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TO WHOM DOES A NEW USE BELONG?: AN ANALYSIS OF THE NEW USE DOCTRINE AND THE PROTECTION IT AFFORDS AFTER *RANDOM HOUSE V. ROSETTABOOKS**

The decision in Random House v. RosettaBooks has the potential to transform the publishing industry and the licensing agreements so commonly relied upon. Courts have attempted to reconcile application of the new use doctrine for decades, and yet with every conceived new use there is another interpretation of the rules of the copyright game. In this Note, the author examines the Random House decision in light of the New Use Doctrine and proposes contract-based solutions to new use issues that may avoid the uncertainty of the doctrine as it currently stands.

* * *

New uses for old works have always been constitutionally protected under the Copyright Clause. Unless the rights to a new use are granted to another party, the creator of the original work maintains the breadth of rights in that use. The dilemma courts face today is determining when those rights have been contractually granted to another party and when they still belong to the creator of the work.

This Note examines current New Use Doctrine interpretation in light of the recent new use case law in the publishing industry, particularly *Random House, Inc. v. Rosetta Books LLC*,¹ and provides suggested revisions to the standard publishing contract. Part I of this Note reviews the law and policy of the Copyright Clause and the protection afforded by the Copyright Act. Part II provides an examination of the New Use Doctrine, the two primary approaches to the doctrine, and its historical application. Part III discusses the *Random House* decision and its relationship to the historical application of the New Use Doctrine. Part IV reviews two other recent new use cases in the publishing industry — *Tasini v. New York Times* and *Greenberg v. National Geographic* — and discusses the impact this line of decisions will have on the publishing industry. Finally, Part VI discusses some proposed contract-based solutions for the publishing industry that will avoid the problems faced by Random House, the New York Times, and National Geographic.

I. COPYRIGHT LAW AND POLICY

“To promote the Progress of Science . . . by securing for limited Times to

* I would like to thank Lionel Sobel for bringing this case to my attention. I would also like to thank Keith Pietropaolo for his enduring support. An earlier version of this Note placed first in ASCAP's 2003 Nathan Burkan Memorial Competition.

¹ 150 F. Supp. 2d 613 (S.D.N.Y. 2001), *aff'd per curiam*, 283 F.3d 490 (2d Cir. 2002).

Authors . . . the exclusive Right to their respective Writings”²

Copyright protection is afforded in the U.S. Constitution by the above clause. The purpose of the Copyright Clause is to provide the necessary incentive for authors to create new works by promising that certain rights inherent in those works will be protected in their name.³ The Copyright Act of 1976⁴ was enacted to protect these rights, which include the exclusive rights of: (1) reproduction; (2) creation of derivative works; (3) distribution; (4) public performance; (5) public display; and (6) digital audio transmission.⁵

The policy of the Copyright Clause is to strike a balance between the creator’s rights in his work and the desire for that work to be available to the public. By protecting certain intrinsic rights in the creator, that creator is more likely to allow access to his work. Following this reasoning, the goal of a court deciding a new use issue is to reach a decision that respects both the law of contracts and the policy of making the creator’s work available for public consumption.

“[E]lectronic information has been a very lucrative endeavor for all players [(authors, publishers, and consumers)].”⁶ As observed by another author in this area of law, each player, however, has its own concept of whom the Copyright Clause and Copyright Act were intended to protect.⁷ Authors “generally . . . [view copyright] as a means to protect [them] from those who would steal their work and use it for profit For publishers, copyright is used as a means to disseminate their works in a commercial setting.”⁸ Consumers deem copyright as a guarantee of “easy access” to quality information.⁹ The reality is that the interest of each party is dependent upon the interests of others.¹⁰ Without incentive for the authors to create, there would be nothing new and original for publishers to disseminate to consumers seeking new information.¹¹

The difficulty of copyright law is the impossibility of striking a perfect balance between the often competing interests of the parties.¹² New uses for old works and the policy of copyright law make achieving this balance all the more complicated

² U.S. CONST. art. I, § 8, cl. 8.

³ See MELVILLE E. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.03[A] (2001).

⁴ Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2598 (codified as amended at 17 U.S.C. §§ 101–1332 (2000)).

⁵ 17 U.S.C. § 106 (2000).

⁶ Dom F. Atteritano, Note, *The Growing Financial Pie of Online Publication: Tasini’s New-Use Analysis Leaves Freelance Authors Less Than Crumbs*, 27 HOFSTRA L. REV. 377, 378, 381 (1998).

⁷ See *id.* at 381–83.

⁸ *Id.* at 381–82; see also *id.* 381 n.24.

⁹ *Id.* at 382.

¹⁰ *Id.* at 383.

¹¹ See *id.*

¹² See *id.* at 381–83.

because the parties — the creator of the new use, the owner of the rights to the old work, the creator of the old work, and the consumer — have increasing investments in their efforts over time. Further compromising the balance is the fact that the questions raised by such issues are novel, often presented to a court for the first time. Such questions concern new technology with which only a small percentage of the population is familiar and qualified to express reliable opinions. It is under such circumstances that judges are relied upon to make determinations regarding the ownership of potential technology.

II. NEW USE DOCTRINE AND APPLICATION

A. *The Doctrine*

“New Use” in the publishing industry refers to rights in “forms of reproduction and distributions, and methods of exploitation” not in existence or developed at the time of licensing.¹³ The New Use of a work becomes a problematic issue when the work’s creator licenses certain related rights to another party and then at some point in the future seeks to benefit from the new use for his work under the very rights he had previously licensed. “Although . . . new media provide new methods of information distribution, they also create conflicts over the ownership of the content distributed and represent the source of publishing’s ‘most bitter battle in years.’”¹⁴

An example of such a conflict is when Author writes a book and grants all distribution rights to that book to Publisher A. At the time of such grant, there existed only one way to distribute the book — by sale of hard or softcover paper versions of the original manuscript. Twenty years after the grant of distribution rights, Publisher B enters the picture. It has developed a new method of distributing books that does not use paper at all. Publisher B’s method is entirely different from the distribution envisioned at the time of the grant. Author agrees to grant Publisher B the right to distribute his work by the new method. Author and Publisher B reason that the original grant to Publisher A included only the right to distribute his work in paper format, not by the new method. Publisher A, however, believes that Author granted such rights to it in the original agreement. This is where the New Use Doctrine is needed to resolve questions regarding what uses were or were not included in the original grant of rights.

¹³ NIMMER, *supra* note 3, § 26.02[B], at 26-9.

¹⁴ Sidney A. Rosenzweig, Comment, *Don’t Put My Article Online!: Extending Copyright’s New-Use Doctrine to the Electronic Publishing Media and Beyond*, 143 U. PA. L. REV. 899, 900 (1995) (quoting Deidre Carmody, *Writers Fight for Electronic Rights*, N.Y. TIMES, Nov. 7, 1994, at B20).

B. Two Approaches to the New Use Doctrine

Professor Nimmer identified two approaches to new use analysis. Nimmer refers to the approaches as “preferred” and “strict.”¹⁵ The strict approach requires that, unless a new use right is explicitly granted, the right is reserved in the copyright owner.¹⁶ This is a conservative approach and tends to favor the grantor over the grantee by employing a narrow method of contract interpretation.

Alternatively, the preferred approach is the standard relied upon by several courts.¹⁷ It provides that rights to a new use will be granted if the rights “may reasonably be said to fall within the medium as described in the license.”¹⁸ Professor Nimmer explains that, under the preferred approach, rights that are within the ambiguous penumbra are necessarily granted as well those rights clearly provided for because, in order to be ambiguous, the grant of the right *must* be a reasonable conclusion.¹⁹ The preferred approach is a liberal approach and may be used to interpret contracts in favor of the grantee over the grantor.

C. Historical Application of the New Use Doctrine

The motion picture and television industries were among the first faced with the new use dilemma.²⁰ The question for these industries was whether grants of motion picture rights also included the right to television broadcast rights.²¹

*Bartsch v. Metro-Goldwyn-Mayer, Inc.*²² is the defining case for new use litigation. Bartsch, represented by his widow, was the owner of the copyright to the musical *Wie Einst in Mai* or *Maytime*.²³ He licensed the motion picture rights to the musical to Warner Brothers Pictures, who subsequently granted the rights to the defendant.²⁴ The defendant then began broadcasting the motion picture via television — the act that brought the suit to litigation.²⁵ The plaintiff argued that the

¹⁵ See NIMMER, *supra* note 3, § 10.10[B], at 10-90 to 10-91. Professor Nimmer acknowledges that the two approaches to new use analysis apply when private negotiation cannot resolve the dispute amicably. Often the application of the New Use Doctrine by the courts is preceded and followed by private party negotiations. The court’s role in the dispute serves the purpose of shedding light on the issues. The parties may then revise the court’s determinations to best serve the intent and purpose of the original contract. *See id.*

¹⁶ *Id.*

¹⁷ Atteritano, *supra* note 6, at 385.

¹⁸ NIMMER, *supra* note 3, § 10.10[B], at 10-90.

¹⁹ *Id.*

²⁰ *Id.* § 10.10[B], at 10-85.

²¹ *Id.* § 10.10[B], at 10-85 to 10-86.

²² 391 F.2d 150 (2d Cir. 1968).

²³ *Id.* at 151.

²⁴ *Id.* at 151–52.

²⁵ *Id.* at 152.

defendant never received the television broadcast rights and that it would have been impossible for them to have ever been granted to the defendants. The plaintiff pointed to the fact that the language of the grant of rights from Bartsch to Warner Brothers roughly mirrored the language of the grant from the original authors to Bartsch.²⁶ In other words, Bartsch could only grant to Warner Brothers those rights that he had received from the original authors. As Bartsch did not have the television rights from the original grant, regardless of how broad the grant language was, he could not have licensed such rights to any other party.²⁷

Second, the plaintiff argued that there was no intent by either party for Warner Brothers to possess the television rights. She offered evidence that other Warner Brothers license agreements provided for specific reservation or grant of television rights.²⁸ These grants indicated Warner Brothers's knowledge of the new media and its standard operating procedure when seeking rights to that media. Because such a request was not made, the plaintiff argued that it would be improper to find that the rights were ever considered with the original grant. The court reasoned away the second argument as either a strategy of the defendant when the license was drafted — that is, the defendant intentionally did not mention the television rights so as not to risk losing them by a specific reservation of the grantor — or as an oversight due to the fact that the agreement so closely recited the original grant.²⁹ The court then implemented what has become the defining test for questions of new use. The test resembles the two approaches Professor Nimmer had identified earlier — the strict and the preferred.

There are two ways to consider the issue under this test: either as a determination of whether the terms of the grant are unambiguous and therefore a clear expression of intent,³⁰ or as a fairness and broadness consideration.³¹ The second approach takes into consideration factors of contract interpretation designed to result in fairness. Each approach has as its goal fairness for all interested parties.

The first approach relates back to the strict approach to new use analysis as described by Professor Nimmer, and “includes only such uses as fall within the unambiguous core meaning of the term . . . and exclude[s] any uses that lie within the ambiguous penumbra.”³² Due to the fact that contract interpretation relies on the

²⁶ *Bartsch*, 391 F.2d at 151–53.

²⁷ Bartsch did not obtain the television rights from the original authors until after he licensed all of his rights to the work to Warner Brothers; therefore, it was not possible for him to grant what he did not have. *Id.*

²⁸ *Id.* at 154.

²⁹ *Id.* at 154–55.

³⁰ *Id.* at 155; *see also* *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481, 486–87 (2d Cir. 1998).

³¹ *Bartsch*, 391 F.2d at 155; *see also* *Boosey*, 145 F.3d at 486–87; NIMMER, *supra* note 3, § 10.10[B], at 10-89 to 10-91.

³² *Boosey*, 145 F.3d at 486 (quoting NIMMER, *supra* note 3, § 10.10[B], at 10-90).

intent of the parties at the time of contracting, these “uses . . . within the unambiguous core meaning” must be unambiguous *at the time of contracting*.³³ How does one determine where a *new* use falls unless it was a contemplated use at the time of contracting? “[I]ntent is not likely to be helpful when the subject of the inquiry is something the parties were not thinking about.”³⁴ When applying the strict approach, in order to grant an unknown new use to a party, the owner must have intended to grant the right to *all* new uses.

A second problem with applying the strict approach is the determination of the ambiguity of the language. In *Bloom v. Hearst Entertainment, Inc.*,³⁵ ambiguity was defined as a term that “is susceptible to ‘more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business.’”³⁶ While extrinsic evidence is permitted to make the determination of whether a term is ambiguous, how can a determination be made that a term had a certain meaning for a particular trade or business if the meaning of that term came into existence *after* the time of contracting?³⁷

The *Bartsch* court, deliberating in 1968, agreed with Professor Nimmer and opted for the more liberally construed preferred approach to new use analysis.³⁸ The rule established by *Bartsch* was that the burden is on the grantor to reserve any new use right that may be construed to fall within the broad grant of rights and that was foreseeable at the time of granting.³⁹ In other words, the *Bartsch* court reasoned that, if the original grant of rights was unintentionally broad, it was the duty of the grantor to note and remedy that by reserving or limiting specific rights in their interest. The *Bartsch* approach disregards considerations of whether the new use right falls within the “unambiguous core meaning of the term” as opposed to the excludable rights which fall within the “ambiguous penumbra.”⁴⁰ Rather, the *Bartsch* approach favors the view that accepts that “the licensee may properly

³³ *Id.*

³⁴ *Id.* at 488 (citing NIMMER, *supra* note 3, at § 10.10[B], at 10-90).

³⁵ 33 F.3d 518 (5th Cir. 1994).

³⁶ *Id.* at 522 (quoting *Walk-In Med. Ctrs., Inc. v. Breuer Capital Corp.*, 818 F.2d 260, 263 (2d Cir. 1987)).

³⁷ An example of the difficulties inherent in the strict approach is *Bourne v. Walt Disney Co.*, 68 F.3d 621 (2d Cir. 1995), *cert. denied*, 517 U.S. 1240 (1996). There the court also embarked on the never-ending and complicated debate of whether certain video cassette rights were “unambiguous” and “fell within the core meaning of the term.” See generally NIMMER, *supra* note 3, § 10.10[B]. Once again, the court found itself trapped in a debate as to the intent of the parties to grant rights that there was little or no evidence that they had ever contemplated.

³⁸ *Bartsch*, 391 F.2d at 155; see also NIMMER, *supra* note 3, § 10.10[B].

³⁹ *Bloom*, 33 F.3d at 525 (citing *Bartsch*, 391 F.2d at 155).

⁴⁰ *Bartsch*, 391 F.2d at 155.

pursue any uses which may reasonably be said to fall within the medium as described in the license.”⁴¹ The *Bartsch* court arrived at this conclusion on the rule that, “[i]f 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.”⁴²

The result of taking this broader interpretation of the new use standard is that there is now “a single person who can make the copyrighted work available to the public . . . , whereas the narrower [interpretation] involves the risk that a deadlock between the grantor and the grantee might prevent the work’s being shown over the new medium at all.”⁴³ This relates back to the purpose of the Copyright Act and the Copyright Clause: to ensure that new writings and discoveries are made available to the public so as to encourage and inspire additional research and creativity.⁴⁴ Under *Bartsch*, placing this burden on the party most interested in protecting those enumerated rights — the copyright owner — most effectively upholds the policy of copyright protection. By placing the burden on the copyright owner, the court devised a predictable means of deciding new use cases while also encouraging new developments and uses for such works. The rule established by *Bartsch* is:

[W]hen a broad grant of rights is made in a contract, and a new use can be construed to fall within that grant, and that use was foreseeable at the time the grant was made, then the burden shall be on the grantor to reserve the right to the new, but foreseeable, use.⁴⁵

Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.,⁴⁶ thirty years later, also considered the two approaches to new use analysis.⁴⁷ *Boosey* upheld the *Bartsch* approach and found that the right to a new use should be granted to the contracting party if it is within the ambiguous penumbra of the contract language.⁴⁸ However, the *Boosey* court disagreed with *Bartsch*’s placement of the burden upon the original copyright owner.

In *Boosey* the new use issue was the use of a musical composition licensed for Disney’s motion picture *Fantasia*.⁴⁹ The license issued by the plaintiff granted the defendant “the nonexclusive, irrevocable right, license, privilege and authority to record in any manner, medium or form, and to license the performance of, the

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ See *supra* notes 2–12 and accompanying text.

⁴⁵ *Bloom*, 33 F.3d at 525 (citing *Bartsch*, 391 F.2d at 155).

⁴⁶ 145 F.3d 481 (2d Cir. 1998).

⁴⁷ *Id.* at 486–87.

⁴⁸ *Id.* at 487.

⁴⁹ *Id.* at 483–85.

musical composition hereinbelow set out.”⁵⁰ The license then went on to specify how the work could be used in relation to the motion picture.⁵¹ The plaintiff — the copyright owner — argued that, when he licensed the rights to use of his composition in the motion picture, he did not license the right to use that composition for video cassette or laser disc versions of the production.⁵² The court addressed both approaches and then applied the more liberal new use approach. It ruled that the right to distribute the production, including the musical composition, in video format was “reasonably . . . within the medium as described in the license.”⁵³

The court disagreed, however, with what had been interpreted to be the default rule advocated by *Bartsch* that automatically placed the greater burden on the copyright owner. The *Boosey* court relied on “neutral principles of contract interpretation rather than solicitude for either party” and ruled that a reasonable reading of the contract should afford protection to the appropriate parties.⁵⁴ Based on the facts presented, however, the court concluded as it had in *Bartsch*, “that [as in *Bartsch*,] the burden fell on [the plaintiff], if he wished to exclude new markets arising from subsequently developed motion picture technology, to insert such language of limitation in the license, rather than on [the defendant] to add language that reiterated what the license already stated.”⁵⁵

There are two ways to consider a new use issue under the *Bartsch* test: either as a determination of whether the terms of the grant are unambiguous and therefore a clear expression of intent;⁵⁶ or as a fairness and broadness consideration.⁵⁷ *Bartsch* and *Boosey* came to the conclusion that the grantor of the rights bore a greater burden in protecting the new use rights than the grantee. *Random House* appears to follow this conclusion. The question now becomes whether the court in reaching this conclusion correctly applied the tests established by *Bartsch* and affirmed by *Boosey*.

III. RANDOM HOUSE, INC. V. ROSETTABOOKS LLC

“The lawsuit is all about the future, and the potential for ebooks that has yet to be realized”⁵⁸

⁵⁰ *Id.* at 484 (quoting the 1939 licensing agreement).

⁵¹ *Id.*

⁵² *Boosey*, 145 F.3d at 483–84.

⁵³ *Id.* at 486 (quoting *Bartsch*, 391 F.2d at 155).

⁵⁴ *Id.* at 487.

⁵⁵ *Id.*

⁵⁶ *Bartsch*, 391 F.2d at 154–55; see also *Boosey*, 145 F.3d at 486–87.

⁵⁷ *Bartsch*, 391 F.2d at 155; see also *Boosey*, 145 F.3d at 487; NIMMER, *supra* note 3, § 10.10[B], at 10-91.

⁵⁸ David Streitfeld, *Ebooks Solving a Problem Consumers Don't Have*, CHI. TRIB., Aug.

This lawsuit began when Random House, Inc., a well-established and respected publishing house, filed a complaint against RosettaBooks LLC, a young upstart electronic publisher, alleging copyright infringement and tortious interference with contracts.⁵⁹ The contracts at issue were electronic book (ebook) publishing agreements entered into with three authors currently under contract with Random House. Random House sought to enjoin RosettaBooks from selling the works of these authors. It argued that “the authors of the works had previously granted [them] — not RosettaBooks — the right to ‘print, publish and sell the work[s] in book form.’”⁶⁰ Due to the fact that the agreements at issue grant Random House, among other pertinent provisions, the exclusive right to publish works “in book form,” the ultimate determining issue of this case was whether or not an ebook falls within the definition of “in book form.”

RosettaBooks argued that it had not infringed upon the rights of Random House because the “licensing agreements between the publisher and the author[s] do not include a grant of digital or electronic rights.”⁶¹

The district court denied Random House’s request for a preliminary injunction. To establish a right to such an injunction, the complaining party must demonstrate that it has suffered irreparable harm and a likelihood of success on the merits of its action, or “sufficiently serious questions about the merits to make them a fair ground for litigation.”⁶² Judge Stein, writing for the district court, ruled that a preliminary injunction was inappropriate because Random House was not likely to succeed on the merits of its claim,⁶³ had failed to demonstrate irreparable harm,⁶⁴ and had not established that an ebook is a book for the purposes of these publishing contracts.⁶⁵

“[This] lawsuit could have important consequences for the publishing industry. A central issue [was] whether authors of older books own the right to publish their works electronically, or whether publishers of the original hardcover versions do.”⁶⁶

9, 2001, at N1.

⁵⁹ Complaint at 1–2, *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001) (No. 01 CIV. 1728), available at http://www.rosettabooks.com/casedocs/RH_Complaint.pdf.

⁶⁰ *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613, 614 (S.D.N.Y. 2001), *aff’d per curiam*, 283 F.3d 490 (2d Cir. 2002).

⁶¹ *Id.* at 614.

⁶² *Id.* at 617.

⁶³ *Id.*

⁶⁴ *Id.* at 624.

⁶⁵ *Id.* at 613.

⁶⁶ *Random House Seeks Ban on Copying by E-book Firm Publishing: Styron, Vonnegut are Among Authors RosettaBooks Says Have OK’d Digital Versions*, L.A. TIMES, Feb. 28, 2001, at C5.

A. Defining the Electronic Book

The publishing industry is faced with a minor phenomenon known as the electronic book, or "ebook." This involves delivering an electronic copy of a book to the consumer rather than the traditional paper copy.⁶⁷ The technology is a digital replica of the traditional printed text. "Ebooks are 'digital book[s] that you can read on a computer screen or an electronic device.'"⁶⁸ They include a "book cover, title page, copyright page and 'eforward.'"⁶⁹ The ebooks sold by RosettaBooks also contain additional features, such as the ability to highlight and bookmark pages much as you would in a standard word-processing program.⁷⁰

The public consensus is that the ebook's potential will never come to pass.⁷¹ "The e-book is a ridiculous idea," said Vonnegut [one of the writers whose work is being fought over], who hasn't read his work on a computer and never intends to."⁷² The attempt by the publishing industry to "turn electronic fiction and non-fiction into a lucrative revenue stream have yielded only a trickle of customers" thus far.⁷³ It is for precisely this reason that Random House has yet to invest a larger portion of its resources into developing this modern distribution channel.⁷⁴

So why was RosettaBooks so willing to embrace this new technology and wage battle with a large and influential publishing house like Random House? It could be argued that RosettaBooks intentionally entered into dangerous territory with this legal battle with the hope of inciting a fight and gaining the ensuing publicity.⁷⁵ As a step toward becoming *The Ebook Publisher*, it took the opportunity this lawsuit provided and used it to its advantage. At the time of this writing, a Lexis-Nexis search of major national and international newspapers and magazines citing "RosettaBooks" resulted in over one hundred articles.⁷⁶ Only one of those articles

⁶⁷ *Random House*, 150 F. Supp. 2d at 614–15.

⁶⁸ *Id.* (citing RosettaBooks, About eBooks (2002), at http://www.rosettabooks.com/pages/about_ebooks.html).

⁶⁹ *Random House*, 150 F. Supp. 2d at 615.

⁷⁰ Deposition of Leo D. Dwyer at 70–76, *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001) (No. 01 CIV. 1728) [hereinafter Dwyer Deposition], available at http://www.rosettabooks.com/casedocs/Dwyer_Deposition.pdf.

⁷¹ Streitfeld, *supra* note 58, at N1.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ See Memorandum of Law in Support of Plaintiff's Motion for a Preliminary Injunction at 4, *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001) (No. 01 CIV. 1728), available at http://www.rosettabooks.com/casedocs/RH_Support.pdf.

⁷⁵ See generally Appellant's Brief at 19–21, *Random House, Inc. v. Rosetta Books LLC*, 283 F.3d 490 (2d Cir. 2002) (No. 01-7912), available at <http://www.rosettabooks.com/casedocs/Random%20House%20Brief%20on%20Appeal.pdf>.

⁷⁶ E.g., David Goldberg & Robert J. Bernstein, *Are Electronic Books "Books"?*, N.Y.L.J., Sept. 21, 2001, at 3; Brenda Sandburg, *No Final Chapter on Authors and Online*

referenced RosettaBooks outside the context of this lawsuit.⁷⁷ In addition, RosettaBooks included on its web site all court documents filed by both parties.⁷⁸ An alternative reason for the RosettaBooks battle with Random House is that RosettaBooks continued to fight simply because it believed it had valid contracts with the authors and sought to reap whatever rewards those contracts may bring.⁷⁹

If the ebook has no future, why did the authors sign contracts granting the rights to a publisher other than Random House? The authors may have entered into these contracts for one of three prominent reasons. First, RosettaBooks promised a greater percentage of the sales profits to the authors as a way of enticing them to grant electronic publishing rights.⁸⁰ Second, some authors may have seen this as an opportunity to make a statement and rebel against the commercial publishing industry.⁸¹ Finally, the authors may have agreed to enter into ebook contracts with RosettaBooks because it had already dedicated itself to an electronic distribution network, while Random House took much more cautious steps toward such an investment.⁸²

B. The Standard Publishing Contract

Random House has been credited with the creation of the “standard publishing contract” for the publishing industry.⁸³ Some standard provisions for such contracts are a grant of rights to the publisher and a non-compete clause by the author. The author may reserve rights by crossing them out or striking them from the form

Postings, BROWARD DAILY BUS. REV., July 23, 2001, at A1; Elizabeth Sanger, *Publishers Get in on E-Book Debate*, NEWSDAY, May 9, 2001, at A46.

⁷⁷ Calvin Reid, *RosettaBooks to Bloom by Spring*, PUBLISHERS WKLY., Feb. 5, 2001, at 33.

⁷⁸ See RosettaBooks — Legal, at <http://www.rosettabooks.com/pages/legal.html> (last visited Mar. 1, 2003) (providing pdf files of court documents filed by Random House and RosettaBooks in the matter of *Random House v. RosettaBooks*).

⁷⁹ Answer of Rosetta Books LLC and Arthur M. Klebanoff to the Complaint of Random House, Inc., *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001) (No. 01 CIV. 1728) [hereinafter Answer], available at http://www.rosettabooks.com/casedocs/RB_Answer.pdf.

⁸⁰ According to the Random House Brief, however, this is not true. Random House has developed an ebook program. Appellant’s Brief, *supra* note 75, at 12.

⁸¹ Just as independent booksellers have a place in every booklover’s heart, the small upstart ebook publisher is a more romantic image than that of the large corporate publisher with its big Manhattan office and carefully guarded appointment calendar.

⁸² This also does not appear to be true according to the Random House Brief. See Appellant’s Brief, *supra* note 75, at 12 (stating that Random House is ready and willing to sell ebooks but that there is not a market for them yet).

⁸³ NIMMER, *supra* note 3, § 26.03, Form 26-2. For standard Random House book contract used during the time period at issue, 1960–1970, see CAROLINE RAND HERRON, A WRITER’S GUIDE TO COPYRIGHT 44 (1979). This provision is often referred to as the “Grant of Rights.”

contract language. Any rights not specifically provided for by the terms of the contract are also reserved to the author. While contract interpretation does vary according to the court,⁸⁴ the industry custom is to follow the above rules of construction.

One of the standard provisions is a grant of publication rights similar to the following: "The author grants to the Publisher during the term of copyright, including renewals and extensions thereof . . . [e]xclusive right in the English language, in the United States of America, . . . to . . . [p]rint, publish and sell the work in book form"⁸⁵ A second common element of the publishing contract is a non-compete clause such as: "The Author agrees that during the term of this agreement he will not, without the written permission of the Publisher, publish or permit to be published any material, in book or pamphlet form, based on material in the work."⁸⁶ Another element is the following artistic freedom of the publisher clause: "[T]he Publisher shall publish the work at its own expense, in such style and manner, under such imprint and at such price as it deems suitable."⁸⁷

The policy of these contracts is to protect the investment of the publisher. While both the author and the publisher clearly benefit from the license to publish, the publisher bears most, if not all, of the risk. In recognition of that risk, these licenses are drafted to grant the publisher the greatest array of publication rights available.

C. The Random House Publishing Contracts

Random House, with minor variations, uses the standard author/publisher contract relied on in the publishing industry.⁸⁸ Each contract uses the phrase, "print, publish and sell the work in book form" to convey rights from the author to the publisher.⁸⁹ The grant of rights portion of the contract enumerates several different rights that may be granted to Random House or reserved by the authors.⁹⁰ Some of these rights include foreign language or distribution rights, and book club or anthology publication rights, dramatic and motion picture rights.⁹¹ The contracts also provide that, during the term of the agreement, "the Author . . . will not publish or permit to be published any edition, adaptation or abridgment of the Work by any

⁸⁴ For further discussion of contract interpretation, see *infra* Part III.

⁸⁵ HERRON, *supra* note 83, at 44.

⁸⁶ *Id.* at 45.

⁸⁷ *Id.*

⁸⁸ See *supra* note 84 and accompanying text.

⁸⁹ *Random House*, 150 F. Supp. 2d at 615; see also Affidavit of Richard Sarnoff, *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001) (No. 01 CIV. 1728) [hereinafter Sarnoff Affidavit], available at http://www.rosettabooks.com/casedocs/RH_Sarnoff.pdf.

⁹⁰ HERRON, *supra* note 83, at 44.

⁹¹ *Random House*, 150 F. Supp. 2d at 615–17.

party other than [Random House] without [Random House's] prior written consent."⁹²

The two Random House agreements with William Styron were entered into in 1961 and 1977 and granted Random House the right to publish *The Confessions of Nat Turner* and *Sophie's Choice*.⁹³ Although Styron retained foreign publishing rights, he granted Random House rights to the original publication and licensing for subsequent publication. He also agreed to a non-compete clause.⁹⁴ The non-compete clause provided:

[T]he Author agrees that during the term of this agreement he will not, without the written permission of the Publisher, publish or permit to be published any material in book or pamphlet form, based on the material in the work, or which is reasonably likely to injure its sale.⁹⁵

In 1967 and 1970, Kurt Vonnegut entered into contracts with Random House's predecessor-in-interest, Dell Publishing Co., granting licenses to publish *Slaughterhouse Five*, *Breakfast of Champions*, *The Sirens of Titan*, *Cat's Cradle*, and *Player Piano*.⁹⁶ Among the rights granted by these contracts were the "exclusive right to publish and to license the Work for publication, after book publication . . . in anthologies, selections, digests, abridgements, magazine condensations, serialization, newspaper syndication, picture book versions, microfilming, Xerox and other forms of copying, either now in use or hereafter developed."⁹⁷ These contracts also provide a non-compete clause similar to that used in the Styron agreement.⁹⁸

Robert Parker entered into a 1982 contract with Dell Publishing and granted the license to publish *Promised Land*. Parker's 1982 agreement with Dell was similar to the 1970 Vonnegut contract, including the non-compete clause.⁹⁹

III. AN ANALYSIS OF THE *RANDOM HOUSE* DECISION

"[C]an contracts signed in the pre-Internet era ever cover digitized material?"¹⁰⁰

⁹² *Id.* at 616.

⁹³ *Id.* at 615–16; *see also* Appellant's Brief, *supra* note 75, at 12.

⁹⁴ *Random House*, 150 F. Supp. 2d at 615–16; *see also* Appellant's Brief, *supra* note 75, at 12.

⁹⁵ *Random House*, 150 F. Supp. 2d at 616 (quoting Sarnoff Affidavit, *supra* note 89, at 8).

⁹⁶ *Random House*, 150 F. Supp. 2d at 616.

⁹⁷ *Id.*

⁹⁸ *Id.* at 617 (citing Sarnoff Affidavit, *supra* note 89, at 8).

⁹⁹ *Id.*

¹⁰⁰ Sandburg, *supra* note 76.

Random House argued that the combination of the grant of publication rights and acceptance of the non-compete clause prevents the authors from ever granting ebook publication rights to RosettaBooks or any third party.¹⁰¹ If RosettaBooks were to publish the manuscripts of these authors as ebooks, in book form, they would infringe upon the rights granted to Random House. And were the authors to permit RosettaBooks to use their manuscripts in such a manner, they would violate their non-compete clauses by publishing an “adaptation” of the work.¹⁰²

RosettaBooks’ simple response to the point asserted by Random House was that, if “in book form” was such a general grant of all plausible publication rights, why must the contract then enumerate so many separate, but seemingly included, rights?¹⁰³ The fact that the publishing contract does enumerate each individually or potentially granted right implies that any rights not stated in the contract are reserved by the author. The non-compete clause was addressed in similar fashion because it protects Random House from competition by another party only within the realm of those granted rights.¹⁰⁴ The applicability of the non-compete clause is limited to those rights initially granted in paragraph one of the agreement. In addition, RosettaBooks might also have argued that, if Random House had foreseen future developments in the publishing industry, it would have included the qualifying clause, “either now in use or hereafter developed,”¹⁰⁵ after the grant of rights to “print, publish and sell the work[s] in book form,”¹⁰⁶ in order to reserve all future types of book publishing in their name.

The district court in *Random House v. Rosetta* set forth the correct standard of contract interpretation and, in the process of doing so, it adopted the strict approach to new use analysis. Although the court never specifically addressed the approaches to new use issues, it inadvertently adopted the strict approach through its analysis of intent and the determination of ambiguous terms. Following is an analysis of the elements of the *Random House* decision.

The *Random House* court correctly abided by the rule that “[i]nterpretation of an agreement purporting to grant a copyright license is a matter of state contract law.”¹⁰⁷ Under New York law, the contract is to be construed in such a way as to “give effect” to the intent of the contracting parties.¹⁰⁸ It is difficult to carry out such

¹⁰¹ Appellant’s Brief, *supra* note 75, at 13.

¹⁰² See *id.* (referencing *Random House*, 150 F. Supp. 2d at 616).

¹⁰³ Brief for Defendants-Appellees at 6, *Random House, Inc. v. Rosetta Books LLC*, 283 F.3d 490 (2d Cir. 2002) (No. 01-7912) [hereinafter Appellee’s Brief], available at <http://www.rosettabooks.com/casedocs/RosettaBooks%20Brief%20on%20Appeal.pdf>.

¹⁰⁴ *Id.* at 45–46.

¹⁰⁵ *Random House*, 150 F. Supp. 2d at 616.

¹⁰⁶ *Id.* at 614.

¹⁰⁷ *Flack v. Friends of Queen Catherine Inc.*, 139 F. Supp. 2d 526, 536 (2001) (citing *Bourne v. Walt Disney Co.*, 68 F.3d 621 (2d Cir. 1995)).

¹⁰⁸ *Id.* at 536 (citing *Terwilliger v. Terwilliger*, 206 F.3d 240 (2d Cir. 2000)).

a mandate when the terms of the contract are unclear or ambiguous. Under those circumstances, it is difficult to determine what the true intent of the parties was *at the time they contracted*. “Determining whether a contract provision is ambiguous is a question of law to be decided by the court.”¹⁰⁹

In the case of the Random House contracts, the potentially ambiguous term was the right to “print, publish and sell the work[s] *in book form*.”¹¹⁰ Does “in book form” refer to the traditional dictionary meaning of “book” identified earlier?¹¹¹ Does it refer to a more general ownership of the manuscript?¹¹² Or does it refer to the publishing industry’s traditional use of the phrase?¹¹³ If it can be resolved that the term “in book form” carries a “definite and precise meaning, unattended by danger of misconception in the purport of the [contract] itself, and concerning which there is no reasonable basis for a difference of opinion,”¹¹⁴ then a court may rule that there is no ambiguity in the phrase. If there is no ambiguity in the phrase “in book form,” then a court may construe the application as a matter of law.

The 1909 Copyright Act defined “books” broadly to include a work regardless of the way it was bound (e.g., traditional book form, pamphlet, leaflet, etc.).¹¹⁵ Under the current Copyright Act, the phrase “book form” is not given “as broad a meaning as that employed for the purpose of the 1909 Act classification of ‘book.’”¹¹⁶ Following this reasoning, as introduced in *Field v. True Comics*,¹¹⁷ fewer works are considered books just because they take the form of a bound work. Instead the term “book” is interpreted in the context of the agreement in which it is used.¹¹⁸

When construing the meaning of “book” as used in the Random House license agreements, Judge Stein looked to Random House’s own Webster’s Unabridged Dictionary for a definition of “book” and found that the definition used therein refers to “a written or printed work of fiction or nonfiction, usually on sheets of paper fastened or bound together within covers.”¹¹⁹ As ebooks never take on a paper

¹⁰⁹ *Random House*, 150 F. Supp. 2d at 618; *Morse/Diesel, Inc. v. Trinity Indus., Inc.*, 67 F.3d 435, 443 (2d Cir. 1995) (stating that the ambiguity of a writing is a question of law).

¹¹⁰ *Random House*, 150 F. Supp. 2d at 614 (emphasis added).

¹¹¹ *Id.*

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *Id.* at 618 (quoting *Breed v. Ins. Co. of N. Am.*, 385 N.E.2d 1280, 1282 (N.Y. 1978) (citations omitted)).

¹¹⁵ NIMMER, *supra* note 3, § 2.04[D][2].

¹¹⁶ *Id.* § 10.14[C].

¹¹⁷ 89 F. Supp. 611 (S.D.N.Y. 1950).

¹¹⁸ *Id.* at 614 (“It is immaterial whether the [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 [license] agreement.”).

¹¹⁹ *Random House*, 150 F. Supp. 2d at 620 (quoting RANDOM HOUSE WEBSTER’S DICTIONARY (2001)).

form, nor are they "fastened or bound together,"¹²⁰ the "ebook is a book" argument presented difficulties for Random House. However, as stated earlier, the language of the agreement is the context within which all terms must be defined.

Random House argued that the definition of "book" cited by the court ignores qualifying phrases such as "*usually* on sheets of paper fastened or bound together within covers,"¹²¹ and available alternative definitions as, "such a literary work in any format."¹²² Under the Random House view, a book is not restricted to a certain form or medium.¹²³ Instead, a book is a literary work that may be presented in any format, be it a traditional bound paper copy or a digital version.

RosettaBooks argued that Random House attempted to construe "in book form" in such a way as to gain ownership over the author's words.¹²⁴ The RosettaBooks argument relied heavily on the use of the term "in book form" in the licensing agreements. In these agreements, the authors were able to grant and reserve certain rights to their works. One of the rights necessarily granted in the publishing agreement was the right to "print, publish and sell the work[s] in book form."¹²⁵ This phrase was used to separate other possible rights such as publication and distribution of the works by book clubs and in anthologies, Braille, microfilm, audio books, etc.¹²⁶ RosettaBooks asserted that "book form" as used in the agreements was meant to refer to trade quality publication of a traditionally bound book, not the literary work in any format.¹²⁷ To support its argument, RosettaBooks evaluated Random House's own treatment of the terms "book" and "in book form" in their current licensing and publishing agreements.

In 1990, Random House adopted an "Electronic Rights Clause"¹²⁸ which "explicitly include[s] electronic rights to publication."¹²⁹ The clause states that "[t]he publisher shall have the right to license publication of the work . . . through microfilm, information storage and retrieval systems, in machine-readable form and all other non book forms now known or hereafter developed intended to make the work available in visual form for reading."¹³⁰ RosettaBooks contended that use of this clause by Random House in its current contracts acknowledged that digital publication and transmission rights, or ebook publication rights, were not granted by the previous contracts. Furthermore, it argued that Random House explicitly

¹²⁰ *Id.*

¹²¹ Appellant's Brief, *supra* note 75, at 49.

¹²² *Id.* (citing RANDOM HOUSE WEBSTER'S COLLEGE DICTIONARY (2000)).

¹²³ *Id.* at 50.

¹²⁴ Appellee's Brief, *supra* note 103, at 9.

¹²⁵ *Random House*, 150 F. Supp. 2d at 615.

¹²⁶ *Id.*

¹²⁷ Appellant's Brief, *supra* note 75, at 49–50.

¹²⁸ Appellee's Brief, *supra* note 103, at 27.

¹²⁹ *Id.* at 28.

¹³⁰ *Id.* at 29.

recognized that ebook publication rights are entirely different from the traditional publication referred to as “in book form.” “Machine-readable form”¹³¹ employs different terminology from that originally relied upon and therefore conveys additional rights.¹³²

RosettaBooks correctly framed the issue of whether an ebook is a book or not. Examining the term in light of *Field v. True Comics*, RosettaBooks appropriately argued that it is not the dictionary meaning of “book” that applies to this case. It is the meaning of the term as used in the licensing agreements.¹³³ The court and Random House were incorrect in asserting otherwise. Although the court did eventually reach the same conclusion as RosettaBooks, it failed to recognize that the definition of “book” in *any* dictionary is not relevant to the meaning of that word within the agreements.

Is the phrase “in book form” ambiguous? According to *Field v. True Comics*, there is no ambiguity in this phrase. The phrase is to be construed within the four corners of the contract in which it is used.¹³⁴ As the contracts at issue are common form contracts, we have the good fortune of past usage to direct us to the common construction. The common practice in the publishing industry is to delineate each right granted to the publisher.¹³⁵ Standing alone, the initial grant of rights transfers only the rights to the traditional publication of a manuscript — nothing more and nothing less.

Furthermore, the Second Circuit subscribes to a neutral approach to contract interpretation rather than one biased in favor of the licensor or licensee.¹³⁶

What governs . . . is the language of the contract. If the contract is more reasonably read to convey one meaning, the party benefitted 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. This principle favors neither

¹³¹ *Id.*

¹³² *Id.* at 30 (“Random House considered the conveyance of this right to require new and separate grant language: it was not conveyed by the phrase ‘to print, publish and sell the work in book form,’ or else the new language would be surplusage.”).

¹³³ *Id.* at 16–17.

¹³⁴ *Id.*

¹³⁵ See generally BRAD BUNNIN, *THE WRITER’S LEGAL COMPANION* (3d ed. 1998); TAD CRAWFORD, *THE WRITER’S LEGAL GUIDE* (1998); JONATHAN KIRSCH, *KIRSCH’S HANDBOOK OF PUBLISHING LAW* (1995); A. BRUCE STRAUCH, *PUBLISHING AND THE LAW* (2001); DAVID A. WEINSTEIN, *HOW TO PROTECT YOUR CREATIVE WORK: ALL YOU NEED TO KNOW ABOUT COPYRIGHT* (1996); RICHARD WINCOR, *LITERARY RIGHTS CONTRACTS* (1979).

¹³⁶ *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613, 619 (S.D.N.Y. 2001), *aff’d per curiam*, 283 F.3d 490 (2d Cir. 2002).

licensors nor licensees. It follows simply from the words of the contract.¹³⁷

Such an approach to contract interpretation gives effect to the policy considerations of both contract and copyright law.¹³⁸ By encouraging licensees to draft effective contracts, competitors are encouraged to seek new methods of distribution not provided for in, or otherwise exploited by, current contractual agreements.¹³⁹ It also encourages licensees to continue to create new works to fulfill the demand created by new rights not otherwise protected.¹⁴⁰ In other words, such a construction provides an ever-expanding market for literary works because no door is ever shut and the author always retains the claim to new rights. Interpreting a contract based upon the language within the contract also lends a degree of predictability to what has come to be regarded as the challenging doctrine of New Use.¹⁴¹

The *Random House* court “[relied] on ‘the language of the license contract and basic principles of interpretation’”¹⁴² as mandated by *Boosey & Hawkes v. Disney*¹⁴³ and determined that the “most reasonable interpretation of the grant in the contracts at issue to ‘print, publish and sell the work in book form’ does not include the right to publish the work as an ebook.”¹⁴⁴ The secondary contractual clauses Random House cited in support of its claim are applicable only to those rights specifically granted by the primary clauses of the contract.¹⁴⁵ The secondary provisions of the contract are those that provide that the author may not compete with Random House’s publishing of the manuscript and that Random House retains the right to publish in whatever manner it deems appropriate. Random House argued that these provisions grant them the right to publish an ebook and prevent the author from allowing any other party to compete with that right. The reality is that these secondary clauses only apply to the expressly granted right of Random House to “print, publish, and sell *in book form*.” Therefore, unless an ebook was determined to be “in book form,” the non-compete and artistic freedom clauses would not apply

¹³⁷ *Id.* at 619 (quoting *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481, 487 (2d Cir. 1998)).

¹³⁸ *Id.*

¹³⁹ *Id.*

¹⁴⁰ *Id.*

¹⁴¹ See *supra* Part II.

¹⁴² *Random House*, 150 F. Supp. 2d at 620 (quoting *Boosey*, 145 F.3d at 487 n.3).

¹⁴³ *Boosey*, 145 F.3d at 487.

¹⁴⁴ *Random House*, 150 F. Supp. 2d at 620.

¹⁴⁵ “Primary clause” refers to the contract’s clause entitled “Grant of Rights,” which is the heart and purpose of the contractual agreement. “Secondary clauses” refers to all other contractual provisions that serve the purpose of enhancing, limiting, or explaining the “Grant of Rights.”

to ebook publication.

Random House argued in its Appellate Brief that the district court misapplied the favorable precedents established by *Boosey* and *Bartsch*.¹⁴⁶ As discussed above, *Boosey* and *Bartsch* found that the new use rights had been granted to the licensee within the original assignment language.¹⁴⁷ The reasoning for these decisions, in Random House's analysis, was due to the fact that the new use was not separable from the use originally considered.¹⁴⁸ Random House argued that the new uses granted in *Boosey* and *Bartsch* were so closely related to the originally contemplated use that they were essentially the same.

The role of the lower court was to determine and apply "the most reasonable interpretation" of the grant language.¹⁴⁹ The key issue, in Random House's analysis, was to "identify[] the 'fundamental characteristic' of the grant language . . . involved."¹⁵⁰ The text of the book is the protected right to which Random House was granted a license.¹⁵¹ "[Therefore,] the physical form in which the [book] is fixed . . . is irrelevant."¹⁵² The fact that RosettaBooks discovered a different method of transmitting the text of the book did not create a "new use" and therefore did not compromise the original grant of rights to "print, publish and sell"¹⁵³ the manuscript of the author "in book form."¹⁵⁴ "[T]he essence of a book is not the container in which it is presented but rather (1) its text, or content, (2) presented in complete, full-length form, (3) as a reading experience."¹⁵⁵ "So long as the work is presented in 'book' form, Random House owns the exclusive right to publish it."¹⁵⁶

The second related argument Random House put forth was that, due to the fact that electronic distribution of the book fell within a reasonable interpretation of the "print, publish and sell . . . in book form,"¹⁵⁷ it was the burden of the authors to exclude "ebooks or new technological modes of delivery" from the license.¹⁵⁸ The fundamental characteristic of the book, the meaning of "in book form," is the

¹⁴⁶ Appellant's Brief, *supra* note 75, at 6–9 (citing *Boosey*, 145 F.3d 481, and *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir. 1968), *cert. denied*, 393 U.S. 826 (1968)).

¹⁴⁷ See *supra* Part II.C.

¹⁴⁸ Appellant's Brief, *supra* note 75, at 6–9.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 42.

¹⁵¹ *Id.*

¹⁵² *Id.* at 43 (quoting *Bourne v. Walt Disney Co.*, 68 F.3d 621, 630 (2d Cir. 1995)).

¹⁵³ See HERRON, *supra* note 83, at 44 (providing copy of standard Random House publishing contract).

¹⁵⁴ *Id.*

¹⁵⁵ Appellant's Brief, *supra* note 75, at 38.

¹⁵⁶ *Id.* at 39.

¹⁵⁷ HERRON, *supra* note 83, at 44.

¹⁵⁸ Appellant's Brief, *supra* note 75, at 38–39; see also *Boosey*, 145 F.3d at 486 (relying on the proposition that the burden of excluding the right to a new use rests on the grantor).

authors' writings in text form designed for reading.¹⁵⁹ Random House supports the proposition that *Boosey* affirmed *Bartsch*'s standard that the burden of granting or reserving a right falls to the party seeking to depart from a reasonable interpretation of the grant language.¹⁶⁰

RosettaBooks and the district court agreed with the basic Random House argument that a "reasonable interpretation" of the contract should govern.¹⁶¹ As the contracts enumerated several different granted rights, many of which related to the forms of publication of the books (e.g., hardcover, softcover, Braille, foreign, etc.), a reasonable interpretation of the language is that ebook rights were not granted.¹⁶² If they were granted, they would have been enumerated. "The court found that the expressly enumerated contractual grants would all be rendered superfluous under Random House's argument, in contravention of . . . New York contract law."¹⁶³ RosettaBooks, in its Appellee Brief, offered a detailed analysis of the similarities between every enumerated right.¹⁶⁴ The conclusion of this analysis was that the rights were so similar to each other that, if they were to include a right equally similar (i.e., the ebook rights), that right would have been enumerated as well.¹⁶⁵

RosettaBooks sought to establish that an electronic book is not a book as understood by the term "in book form."¹⁶⁶ It noted the enhancements an ebook brings to a reading experience, including bookmarking, highlighting, and hyperlinks to Internet sites.¹⁶⁷ According to RosettaBooks, these technological advances create a product very different from Random House's traditionally bound "book."¹⁶⁸ The differences are much greater between an ebook and a traditional paper book as compared to the differences between the same paper book and a foreign distributed or Braille book. The ebook requires mechanical equipment to decipher the code and deliver the authors' works to the reader.¹⁶⁹ The ebook requires new marketing channels as well as an entirely different approach to delivery.¹⁷⁰ Therefore, if rights to publish Braille and foreign distributed books require a separate contractual

¹⁵⁹ Appellant's Brief, *supra* note 75, at 42.

¹⁶⁰ *Id.* at 34-35; *see also Boosey*, 145 F.3d at 486; *Bartsch*, 391 F.2d at 155.

¹⁶¹ Appellee's Brief, *supra* note 103, at 38-39; *see also* Appellant's Brief, *supra* note 75, at 28.

¹⁶² Appellee's Brief, *supra* note 103, at 5-6 (discussing the language of the contract).

¹⁶³ *Id.* at 6; *see also Random House*, 150 F. Supp. 2d at 620.

¹⁶⁴ *See* Appellee's Brief, *supra* note 103, at 5-11.

¹⁶⁵ *See id.*

¹⁶⁶ *See* Dwyer Deposition, *supra* note 70, at 69-72 (describing the functions unique to the ebook format).

¹⁶⁷ *Id.*

¹⁶⁸ *Cf. id.*

¹⁶⁹ *See id.*

¹⁷⁰ *See* Declaration of Dorothy Kauffman, *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001) (No. 01 CIV. 1728), *available at* http://www.rosettabooks.com/casedocs/RB_10.pdf.

provisions where these forms are so similar to the traditional trade quality book, most certainly an ebook requires its own grant of rights.

Beyond this argument, neither RosettaBooks nor the district court embarked on a detailed examination of the New Use Doctrine as it applies to this case because the new use analysis is closely related to contract interpretation — the analysis of one requires consideration of the other. It simply is not efficient or correct to interpret the grant or reservation of a new use without looking to the structure of the contract. *Bartsch* and *Boosey* are favorable precedents for Random House under any circumstances other than the modern publishing contract. If not for the ambition of the attorney, Random House most certainly would have the ebook publication rights. In these circumstances, Random House was at one time the party most benefited by the terms of the contract. The author specifically granted each right to them.¹⁷¹ If ever there were to be a dispute as to the right of Random House to distribute in a foreign territory or to prevent another publisher from distributing a paperback version of these works, Random House would win. The contract left no question as to whether such rights were granted. Unfortunately, in their effort to quell all ambiguity and create the narrowest of exceptions, Random House found itself seeking latitude where it had none.¹⁷²

IV. NEW USE TODAY AND TOMORROW

“Although . . . new media provide new methods of information distribution, they also create conflicts over the ownership of the content distributed and represent the source of publishing’s ‘most bitter battle in years.’”¹⁷³ As technology continues to develop and become more readily available to the consuming public, the problem over ownership of new media rights will also continue to plague society.¹⁷⁴

¹⁷¹ See HERRON, *supra* note 83, at 44 (providing the list of possible publication formats Random House was permitted to use).

¹⁷² Random House appealed the District Court’s denial of the motion for preliminary injunction. *Random House, Inc. v. Rosetta Books LLC*, 283 F.3d 490 (2d Cir. 2002). The appeal was denied and Judge Stein’s judgment was affirmed on the grounds that the district court did not abuse its discretion in denying the motion. *Id.* The court cited New York law regarding the interpretation of contracts and found that while

there is some appeal to [Random House’s] argument that an “ebook” . . . is simply a “form” of a book, and therefore within the coverage of [the] licenses . . . the law of New York, which determines the scope of [the] contracts [at issue], has arguably adopted a restrictive view of the kinds of “new uses” to which an exclusive license may apply when the contracting parties do not expressly provide for coverage of such future forms.

Id. at 491.

¹⁷³ Rosenzweig, *supra* note 14, at 900 (quoting Carmody, *supra* note 14).

¹⁷⁴ See *id.* (recognizing that the problem stems “from a lack of appreciation of future technologies”).

New use technologies are still considered uncharted territory for courts. As new technologies develop, demand for change in copyright law generally follows.¹⁷⁵ Electronic publishing is the most recent of these new technologies.¹⁷⁶ Interpretation of contracts intended to protect present and possible future rights do not yet receive consistent treatment within the courts as there is still disagreement regarding the proper construction of such grants. The goal is to establish certain approaches to new use issues that will make determination of such cases predictable. Since *Bartsch* and *Boosey*, many courts have applied a hybrid between contract interpretation and new use construction. This was most apparent in the analysis of *Bourne and Bloom*.¹⁷⁷ Generally, "[c]ourts will first attempt to gauge the parties' intents; if unable to assess those intents, courts will examine substantive and procedural unconscionability. If the agreement is not unconscionable in either manner, courts will determine whether the medium was relatively foreseeable."¹⁷⁸ After the court has made a determination regarding foreseeability, it may conclude that the grantee receives new use rights for all foreseeable mediums, whereas the grantor reserves all other rights.¹⁷⁹ The inherent difficulty in applying this analysis, as discussed above, is that the technology at issue has developed after the assignment of rights.¹⁸⁰ The result is that an intent to assign such obscure rights is rarely found.¹⁸¹

As a means of assisting the foreseeability evaluation, *Cohen v. Paramount Pictures Corp.*¹⁸² offered the following guidelines: "If the technology was wholly unforeseeable — if the new medium had not yet been invented — rights are retained by the grantor."¹⁸³ "But if the technology was invented, though not commercialized, the rights are granted along with those for the preexisting medium."¹⁸⁴ This test draws a line and declares that, if the technology was invented prior to the contract, then the right was probably granted unless otherwise unambiguously reserved. If the technology was not created prior to the contract, "courts . . . [are] unwilling to grant licensees the windfall of the rights to use the work in the new medium."¹⁸⁵ The result is that this standard encourages the use of new media by creating flexible

¹⁷⁵ Atteritano, *supra* note 6, at 390–91.

¹⁷⁶ *Id.* at 391.

¹⁷⁷ See *supra* notes 36–37 and accompanying text.

¹⁷⁸ Rosenzweig, *supra* note 14, at 911.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.* at 913.

¹⁸¹ *Id.* at 912–13.

¹⁸² 845 F.2d 851 (9th Cir. 1988).

¹⁸³ Rosenzweig, *supra* note 14, at 915 (citing *Cohen*, 845 F.2d at 854) (stating that the grantee "could not have assumed the public would have free and virtually unlimited access to the film" and that the "licensee could not have bargained for, or paid for, the rights").

¹⁸⁴ *Id.* (quoting *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 154 (2d Cir. 1968), *cert. denied*, 393 U.S. 826 (1968)).

¹⁸⁵ *Id.* at 919 (citing *Cohen*, 845 F.2d at 854).

meanings for the originally granted right.¹⁸⁶

The problem this presents for Random House is that the authors, via RosettaBooks, argued that they did not grant ebook publication rights regardless of whether they existed at the time of contracting. In the instance of some of the contracts, ebook publishing did in fact exist.¹⁸⁷

Policy issues strongly favor *Bartsch's* broad grants to new uses and future technologies. From a utilitarian standpoint, vesting ownership in publishers and other licensees rather than in creators results in smaller transaction costs and facilitates the wider dissemination of information necessary for the development of new media. Furthermore, such a policy does not contravene the purpose of the Copyright Act of 1976 . . . and does not work as a disincentive to authorship.¹⁸⁸

Rozenweig argues, and I agree, that the incentives for publication created by the Copyright Act of 1976 are not thwarted by the standard set forth above.¹⁸⁹ Each party seeking the rights at issue had the opportunity to purchase the rights from the other party.¹⁹⁰ If it was determined that the rights had been granted to Random House, RosettaBooks could have purchased the electronic publication rights from Random House. If the market had determined that Random House could earn no more by exploiting the rights itself, the license would be of no value and would be abandoned. Rozenweig continues, stating that “[t]he new-use doctrine is based on the premise that the future medium was beyond the intentions of the parties; the author as a result, could not [at the time of the agreement] have expected to profit from such future medium.”¹⁹¹ If the new use had been invented at the time of contracting, then granting to the licensee the rights to that new use cannot provide a “disincentive” to the authors.¹⁹² “Clearly, as a matter of policy, it is better to develop a new medium, allowing the licensee to retain any rights that reasonably can be said to flow from the contract, than to reward an author with remuneration beyond her expectations at the expense of the public interest.”¹⁹³

¹⁸⁶ *Id.* at 918 (citing MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW § 5.10 (1989)).

¹⁸⁷ *Cf.* Complaint, *supra* note 59, para. 36 (claiming that ebook publishing is an extension of electronic document processing systems of the 1950s and 1960s).

¹⁸⁸ Rosenzweig, *supra* note 14, at 920.

¹⁸⁹ *Id.* at 922.

¹⁹⁰ *See id.* (quoting William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325, 355 (1989) (discussing the transaction costs of copyright transferral)).

¹⁹¹ *Id.* at 925.

¹⁹² *Id.*

¹⁹³ *Id.* at 926; *see also Bartsch*, 391 F.2d at 155. *But see*, Neil R. Nagano, Comment, *Past*

A. New York Times v. Tasini

*New York Times Co. v. Tasini*¹⁹⁴ is a recent and widely-publicized Supreme Court case addressing the rights of freelance journalists to maintain control over their previously published works in the Internet-era. A group of authors filed suit against the New York Times Company, Newsday, Inc., and Time, Inc. for licensing the reproduction and distribution of their articles to a variety of electronic databases.¹⁹⁵ The authors contended that such distribution and reproduction rights were not granted by the original contracts entered into with the publishers.¹⁹⁶ These contracts only granted the publishers the use of their works in the original periodicals.¹⁹⁷ The publishers, on the other hand, argued that licensing and delivery of the works to the electronic databases occurred in bulk; entire issues of the periodicals were distributed to the databases.¹⁹⁸ The databases in turn made every work in that periodical available.¹⁹⁹ Therefore, the distribution and reproduction did occur within the terms of the contracts.

Justice Ginsburg, writing for the majority, found the publishers' argument unpersuasive.²⁰⁰ Instead, the Court looked to the realistic operation of the databases.²⁰¹ The databases did not present the works as an entire periodical.²⁰² Rather, each database allowed a user to search according to interest and retrieve documents from a variety of sources and time periods.²⁰³ The result was that the articles were reproduced as *individual* and *independent* works rather than as part of the collective work.²⁰⁴

The new use question, although not identified as such within the opinion, was whether a database qualifies as a revision of a collective work.²⁰⁵ Due to the loss of

Copyright Licenses and the New Video Software Medium, 29 UCLA L. REV. 1160, 1184-85 (1982).

¹⁹⁴ 533 U.S. 483 (2001).

¹⁹⁵ The databases include Lexis-Nexis, University Microfilms International, New York Times OnDisc, and General Periodicals OnDisc. *Id.* at 490.

¹⁹⁶ *Id.* at 491.

¹⁹⁷ *See id.* at 498-99 ("[T]he Publishers do not here contend the Authors entered into an agreement authorizing reproduction of the Articles in the Databases.").

¹⁹⁸ *Id.* at 489.

¹⁹⁹ *See id.* at 490-91.

²⁰⁰ *Id.* at 487-88.

²⁰¹ *Id.* at 499-501.

²⁰² *See id.* 500-01.

²⁰³ *Id.* at 500-02.

²⁰⁴ *See id.* at 500.

²⁰⁵ *Id.* at 499-504. The Publishers argued that "reproduction and distribution of each Article by the Databases lie within the privilege of reproducing and distributing the [Articles] as part of . . . [a] revision of that collective work." *Tasini*, 533 U.S. at 499 (quoting 17 U.S.C. § 201(c)) (alterations in the original).

the original format and graphics, and the lack of cohesiveness of the periodical after it is stored and catalogued by the database, the database versions of the authors' works did not qualify as revisions of collective works. The importance of this case to *Random House v. RosettaBooks* is the emphasis the Court placed on private contractual arrangements.²⁰⁶ Essentially, the Court stated that the interests of all parties in the publishing industry are best protected by "private contractual arrangement."²⁰⁷

Contracts are the answer to copyright law. The goal of copyright protection is not to inhibit new uses for creative works, but instead to encourage them by granting control to the creators of such works.

B. Greenberg v. National Geographic Society

*Greenberg v. National Geographic Society*²⁰⁸ addressed facts similar to those presented by *Tasini*. The plaintiff, Greenberg, was a freelance photographer for the defendant.²⁰⁹ The contractual provisions of this relationship were favorable for Greenberg as the copyrights to his photographs were reassigned to him after National Geographic made permissible use of them.²¹⁰ National Geographic, as part of its anniversary celebration, developed and distributed a CD-ROM library which included, in digital format, "every issue of the Magazine from 1888 to 1996."²¹¹ One of these issues included a cover image from Greenberg.²¹² Greenberg alleged, and the circuit court agreed, that National Geographic had infringed upon his copyright protection by creating this compilation of works.²¹³

For the purpose of evaluating the potential new use issue, the relevant defense of National Geographic was that the creation of the CD-ROM consisted only of a revision of the original collective works in which it had an interest and a right.²¹⁴ This defense mirrors the defense presented by New York Times in *Tasini*. The difference, which would appear to be in the interest of National Geographic, was that the issues were actually presented in their entirety on the CD-ROM.²¹⁵ Unlike the databases of *Tasini* where each article or work is categorized and accessible apart from its original periodical, the photographs here were maintained within the

²⁰⁶ *Id.* at 505–06.

²⁰⁷ *Id.* at 502 n.11.

²⁰⁸ 244 F.3d 1267 (11th Cir. 2001), *cert denied*, 534 U.S. 951 (2001).

²⁰⁹ *Id.* at 1269.

²¹⁰ *Id.*

²¹¹ *Id.*

²¹² *Id.*

²¹³ *Id.* at 1270, 1275.

²¹⁴ *Id.* at 1272.

²¹⁵ *Id.* at 1269.

original collective work.²¹⁶

However, where the holding of *Tasini* indicated that the copyright infringement was due to the separation of the articles from their original format and their presentation as part of a new collective work, the court in *Greenberg* found that use of the photographs as a presentation of the original work on the CD-ROM was also an infringement upon the artist's copyright.²¹⁷ The reasoning of the circuit court was that use of the computer program to create and view the "issues," as well as the slight adjustments to the plaintiff's photograph, resulted in a derivative work which was not permitted under the terms of the original contract.²¹⁸

The effect of *Greenberg* on *Random House* is not as clear as that of *Tasini*. The new use at issue in *Greenberg* was the same as that presented by *Tasini*: was the use of an electronic database of compiled periodicals in accordance with the original grant of the right to distribute in paper form those same periodicals? According to *Greenberg*, it was not. The transition from paper to electronic format created a new work in which the creator reserved all rights. Under *Greenberg*, the ebook would require a separate grant of rights from the author.²¹⁹ It appears here also that the language of the contract governs above all other legal principles. And, once again, the rights of the author are protected over those of the publisher.

Put most succinctly, these opinions make it clear that, without appropriate written agreements with the . . . authors of a [work, a licensee] . . . cannot claim — or act as if — it owns all rights to those works. Particularly if only a license to use the work is being obtained, the opinions in the . . . cases at issue illustrate the need for grant language that expressly extends as far as the hiring party believes it does.²²⁰

It is clear that today's new use cases rely less on notions of copyright policy and more on the letter and intent of the contracts. *Tasini* and *Greenberg* also demonstrate the likelihood of the Court reserving the rights of authors and creators to the new uses which may be found in their works.

C. *Aftermath of the Random House Decision*

The debate in *Random House v. RosettaBooks*²²¹ arose due to the fact that the licensing agreements were entered into prior to the commercialization of ebooks and

²¹⁶ Compare *Tasini*, 533 U.S. at 490, with *Greenberg*, 244 F.3d at 1269.

²¹⁷ Compare *Tasini*, 533 U.S. at 503, with *Greenberg*, 244 F.3d at 1275–76.

²¹⁸ *Greenberg*, 244 F.3d at 1274–76.

²¹⁹ *Id.*

²²⁰ Linda Pickering & Steven H. Becker, *Intellectual Property: Applying the Lessons of Digital Age Copyright Rulings*, 165 N.J.L.J., August 27, 2001.

²²¹ 150 F. Supp. 2d 613 (S.D.N.Y. 2001).

therefore did not contemplate, grant, or reserve such rights. Today, authors have the opportunity to grant or reserve ebook publication and distribution rights.²²² To say that the authors will suffer overlooks this fact. It also overlooks the fact that these authors will not be without an ebook licensing agreement; it is only a question of with which party, their original publisher or an electronic publisher, that agreement will be.

Were this decision to be overturned, RosettaBooks stands to lose financially because it has made a sizable investment in the infrastructure required to support ebook publication, it has invested legal fees in this litigation, and it is promoting those works currently here at issue. However, these works are not the only works in which RosettaBooks has built its market. Although there may be many other works that fall into the same unclear category as those here at issue, based on the lack of parties joining the suit against RosettaBooks, it seems likely that a majority of RosettaBooks' selection will remain available, and RosettaBooks will not necessarily collapse based on the outcome of this trial. In fact, RosettaBooks has gained a great deal of publicity based on this litigation.²²³

Contrast this with Random House, which did not make a similar attempt to try this case before the literary public. This tactic could be the result of Random House's different (more secure) standing in the world of publishing. Due to this position, it is likely that the more publicity this case received, the worse it would be for Random House. As noted earlier, the common perception is that the large publishing firm has the upper hand, and that the upstart independent publisher deserves a break. This theory ignores the fact that in this case the small upstart gave itself a break. RosettaBooks acquired Random House's copies of the Styron, Vonnegut, and Parker works.²²⁴ It then electronically scanned each of Random House's carefully edited and formatted pages and converted the pages into ebook format.²²⁵

While the copyright violations that may have occurred by these actions are not the critical issue of *Random House* or of this Note, they do evidence the hardship Random House will suffer. Random House invests a great deal of time and capital in the development, publication, and distribution of the works of its authors. "Random House spends millions of dollars editing, producing and promoting its titles, and Rosetta is 'free-riding' on these efforts by offering books for sale in competition with Random House's sales"²²⁶ To permit another publisher to

²²² Appellee's Brief, *supra* note 103, at 27–31.

²²³ Its website makes no efforts to conceal the litigation. A link to all documents can be found on the home page. See RosettaBooks — Legal, at <http://www.rosettabooks.com/pages/legal.html> (last visited Mar. 1, 2003).

²²⁴ Appellant's Brief, *supra* note 75, at 20–21; see also Complaint, *supra* note 59, para. 2.

²²⁵ *Id.*

²²⁶ *Random House Sues E-Book Publisher for Copyright Violations*, 12 Sports & Ent. Litig. Rep. (Andrews Publ'n) No. 12, at 13 (Apr. 2001). "People are unlikely to purchase the

reap the rewards of such efforts not only fails any "smell test," it also fails to support the purpose of the Copyright Clause.²²⁷ If the holding in this case is never overturned and remains in favor of RosettaBooks, one hardship to Random House and other established publishing firms will be that the works in which they invest may never be fully protected. "The rulings are 'probably right as a legal matter, but somewhat troubling as a policy matter . . . [They] leave[] open the prospect that lots of deals or assumptions made a long time ago have to be reopened.'"²²⁸

There are a variety of ways in which a decision negating the electronic publishing rights of Random House could affect the publishing industry. However, each of these should be analyzed in light of the reality of ebooks. The reality is that ebooks may never generate income substantial enough to recover a publisher's initial investment. It may be true that the set-up cost of an ebook distribution channel is minimal compared to that currently required to establish the publication and distribution process for traditional printed works. Nonetheless there *is* a set-up cost in addition to research and marketing expenses. That said, there also does not appear to be a market large enough to generate any substantial amount of income. It is quite feasible that Random House may never pursue ebook distribution as aggressively as intended by RosettaBooks. This does not mean that the terms of the original contracts between Random House and the authors may be so easily violated.

The result of the final decision in favor of RosettaBooks is that agreements Random House has with hundreds of authors do not provide Random House with the rights to distribute and publish the authors' works in electronic format. The works of these authors are open to competition from not only RosettaBooks, but also any other publishing house — large or small. This means that Random House is potentially required to make additional investments in these authors in order to pursue and obtain the electronic publishing rights.

There are reasons Random House may feel forced to make these investments in spite of the fact that it does not believe the electronic publishing rights will ever generate significant revenue. One of these reasons is for the good will of those authors who are still creating new works. Publishing firms utilize a variety of resources to develop and maintain strong relationships with their authors. Another reason is that Random House has an interest in protecting its initial editing and

hardback, paperback or electronic copy of a Random House title if they have already obtained it from Rosetta, the complaint avers." *Id.*; see also Complaint, *supra* note 59, at 18. The essence of this argument is that Random House makes the time and labor intensive investment of developing, editing, and marketing a manuscript while RosettaBooks simply takes advantage of such efforts without the risk of failure. Random House has already taken the risk of failure because the works RosettaBooks provides are "classics" or the tried and true works which make up the backlists of so many well-established publishing firms.

²²⁷ U.S. CONST. art. I, § 8, cl.8.

²²⁸ Brenda Sandburg, *The Final Word?*, THE RECORDER (S.F.), July 18, 2001, at 1 (quoting Boalt Hall Professor Mark Lemley).

marketing investments by the least confrontational means possible. It is not likely that either of these efforts — the editing, marketing, or the end results of such efforts — are independently copyrightable. Random House may have other intellectual property rights in its labors, but it is not likely that Random House could pursue or protect such rights without exercising its potential leverage against the authors and thereby compromising its goodwill. It is also not feasible for every Random House contract to be renegotiated or for new licenses granting electronic publishing rights to be pursued in every case. Some authors are deceased, and, while their work is still protected for some time to come, the estates of these authors hold the copyrights. These estates may not have the same interests in the author-publisher relationship as did the authors. It is likely that, for third parties now faced with this dilemma, the goal of negotiation will serve a monetary purpose rather than a literary one.

The result, however, may not be so dire for Random House. If approached by Random House, many authors may agree to grant the license, no questions asked. This is due to the fact that many authors do not believe, as Vonnegut himself does not, that ebooks will ever be a legitimate source of income for them and that they would rather maintain an amicable relationship with Random House than make a few extra cents per ebook sale.²²⁹ Another factor is that the books currently published in ebook format are generally short or current novels and instructional manuals. Random House has such a wide array of literary works licensed to it that any authors it does lose are not likely to have a dramatic effect on its overall revenue.

The beneficial impact of the decision in favor of RosettaBooks is that it lends more predictability to the determination of new use issues. Rather than the *intent* of the contract, the *language* of the contract is the ultimate determining factor. It appears from the structure of the Random House contract that in fact it was the language of the contract rather than party intent that governed from the beginning. By removing the cloud of doubt from the issuance and reservation of rights, decisions such as these support the policy of the Copyright Clause to promote new works of art and science. Professor Nimmer's strict approach to new use issues is the only approach "in which authors would be allowed to benefit from the future demand for their work."²³⁰

D. Conclusion

"It is paramount in these cases to further the purpose of copyright — to promote knowledge and learning in the public interest."²³¹

²²⁹ See *supra* text accompanying note 72.

²³⁰ Atteritano, *supra* note 6, at 403.

²³¹ *Id.* at 402.

*Random House v. RosettaBooks*²³² demonstrates that copyright protection is only as strong as the contract from which it came. The result of such a position is that the policy and purposes of the Copyright Clause and the Copyright Act are upheld. If all unassigned rights are reserved to the author, then a new use is always protected with the creator of the work. It is a predictable result that does not inhibit authors from creating new works or making them available to the public.

V. CONTRACT-BASED SOLUTIONS TO THE NEW USE PROBLEM

The uncertainty of new use issues can never be fully eliminated. The nature of a new use issue is that it applies to future, unknown uses of a work. Therefore, it is unlikely that *any* license can address and protect *every* new use right. However, it is possible to incorporate certain concepts into the agreement that relay the true intent of the parties to grant or receive the rights to future new uses. Providing for the possibility of future uses not yet developed will require a court to at least acknowledge that the parties intended for the grant of rights to include more than just those rights presently available. Ideally, a license of publishing rights should be construed to satisfy the strictest version of the new use analysis — recognizing only those rights explicitly granted — so as to always be found to protect the grantee's interest. However, as discussed earlier, the nature of a new use is that it is unknown, and therefore it is not possible to always explicitly grant such rights.²³³ There are, however, clauses and provisions that may provide greater protection than the current new use clauses commonly found in today's publishing contracts.

The current new use clause used in publishing contracts grants publication distribution rights for "means or methods now or hereafter known."²³⁴ This is an open-ended statement that is intended to communicate to a court that the parties contemplated the future uses for the work, and in so doing, granted the rights to such uses to the publisher.

Alternatively, some new use provisions protect new uses by reserving in the publisher certain delineated electronic rights.²³⁵ The reason for such an approach is

²³² *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001).

²³³ See *supra* text accompanying notes 33–34.

²³⁴ MICHAEL A. EPSTEIN, MODERN INTELLECTUAL PROPERTY 12.02[C][3], at 12-33 (3d ed. Supp. 2003).

²³⁵ See, e.g., POCKET BOOKS, FORM PUBLISHING CONTRACT 19 (on file with author). This form contract reads:

[The Author grants to the publisher] the sole and exclusive right to use or adapt, and to authorize others to use or adapt, the Work or any portion thereof for one or more "electronic versions." As used herein, the term "electronic versions" shall mean any and all methods of copying, recording, storage, retrieval, broadcast or transmission of all or any portion of the Work, alone or in combination with other works, including

likely that the publisher believes that all new uses for a published work will be based in an electronic medium.

There are two problems with this approach. The first is simply that the new use may not be electronic at all, and therefore it will not be protected by the contract language. The second problem is that the clause is too specific.²³⁶ In an effort to provide for the myriad of potential electronic versions, it is possible that the contract precludes other versions that simply are not conceivable at this time but also contrary to the types of electronic versions identified by the contract. This level of specificity could result in the same issue that arose regarding Random House's identification of the types of publishing (i.e., softcover, Braille, foreign) that were protected by the contract — the end result was that the court found that Random House could not have intended to protect its right to electronic distribution channels because it was not stated to the same degree of specificity as the other rights.

This Note argues that there is a middle-ground between the two types of new use provisions that more fully communicate the true intent of the parties to grant or reserve new use rights. This middle-ground provision can be drafted to protect the rights and interests of both the author and the publisher. This Note recommends incorporating into the new use provision certain clauses commonly used throughout the publishing contract to protect the publisher's interest in new works by the author and the author's interest in distribution of the current work. The standard publishing contract contains many forward-looking provisions. This is due to the fact that the publishing firm invests a great deal of monetary and non-monetary resources in the development of the author's first work. The publishing firm hopes to recover that investment from sales of the first work and then to grow the investment from future works of the author. Therefore, maintaining the rights in an author for the long-term is a way of protecting that initial investment. The author, on the other hand, has an interest in ensuring his or her work is distributed to the widest market possible in order to earn an income from the ensuing royalties. The clauses that follow have as

in any multimedia work or electronic book, by any electronic, electromagnetic or other means now known or hereafter devised including, without limitation, by analog or digital signal, whether in sequential or non-sequential order, on any and all physical media now known or hereafter devised including without limitation, magnetic tape, floppy disks, interactive CD, CD-ROM, laser disk, optical disk, integrated circuit card or chip and any other human or machine readable medium, whether or not permanently affixed in such media, and the broadcast or transmission thereof by any means now known or hereafter devised, but excluding audio recording rights, video recording rights and all uses encompassed in motion picture, television, radio and allied rights (provided that the exercise of any of the foregoing rights, if reserved herein by Author or licensed to any third party, shall not preclude the exercise of the electronic rights).

²³⁶ See, e.g., *id.*

their primary goal the protection of future revenue. Incorporating these concepts into the new use provision is an extension of that same goal.

One provision that would protect both the author's and the publisher's interest is a right of first refusal, or an option, to all new uses for the work. The right of first refusal would require the author to approach the publisher with any new uses for the work. Such a provision would provide that the publisher, if interested in the new use, has an obligation to negotiate in good faith with the author for the related rights.

A second provision is a broad grant of rights to the publisher for all new use rights²³⁷ limited, however, by the incorporation of a sunset clause. The sunset clause would acknowledge that the publisher has the right to "print, publish and sell the work[s] in book form or by any other means or methods now or hereafter known" but would establish that such an unlimited right expires at a future date with an option to renew within a certain time frame prior to expiration. This means of contracting for the new use right protects both the author's and publisher's interest in the future potential for the work.

A third provision that also provides the author with greater protection is structuring the broad grant of new use rights to include an obligation of the publisher to pursue those rights within a certain time frame.²³⁸ If a publishing firm fails to exploit the new use within the established time frame, the new use right reverts to the author, and he or she may exploit it without breaching the original publishing license.

Additionally, there are provisions that are solely in the interest of the publisher. One of these is that "if the licensor [the author] seeks to specifically exclude certain rights from a license, they should be clearly enumerated. Where a licensor does not want to grant the right to new uses, the license should include language to that effect."²³⁹ This manner of contracting eliminates any ambiguity as to the intent of the parties to grant or reserve new use rights. It is not fool-proof, however, as there may still be a debate as to *which* new use rights were reserved or granted (e.g., is it just new methods of distribution (via the Internet, for example) that were reserved to the author but not new methods of presentation (on CD-ROM, for example). However, it would be the author, as the party putting forth the provision, rather than the publisher, who would bear the burden of asserting its intent and limitations.

The publisher could also prevent activities such as those of RosettaBooks by requiring that the author grant to the publisher all rights to the final version including "all drafts, notes, and other preparatory documents created by the Author, whether or not such . . . documents have actually been physically delivered to the

²³⁷ The broad grant of rights would be similar to the form currently used. *See supra* note 235 and accompanying text.

²³⁸ In the music industry, where this is most frequently used, this type of contract clause is commonly referred to as a "pay or play provision."

²³⁹ EPSTEIN, *supra* note 234, § 12.02[C][3], at 12-33.

[Publisher].²⁴⁰ RosettaBooks was able to exploit the works it did by scanning the final manuscripts into its computer system and transforming them into electronic versions.²⁴¹ Incorporating this protective clause into the license would prevent any party from exploiting a new use without a license from the publisher for the final work, thereby preventing the egregious violation that occurred in this case.

In conclusion, there are myriad ways to enhance the current new use provision used in the publishing industry that will recognize the intent of the parties and provide more certainty in the outcome of such disputes as *Random House v. RosettaBooks*. The underlying purpose of each of these suggestions is to promote communication between author and publisher. The result of this communication is to further develop that sacred relationship each party relies on so strongly.

VI. UPDATE

At the time of this Note's publication, Random House, Inc. and RosettaBooks LLC have settled their litigation and entered into a licensing agreement for ebook rights.²⁴² The final arrangement provides that "RosettaBooks will pay an advance and a royalty to the authors and the publisher, much as a paperback publisher or audio book publisher compensates these parties for a license."²⁴³ Furthermore, the license also utilizes the sunset clause and renewal option discussed above.²⁴⁴ "Each electronic license will be for three years, with RosettaBooks having the option to renew for an additional three years."²⁴⁵ Random House, therefore, has not entirely foregone its potential to market its works as ebooks. Rather, it has taken advantage of the ability to receive a portion of the revenue from whatever sales are made without investing the resources necessary to exploit the use. As stated by Arthur Klebanoff, CEO of RosettaBooks, "This licensing program is a win for authors, publishers, and the growing audience for e-book reading. We expect this relationship will set the model for the entire trade publishing industry."²⁴⁶

Megan M. Gillespie

²⁴⁰ 1 JOHN W. HAZARD, COPYRIGHT LAW IN BUSINESS AND PRACTICE 2002, § 10:20, at 10-20.

²⁴¹ Appellant's Brief, *supra* note 75, at 20-21.

²⁴² Press Release, RosettaBooks, *Random House, Inc. & RosettaBooks LLC Settle Litigation & Set E-Book Licensing Alliance* (Dec. 4, 2002), available at http://www.rosettabooks.com/pages/RB_RH_Release.html.

²⁴³ *Id.*

²⁴⁴ See *supra* note 237 and accompanying text.

²⁴⁵ Press Release, *supra* note 242.

²⁴⁶ *Id.*