# WHAT MARKETING PROFESSORS SHOULD KNOW ABOUT E-PUBLISHING: WHERE ARE WE TODAY A LEGAL UPDATE

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## INTRODUCTION

**Basic Copyright.** Congress has the power "… to promote the progress of science and useful arts, by securing for limited time to authors the inventors the exclusive right to their respective writing and discoveries." (U.S. Constitution, Article I, 8, ch. 8).

> Original Works – *Copyright protection exist in original works of authorship fixed in a tangible medium of expression, from which the work can be perceived reproduced or communicated. Works of authorship include literary works.*
>
> Exclusive Rights – *Under Section 106 of the Copyright Act, Copyright ownership provides the owner of the literary work with exclusive rights: (i) to reproduce the work in copies or phonorecords, (ii) to prepare derivative works based on the work, (iii) to distribute copies by sales, ownership transfer, rental, lease or lending, and (iv) to perform and publicly display the copyright work.*

**Tasini, et al v. New York Times Company, Inc., et al 533 U.S. 483 (2001)**

1. In 1993 six free-lance authors brought suit against The New York Times Company, Newsday, Inc., (print publisher), University Microfilms International and Mead Data Central Corp. (electronic database publisher)
2. The print publishers licensed rights to copy and sell articles to LEXIS/NEXIS. The Times also had licensing agreements with UMI to reproduce the Times materials on two CD-ROM products, one text only and one image based. These two products were searchable in manner similar to LEXIS/NEXIS*; importantly, retrieved articles were published and accessible on a standalone basis with no links to other articles, graphics or format appearing in the original print publications in which the articles appeared.*
3. The agreement by which the print publishers contracted with the author for their articles did not transfer copyright or grant the publishers the right to publish the articles in their electronic database.
4. The authors filed suit alleging their copyright were infringed when as arranged and fostered by the print publishers, LEXIS/NEXIS and UMI placed the articles in their electronic databases.
5. The defendants claimed they were permitted to electronically reproduce the authors' work under Section 201© of the Copyright Act, which provides as following:

   > Section 201(c) – Contribution to Collective Works. Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution.

6. The Court held that Section 201(c) did not permit the copying – the electronic publishers infringed the authors' copyrights by reproducing and distributing the articles in a manner not authorized or the Copyright Act. The Court stated that Section 201(c) serves to restrict the publisher's copyright in its collective work to enable a writer to retain exclusivity over the copyright in his/her original work and thus further exploit it.
7. The Court's majority opinion, presciently, also stated that authors and publishers may "enter into an agreement allowing continued electronic reproduction of the Authors' work; they and if necessary the courts and

Congress, may draw on numerous models for the distributing copyrighted work and remunerating authors for their distribution.

Another case **Faulkner, et al. v. National Geographic, et al., 409 F.3rd 26 (2nd Cir. 2005)**

1. In 1997 National Geographic produced "The Complete National Geographic" (CNG); this was a CD ROM set containing each monthly issue of the Magazine, as originally published from 1888 through 1996.
2. Faulkner and other freelance photographers and writers sued National Geographic and other parties on the grounds that the CHG electronically reproduced the print magazines that had included their work, without their permission or consent.
3. Based on CNG using the same selection, coordination and arrangement of the individual contributions as displayed in the original print works and what the user sees is an electronic replica of pages of the Magazine, in this case the court determined that National Geographic use of the plaintiffs' work was privileged under Section 201(c).

**Random House, Inc., v. Rosetta Books, LLC, 283 F.3rd 490 (2nd Cir. 2002)**

**1.** In this case the court ruled in favor of Rosetta Books and denied Random House's request for a preliminary injection. Relying on the language of the contracts and basic principles of contract interpretation, the found that the right to "print published and sell the work(s) in book form" in the contracts at issue did not include the right to publish the work in the format that has come to be known as the "e-book." "To print, publish and sell the work in book form" is understood in the publishing industry to be a "limited" grant. The "new use" – electronic digital; signals sent over the Internet – is a separate medium from the original use- printed words on paper.

**2.** This case looked at Rosetta Books contractual agreement with several authors to publish certain parts of their work in digital format over the Internet. Random House alleged that the phrase in it form agreement "in book form" means to faithfully reproduce the author's text in its complete form as a reading experience and that, since e-book concededly contained the complete text of the work, Rosette could not also possess those rights.

## HISTORY

Works are given copyright protection the moment they are written. There may be no way to find authors to seek their permission to republish their material. The penalties for infringement are high. Therefore, there is a lot of material that cannot be republished because the authors are essentially not locatable. That is, the cost to locate them, if they can even be located is often too high to justify the use of the work. Factoring in the term of copyright protection (life plus 70 years), a large amount of work is likely to be unrepublishable for over a hundred years and possible lost altogether.

## FAIR USE – WHERE ARE WE TODAY

There is no need to utilize the fir use defense unless there is copyright infringement. Copyright holders must show ownership of a valid copyright access by the defendant, and copying in the secondary work of protectable matters from the original work *(substantial similarity).* Attribution is no defense.

## FAIR USE IS AN AFFIRMATIVE DEFENSE TO COPYRIGHT INFRINGEMENT

In the literary context, substantial similarity between an original work and the secondary (allegedly infringing) work, is analyzed under one of two standards

1. Comprehensive non-literal similarity *(overall similarity in structure and organization)*
2. Fragmented literal similarity *(detailed similarity is specific language).*

## HOW DO WE BALANCE PUBLIC INTEREST AND COPYRIGHT MONOPOLY

There must be a constitutional balance between the respective First Amendment and Copyright Clause interests in order for the two to co-exist. The use of free speech is a necessity for democracy. The balance is based upon the distinction between an idea, and the expression of that idea.

1. Idea = free speech *(ideas are not protectable under copyright law)*
2. Original work of authorship fixed in a tangible medium = copyright expression *(protectable under copyright)*

Fair use attempts to balance one's use of another's protected copyright expression in order to advance

one's idea. This balance is very difficult, so is fair use.

## ELECTRONIC BOOK PUBLISHING

**Google Copyright Litigation and E-Books and Author Contracts**. The author Guild, Inc., Herbert Migang, Betty Miles, Daniel Hoffman, Paul Dickson, Joseph Goulden, The McGraw Hill Companies, Inc., Pearson Education, Inc., Penguin Group (USA), Inc., John Wiley & Sons, Inc., Simon and Schuster, Inc. and Association of American Publishers, Inc. v. Google.

**E-Book Publishing** has grown and will continue to grow in the near future. The author publishing agreement should reflect a publisher's editorial and distribution models and stay updated to address electronic publishing issues. There are new delivery methods being used and advanced each day, from video books to smart phones.
The settlement clause in the Google case consisted of publishers and authors – Consisted of "In Print" books and display user. The display use includes "*Access Uses*," "*Preview Uses*," "*Snippet Display*," and "*Display of Bibliographic pages*." When it came to "Out-of-Print Books and Display Use" these would automatically be included in the Google Book Search program. The revenue generated from Display User will go 63% to *Rightsholders* and Google will retain 37%. This is unless a *Rightsholder* expressly opted out of the agreement. Since the agreement there have been amendments to the settlement, both parties agreed to revise the settlement when new avenues or revenues models arise. This could include print-on-demand, PDF files, and consumer subscription (http://www.googlebooksettlement.com).

## COPYRIGHT CLAUSES

There should be clauses in e-book publishing agreements that may be impacted by electronic publishing:

a. Grant of rights
b. Royalties
c. Updates and revision
d. Out-of-print
e. Permission
f. Author marketing responsibilities

The author publishing agreement should reflect a publisher's editorial and distribution models and stay updated to address electronic publishing issues. Clauses in the book-publishing agreement that may be impacted by electronic publishing are the listed above. **Grant of rights clause** specifics the rights granted by the author to the publisher and their scope may vary widely. The publisher's use of a right that goes beyond the author's grant places the publisher at risk for copyright infringement and breach of contract. Many pre-1990 contracts did not grant the publisher electronic rights. These contracts would require an addendum for the publisher to use the rights. The grant of rights clause should not be ambiguous.
When a publishing contract contained an ambiguous clause, and if the media/technology was invented at the time the contract was executed, the new media/technology should be recognized as being included in the grant of rights. In Bartsch v. Metro-Goldwyn-Mayers, Inc. (1968), there was a grant of motion picture rights 40 years earlier included television rights.
The rights to "print publish and sell the work(s) in book form "did not include the rights to publish the work(s) in "e-books" format. To print publish and sell work(s) in book form is understood in the publishing industry to be "limited grant." The "new use" – electronic digital signals sent over the Internet is a separate medium from the original use (print words on paper).

## GRANT OF RIGHT RECOMMENDATIONS

Present contracts should include a grant of electronic rights, which is (i) non-ambiguous, (ii) as broad in scope as possible (reasonable), and (iii) include a "future technology clause." The grant should at a minimum provide the publisher with the right to: Prepare, reproduce, publish, distribute, transmit, and display all electronic versions of the authors work in all physical media, computer systems and networks.
What are the royalty percentages an author should receive on e-book sales?

**Print Book Royalties** usually are fixed or escalating royal percentage. When it comes to e-book royalties the author may receive the same fixed or escalating royalty percentage that is received fro a print copy. Many publishers pay authors a higher royalty percentage on e-book sales. A 25% royalty on e-books sales is not uncommon and appears to be becoming a standard rate. Many agents/authors believe that these royalty rates are too low and they are activity pushing to obtain a higher royalty rate for e-books sales.

**Website Royalties** is an issue that when the publisher wants to use an author's work for other than promotional purpose on the publisher's

website. There are possible clauses that can be included to handle this problem. The author could permit the publisher to use the author's work on the publisher's website (i) without additional payment for all usage, (ii) Without additional payment when the word count from the author's work is less than "X" words or (iii) with additional payment when the word count from the author's work is more than "X" words. Payment in such clauses could be a "flat fee."

**Revision and Updates** clause has usually only applied when the publisher determines that the author's work needs to be revised. Electronic publishing may provide the publisher and author with additional revenue when the subject matter of the author's work changes frequently. An agreement between publisher and author could have periodical updates between revisions (example, quarterly or semiannually). The author should review any backlist and forthcoming new titles to see if electronic updates are possible for some of your titles. Revise the publishing contract to handle this new source of revenue.

**Out-of-Print** is when the author's work is out-of-print and is only available as an e-book. The out-of-print clauses typically cover the situation where the author's work is no longer available in the print format and/or is distributed via specified channels. An updated out of print clause should recognize that the author's work will be considered "in print" based upon the following conditions: (i) work is available through regular publishing methods, publish on demand, and as an electronic book.

When comes to **Marketing Your Book**, the electronic media provides the publisher with an opportunity to have the author become more activity engaged in the promotion of the author's book. This could be accomplished by having the author do the following, (i) have a website that contains content nd information about the author's book and has links to the publisher's website to facilitate the purchase of the book, (ii) establish a blog to interact with purchasers and potential purchasers of the book, and use other social media as deemed appropriate.

## CONCLUSION

Electronic rights and electronic publishing have created opportunities for revenue streams for marketing professors as authors. Business and legal dynamics have created new business models that need to be incorporated into today's author publishing agreement to ensure successful execution of these new models. Proactive contractual agreements can address all these issues and this can be a win win-win for the publisher and author.