

New York Law Journal

Monday, October 4, 2004

Tech Trends

The Effect of 'New Uses' On Copyright License Agreements

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As technology and media change rapidly, it has become increasingly difficult for attorneys and their clients to state and understand with certainty which copyrights are retained by the granting party and which are transferred by agreement.

A drafting attorney faces the perpetual challenge of defining the rights granted in an agreement in such a way that protects his client's rights in light of unforeseen future developments in technology. An attorney and party construing an earlier drafted agreement have an even more difficult time.

These issues were addressed when the U.S. Supreme Court decided *New York Times v. Tasini*, 121 S.Ct. 2381 (June 25, 2001), a copyright infringement case that has undoubtedly influenced how existing license agreements are construed and new license agreements are drafted. In fact, the long history of this case has already precipitated changes in the industry.

Copyright agreements, like all written agreements, are governed by the exact words as written by the parties and they

control the parties' mutual objective of exploiting a common property right. As technology evolves, the scope of the rights granted, transferred and retained may become unclear and give rise to litigation.

Battles over whether a grantee may exploit works through new marketing channels or media have vexed courts for decades. These so-called "new-use" cases deal with whether a grantee may exploit a right granted under copyright through a new means or media. Though the courts have frequently addressed new-use disputes, recent decisions such as *Tasini* and other cases may herald a shift in the judicial approach to construing copyright grants.

Historically, there have been two primary methods by which courts have handled new-use problems. The first approach has been to strictly construe the writing so that any new technology that does not fall within the unambiguous core meaning of the grant is excluded from the grant. The alternative method was to allow the grantee to "properly pursue any uses that may reasonably be said to fall within the medium as described in the license."¹

Whereas in the past, the courts seemed more likely to implement the second approach,² they now seem to be favoring the rights of the original copyright holder or licensor.

In *Tasini*, plaintiff *Tasini* and other freelance authors wrote articles for defendant *New York Times* and other publications. The *New York Times* licensed rights to copy and sell the articles to LEXIS/NEXIS.

LEXIS/NEXIS subscribers, accessing the

system through a computer, may search for articles in its database by author, subject, date, publication, headline, key term, words in text, or other criteria. Each article appears as a separate, isolated article with no reproduction of the original print



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publication's formatting features.

The plaintiffs and the New York Times had entered into contracts that only granted the right to publish the freelance articles in the respective periodicals and any future revisions of those periodicals.

Tasini and the other authors filed a copyright infringement suit against the Times to enforce these rights, claiming that their contracts with the newspaper did not grant the right to place the articles in an electronic database such as LEXIS/NEXIS.

The Supreme Court concluded that, absent a contract otherwise granting such rights, a newspaper or magazine publisher is permitted to reproduce or distribute an article contributed by a freelance author only as part of any (or all) of three categories of collective works: (a) "that collective work" to which the author contributed his/her work (e.g., the particular issue of the Times), (b) "any revision of that collective work," or (c) "any later collective work in the same series."

This approach, according to the Court, protects the author's right to sell the article to others if there is a demand for the article standing alone or in a new collection.

'Rosetta Books'

In *Random House, Inc. v. Rosetta Books*, 283 F.3d 490, 492 (2d Cir. 2002), plaintiff Random House had entered into agreements with various authors to obtain the right to "print, publish and sell [the authors'] work[s] in book form."

Subsequently, defendant Rosetta Books obtained a license from some of the authors to sell those same works in digital format over the Internet as a collection of "e-books."

Random House claimed that it owned the rights to publish the authors' books in e-book form through its publishing agreements with the authors and Rosetta Books had violated Random House's copyrights by printing the works in electronic form.

Since e-publication was not envisioned when the contracts were drafted, a dispute arose as to whether the contractual provision granting the right to "print, publish and sell the work[s] in book form" included the right to publish the works electronically.

Relying on the language of the agreements and basic principles of contract interpretation, the federal district court found that the most reasonable interpretation of the contracts at issue did not include the right to publish the work as an e-book because the phrase used to convey the rights distinguishes between the pure content (the work) and the format of display (in book form).

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In reaching this conclusion, the court referred to the dictionary definitions of "book" and "form," noting their differences.

In addition, the court stated that since the specific language of the contacts granted the licensor the right to publish the book club editions, abridged forms, and editions in Braille, the phrase "in book form" could not have been intended to cover all types of books.

In taking a literal approach to contract interpretation, the court seemed to turn against earlier precedent in favor of interpreting the contract as favorably as possible for the author. This approach was affirmed on appeal to the U.S. Court of Appeals for the Second Circuit.

'Greenberg'

In *Greenberg v. National Geographic Society*, 244 F.3d 1267 (11th Cir. 2001), defendant National Geographic Society hired plaintiff Greenberg as a freelance photographer. According to the agreement between the parties, National Geographic

acquired all rights to any photograph taken on the assignments that were ultimately selected for publication in the magazine.

When the technology became available, National Geographic published a searchable electronic database on CD-ROM of all of its prior issues, which included Greenberg's copyrighted photographs, both as stills and as part of an animated multi-media montage.

Greenberg claimed that such uses infringed his intellectual property rights to the photographs. National Geographic countered that the database constituted a "revision" and its use of the photograph in the video montage was permitted as a collective work.

The court ruled that the electronic collection was not a "revision" and that the video montage infringed the photographer's exclusive right to prepare derivative works.³

The court stated that National Geographic could have reprinted a contribution from one issue in a later issue of the magazine but it could not revise the contribution itself or include it in an entirely different work. It looked to the language of the Copyright Act, stating that "common-sense copyright analysis compels the conclusion that [National Geographic] ... has created a new product ("an original work of authorship"), in a new medium, for a new market that far transcends any privilege of revision or other mere reproduction envisioned in §201(c)."

Once again, the court endeavored to distinguish the dispute in this case from past new-use case law. It held that the electronic format used by National Geographic was not analogous to reproductions in microfilm or microfiche because the CD-ROM "requires the interaction of a computer program to accomplish the useful reproduction involved with the new medium."

Again, the court focused on a narrow, literal interpretation of the contract to support a result favoring the author.

The Supreme Court's holding in *Tasini* might appear to have dictated a decision in favor of National Geographic, at least insofar as the CD-ROM reproduced the entire collective work in its original format together with all the original content.

This distinction was addressed in a subsequent case involving National Geographic, namely *Faulkner v. National*

Geographic Society, 394 F.Supp.2d 523 (SDNY 2003), whereby the court, hearing similar facts to those in *Greenberg*, ruled against the plaintiffs, determining that the publication of the digital archive constituted a revision because a user of National Geographic's electronic database could view the articles in the same form and sequence as they would had they been reading the magazine itself, more akin to a microfilm or microfiche embodiment of the work.

Four Lessons

Although there was disagreement between the courts in deciding *Faulkner* and *Greenberg*, the decisions described above demonstrate that courts may now appear to be construing grants of rights in copyright licenses more narrowly and literally, especially in new media contexts.

Thus, there are four primary lessons that practitioners can learn from these decisions:

1. Clarify the rights granted.

Whereas the publisher often wants to obtain the broadest rights possible, the author usually wants to limit the scope of the license. As a practical matter, the scope of rights and the level of specificity will be dictated by the respective bargaining positions of the parties.

To avoid prolonged litigation and uncertain results, the publisher (usually the party with the greater negotiating power) should now define the rights granted in their agreements with authors by using broad catch-all descriptions to encompass all media in all forms now existing and developed in the future in order to minimize ambiguities.

In the wake of these cases, perhaps the privilege of describing (and retaining) specified rights will be available only to those freelance authors with strong bargaining power. On the other hand, for book authors, bargaining power will be reflected in the definitions of the rights granted and their ability to obtain additional payments for new uses of their works.

2. Try to anticipate the unknown.

When possible, and if the parties do not agree to a transfer of all rights in all media,

the drafting attorney should make certain that it accommodates potential new uses.

As the cases detailed above demonstrate, unless the publisher obtains the express right to publish an author's work in a different medium, the right to benefit from the demand for the work rests with the author.

The publisher faces the dilemma of negotiating an agreement to cover technologies that neither exist nor are contemplated when drafting the contract. Naturally, an effective way to anticipate the unknown is to obtain the broadest rights possible.

For example, in *Tasini*, at the time the license was granted, computerized databases were not envisioned as a medium. The law granted the publisher the right to reprint the works on microfilm and microfiche, and attorneys for the publisher would have assumed, based on the new-use case law of the time, that the license that it received was broad enough to cover reproduction through future media.

The cases described above also demonstrate the importance of using broad language that leaves no confusion as to the rights granted and retained. If language leaves any room for interpretation, courts will strictly construe the language, leaving the rights for new uses with the licensor.

3. For publishers, when in doubt as to archival works, obtain written consents.

Licensees of a copyrighted work looking to take advantage of new uses for that material should review existing agreements carefully. If there is any doubt as to whether the intended new use is included in the license, it would be prudent to obtain a consent or a waiver from the author or original licensor of the work granting permission to exploit the work in the new medium.

Such a consent or waiver should be as broad as possible so that a new waiver is not needed for every new medium in which the client desires to use the licensed work.

Obtaining the necessary consent or waiver can help avoid a lengthy and expensive litigation over the use of the licensed work. Even if there is some associated cost to a publisher, the certainty and goodwill may be well worth it.

4. Be aware of industry trends.

In drafting agreements, the new-use cases indicate that attorneys must keep industry trends in mind. In interpreting grants of rights, courts appear to be factoring into their decision the customs, practices, usages and terminology as generally understood in the industry.

Identical language does not have the same meaning when used in license agreements in the publishing arena as it does, for example, in the music business. For example, in *Rosetta Books*, the court determined that the right to "print, publish and sell the works in book form" is a limited right in the publishing industry. Perhaps, if the case involved a different industry, the outcome would have been different.

Conclusion

As evidenced by these cases, there appears to have been a shift by the courts away from broad readings of grants in favor of publishers and toward a narrow reading of grants in favor of authors.

This shift is especially noticeable when comparing these cases with the prior new-use jurisprudence. As a result, attorneys and their clients face new challenges in drafting agreements.

By clarifying the rights granted, trying to anticipate the unknown, obtaining consents when in doubt about the breadth of the license and being aware of industry trends, attorneys can protect their clients' valuable grants and exploitations.

1. *Boosey & Hawkes Music Publishers v. Walt Disney Co.*, 145 F.3d 481, 487 (2d Cir. 1998).

2. See e.g., *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir. 1968).

3. On Oct. 9, 2001, the Supreme Court, without comment, refused to hear National Geographic's appeal of the Eleventh Circuit ruling, which let stand the Court of Appeals' decision.

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