 85-86 .

²⁰ The 1993 AAR paper on electronic rights also clearly distinguishes presentation of the verbatim text from text with audio or visual enhancements:

It would seem that the position of most agents today is that nondramatic electronic publishing rights (without audio or visual components and without adaptation), resulting in a visible and readable reproduction of the verbatim text of the work may be controlled by the publisher.

Bloom Decl., Ex. K at 1.

of Ellen Levine at ¶ 17; Donald Congdon at ¶ 20; Georges Borchardt at ¶ 16. Once again, defendants' argumentation is wide of the mark. The cited provision – which affords Random House “Electronic Version” rights – in fact has nothing to do with the rights dispute before the Court. That clause would enable Random House to take its authors' works and add significant additional multimedia elements. See Sarnoff Dep. at 153-57. As noted, the eBook rights here in issue are not of this ilk, and require no such authorization. Insofar as they represent the faithful capturing of the author's text “in book form,” Random House did not require the authorization of paragraph 1.a.x of the 1994 revised license form to acquire such rights. Once again, the defendants have fired a salvo at the wrong target.

Defendants' memorandum (unsupported by any of the declarants) also points to the language in paragraph 1.a.i of the grant clause of the 1994 revision, which both reiterates the longstanding “in book form” grant language and explicitly adds a definition of “Electronic Books.” Rather than representing an acknowledgement that such Electronic Book rights – which, in contrast to Electronic Version rights, permit the faithful presentation of the author's work in eBook format – had not theretofore been granted to Random House, the Random House testimony made clear that this additional language simply represented a clarification that Random House held such electronic book rights to its works under contract. See Deposition of Ashbel Green at 36 (Bloom Decl., Ex. Q). The fact that in 1994 Random House chose to be more specific in its form contract as electronic publishing became more of a commercial reality does not mean that the earlier grant language did not encompass eBook rights. In fact, in Bartsch the plaintiff tried to demonstrate that an unspecific grant to “exhibit such motion picture” did not include the right to telecast the movie, since Warner Brothers' own contemporaneous agreements often specified television rights. The court found this argument irrelevant, noting that Warner Brothers was entitled to “rely on general words that were sufficiently broad rather than seek an express inclusion.” Bartsch, 391 F.2d at 154-55.²¹

²¹ Even if it were the case that Random House over time reexamined the question of whether it held electronic

Defendants rely heavily on the Declaration of Catherine Fowler, an ex-Random House employee, for their claim that Random House concluded prior to 1994 that it did not hold electronic rights to works it had the right to publish “in book form.” Def. Mem. at 12; Fowler Decl. at ¶ 21. Ms. Fowler’s deposition makes clear that her attestations as to asserted company-wide views of the rights held by Random House reflect, at most, the ten-years-later recollections of a mid-level employee in one division of the company who could not specifically identify a single senior-level business or legal executive at Random House who subscribed to her stated views and whose views explicitly conflict with Random House’s stated position that it held electronic rights under the Audubon Society publishing contract she singles out. See Fowler Dep. at 86, 89-90; Fowler Ex. 6 (Bloom Decl., Ex. R). Illustrative of the hyperbolic nature of Ms. Fowler’s testimony is her declaration’s reference to a document prepared “in the early 1990’s,” based on “careful examination,” for the purported purpose of determining the extent to which Random House owned electronic rights in its author’s works. Fowler Decl. at ¶ 24. Through discovery and cross-examination it was revealed that the document referred to was an undated, hastily-crafted, one-and-one-quarter-page “cut-and-paste job,” not on Random House letterhead, with no attribution of authorship, which Ms. Fowler herself described as something that “wasn’t meant to be a big formal project. It was simply a service we were doing for some of the [rights] people.” Fowler Dep. at 88. It never formed the basis for any corporate judgments and did not reflect the input of even a single Random House lawyer. Fowler Dep. at 92, 94; Bloom Decl., Ex. S.

It is clear, moreover, from Ms. Fowler’s declaration that when she refers to “electronic rights” she is referencing multi-media works, which are not of the same ilk as Rosetta’s eBooks, and

rights under its existing contracts (see Fowler Decl. at ¶ 18), this would not be evidence that it did not hold those rights. See Mid-West Conveyor Co. v. Jervis B. Webb Co., 92 F.3d 992, 1000 (10th Cir. 1996) (licensee’s internal memoranda to effect that it only had right to sell in U.S. and Canada after licensor so informed it does not establish that licensee did not believe it had bargained for worldwide license; rather, licensee was “proceeding cautiously” to avoid confrontation). Unlike the situation in Viacom Int’l, Inc. v. Lorimar Prods., 486 F. Supp. 95 (S.D.N.Y. 1980) (cited in Def. Mem. at 41), where Viacom sought to enforce a contractual interpretation contrary to that which it had ratified through its conduct over the course of five years, Random House never disclaimed electronic rights under its pre-1994 contracts.

which more recent Random House contracts specifically distinguish from electronic books as “Electronic Versions.” See Fowler Decl. at ¶¶ 13-15; 1994 Random House contract (Ex. 26 to Def. Mem.).

IV. RANDOM HOUSE HAS DEMONSTRATED IRREPARABLE HARM AND A BALANCE OF HARDSHIPS IN ITS FAVOR

Random House demonstrated in its moving papers that its prima facie showing of copyright infringement entitles it to a presumption of irreparable harm and that, in any event, the record contains ample evidence of irreparable harm as a result of defendants’ infringing activities. See Pl. Mem. at 34. Defendants appeal to the Court’s sympathies by claiming that they will suffer irreparable harm should an injunction wrongly issue. See Def. Mem. at 47. But that is no answer to Random House’s showing that it will suffer irreparable harm in the absence of an injunction. The irreparable harm inquiry is not a balancing test: Random House’s showing of a likelihood of success on the merits and of irreparable harm entitles it to an injunction without regard to the impact on defendants.²² That Rosetta has sold very few eBooks and that Random House may have recouped its investment in the Works (Def. Mem. at 48) has no bearing on the irreparable harm to Random House’s consumer and retailer goodwill and to the integrity of its contractual relationships should an injunction not issue.

Although the Court should not need to balance the hardships in order to decide this motion, should it do so, it will find that the balance overwhelmingly favors Random House. Defendants argue that Rosetta’s status as a “fledgling company” should carry weight in the Court’s balance of hardship analysis. Def. Mem. at 49. It should carry no weight. The Third Circuit, in Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240, 1255 (3d Cir. 1983), stated that “[t]he size of the infringer should not be determinative of the copyright holder’s ability to get prompt

²² Defendants’ suggestion that if Random House’s position is wrong, it “will have committed a form of copyright misuse” (Def. Mem. at 47) is frivolous. Copyright misuse does not apply to objectively reasonable efforts to enforce copyright rights. Basic Books, Inc. v. Kinko’s Graphics Corp., 758 F. Supp. 1522, 1538 (S.D.N.Y. 1991).

judicial redress” and rejected the district court’s concern with the “‘devastating effect’ of a preliminary injunction on [defendant’s] business,” explaining: “If that were the correct standard, then a knowing infringer would be permitted to construct its business around its infringement, a result we cannot condone.” Id. (citations omitted); accord Concrete Mach. Co. v. Classic Lawn Ornaments, Inc., 843 F.2d 600, 612 (1st Cir. 1988).²³

The unauthorized reproduction, distribution and sale of copyrighted material in direct competition with the original publisher’s sales of the same works is built into Rosetta’s business model. In fact, Rosetta’s business plan, as described in its marketing presentation to strategic partners, is to “exploit perennial, annuity-like properties.” Bloom Decl., Ex. B at 4; see also Bloom Decl., Ex. C at 1 (“our overarching objective is to license as many ‘iconographic’ titles as possible”); Klebanoff Dep. at 113. In other words, as Mr. Klebanoff testified, Rosetta is in the business of free riding on “backlist books which [through great effort and expense of Random House and other rightsholders] have already proven their high rate of sale.” Klebanoff Dep. at 29; see also Bloom Decl., Ex. B at 7 (acknowledging that exploitation of “annuity properties” represents a “highly lucrative part of the new electronic publishing industry”).

At best, Rosetta has built its business on “acquiring” titles in reckless disregard of the copyright laws and, at worst, in brazen disregard of such laws. Accordingly, any harm that defendants claim would result from entry of an injunction preventing them from further copyright infringement is not judicially cognizable. The court should have no hesitancy in entering an injunction that would threaten the “survival” of or “cripple” a business that is dependent on free riding on the intellectual property rights of others.

On the other hand, absent an injunction, Rosetta and other would-be infringers will be

²³ See also Page, 83 F.2d at 200 (“A willful infringer should not by the extent of his investment be allowed to gain immunity from the injunctive remedy.”); Woods v. Universal City Studios, Inc., 920 F. Supp. 62, 65 (S.D.N.Y. 1996) (rejecting argument that preliminary injunction should not be entered because infringer would suffer considerable financial loss; “[c]opyright infringement can be expensive. The copyright law does not condone a practice of ‘infringe now, pay later.’”).

emboldened to target more of Random House’s most successful backlist titles. Additionally, Random House’s ability to exercise its exclusive rights in the Works and other targeted backlist titles for which it has contracted will continue to be frustrated. Although defendants repeatedly assert that promotion of the Works as eBooks may actually “enhance rather than hinder” sales of paper versions of the Works, see Klebanoff Decl. at ¶ 21; Declaration of Dorothy Kauffman at ¶ 17, defendants’ own documents and the testimony of Rosetta’s CEO make clear that, at a minimum, a significant portion of eBook sales will “cannibalize” sales in corresponding paper versions of works. Klebanoff Dep. at 34-36; Bloom Decl., Ex. B at 7, 9. In particular, Rosetta aims to target “books widely adopted in the schools,” a critical market for Random House for its classic works. Bloom Decl., Ex. C at 1 and Ex. B at 9. Moreover, defendants ignore the fact that if Rosetta is not enjoined, Random House’s efforts to develop its own eBook business will be significantly harmed. See Pl. Mem. at 36; Sarnoff Aff. at ¶ 32. Finally, Random House will suffer injury to the consumer and retailer goodwill that it has built up as the exclusive publisher of the Works.

CONCLUSION

For the foregoing reasons, the Court should grant Random House the preliminary injunctive relief it seeks.

Dated: New York, New York
April 30, 2001

Of Counsel:
Harriette K. Dorsen
Linda Steinman
Matthew E. Martin
RANDOM HOUSE, INC.

R. Bruce Rich (RBR-0313)
Jonathan Bloom (JB-7966)
Jonathan S. Shapiro (JS-3068)
WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

Attorneys for Plaintiff
Random House, Inc.

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