Law Journal Extra!

FREELANCERS REELING IN FIGHT OVER ONLINE RIGHTS

Unless Congress takes action, authors may be denied pay for electronic publishing rights.

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Content-hungry electronic publishers and cash-hungry freelance writers are squaring off over electronic publishing rights and compensation for authors' works initially appearing in print publications.

The phenomenal growth of the World Wide Web, commercial online computer data bases and CD-ROMs means that anyone with a computer, telephone line and printer can gain easy access to a wealth of information previously available only in print.

Who can publish and who gets paid? Finding answers to these questions is stretching the boundaries of contract and copyright law, drawing in lawyers to advise clients, draft contracts and joust in court.

In August, in a case of first impression with potentially wide-reaching implications, Judge Sonia Sotomayor of the U.S. District Court for the Southern District of New York handed publishers a victory but left many issues unresolved. In _Tasini v. The New York Times Co_., 1 the court ruled that the right to "revise" under Sec. 201(c) of the Copyright Act of 1976 2 permits electronic publication in data bases and CD-ROMS of print publications without the consent of or payment to freelance authors.

The full ramifications of the _Tasini_ decision remain uncertain. The decision can be read narrowly as merely expanding to a new technology the long-recognized practice of publishers putting their periodicals and microfilm. But the decision also can be read broadly, sanctioning virtually any new form of distribution of a collective work as long as the selection or arrangement of the original version is sufficiently preserved.

The decision is limited to CD-ROM and Nexis technology. It did not address the Internet, but it is difficult to see a logical reason for distinguishing the dissemination of collective works via the Internet as long as the reference and attribution deemed so important by Judge Sotomayor are maintained.

In economic terms, the decision will likely encourage publishers of collective works who were previously fearful of copyright infringement to consider packaging their works in a Nexis or CD-ROM format. The technology exists, and the decision would permit libraries and private citizens to own CD-ROM collections of back issues

of all the leading periodicals. If this occurs, the decision seems in keeping with the Copyright Act's primary goal of encouraging the creation and dissemination of artistic works. 3

Although the court did not discuss the logistical difficulties of publishers having to track down and negotiate electronic publishing rights with a multitude of freelance writers, some of whom might refuse to commit on any terms, it may have been a subtext of the opinion.

The plaintiffs in _Tasini_ were six freelance writers who sold 21 articles to The New York Times Co., Newsday Inc., Time Inc. and The Atlantic Monthly Co. for publication in periodicals including The New York Times, Newsday and Sports Illustrated. The writers had written oral agreements with the publishers covering such issues as the articles' topics, lengths, deadlines, fees and first publication rights.

In the early 1980s, the publishers licensed the use of their periodicals to Mead Data Central Corp. and University Microfilms Inc. for distribution on Nexis and in two different CD-ROM products. In their lawsuit, the writers argued that the electronic distribution of their articles constituted copyright infringement, as they had not authorized electronic publication.

The parties filed cross-motions for summary judgment. Time and Newsday argued that some plaintiffs had written contracts authorizing electronic distribution. All defendants argued that the electronic distribution was authorized by Sec. 201(c) of the Copyright Act.

_Contract Issues _

The checks Newsday used to pay the writers had legends printed on their backs stating that the authors agreed to transfer "the right to include [the article] in electronic library archives." 4 Newsday argued that the writers transferred electronic publication rights when the writers cashed the checks, even if the checks were cashed after the publishers' licensing of the electronic rights.

Time argued that its written contract with one author permitted electronic publication. Under that contract Time acquired the right "first to publish" the article, with no media-based limitation. Time argued that the first publication right extended to electronic as well as print publication.

Judge Sotomayor rejected Newsday's and Time's arguments. Newsday could not rely upon the check legends to grant electronic publication rights. The court found that the record did not support a finding that the parties ever intended that the articles be published electronically. The court further noted that the check legends were ambiguous and did not reflect an express transfer of electronic publication rights in the articles.

Although Time's contract with the author was drafted broadly, Judge Sotomayor noted there was a temporal limitation inherent in the right to "first" publish that precluded interpreting the contract as granting rights to all media. As the article was

first published in Sports Illustrated, Time could not rely on the contract to publish the article a second time electronically.

In terms of contract law, _Tasini_ thus stands for the proposition that agreements purporting to transfer electronic publishing rights must be clear, timely and broad enough to cover the electronic rights purportedly transferred.

Clearly, agreements should be drafted giving thought to the possible future uses of a licensed work. If possible, each transferred right should be enumerated in plain language.

Publishers should include a catch-all phrase embracing all future media they intend to cover. But care should be taken not to rely exclusively on catch-all or boilerplate language because some courts have rejected broad contract provisions designed to deal with every eventuality as being either too vague or not binding, as the new technological use was not contemplated by the parties. 5 While other courts have reached different results, 6 to the extent possible it is a good idea to minimize the risk.

Since the _Tasini_ case was filed, many publishers have already taken steps to strengthen their position by contract. To the extent their bargaining power permits, many publishers now require authors to agree to so-called "all rights" contracts. 7 Such contracts purportedly convey rights in all forms of existing and future media, whether electronic or otherwise.

While not free from doubt, carefully drafted all rights contracts are likely to be upheld in litigation, particularly if the drafters avoid previously disapproved language. In this age of rapid innovation, it is more reasonable to enforce contracts that manifest the parties' intent to encompass any and all future technology.

_Right of Revision _

Tasini also addressed whether Copyright Act Sec. 201(c) permitted electronic publication of defendants' periodicals without the consent of the authors. Sec. 201(c) grants creators of collective works "the privilege of reproducing and distributing [a] contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series."

Before_Tasini_, there was no case law directly on point "parsing the terms of Sec. 201(c)" or "elucidating the relationship between that provision and modern electronic technologies." 8 According to Judge Sotomayor, the problem was compounded by the "notoriously impenetrable" legislative history of the Copyright Act. Nevertheless, the court held that the electronic publishing at issue was a permissible revision under Sec. 201(c).

The court found that in producing their periodicals, the publishers made sufficient independent original contributions for those periodicals to constitute "collective works" under Copyright Act Sec. 103(b).

A collective work is one in which "a number of contributions, each constituting

separate and independent works in themselves, are assembled into a collective whole."

While the publishers owned the copyright to their collective works, the court explained that their rights were limited to the material contributed by them. It did not permit the use of the individual copyrighted works comprising the collective work without permission.

Sec. 201(c), however, grants creators of collective works certain "privileges," such as the right to reproduce and distribute "revisions" of their collective works without infringing the copyrights in the individual articles. The determinative issue in _Tasini_ was the scope of the Sec. 201(c) revision privilege.

The court rejected the freelance writers' argument that Sec. 201(c) privileges were nontransferable. The writers argued that because Sec. 201(d)(2) of the Copyright Act only permitted "rights" to be transferred, the Sec. 201(c) "privilege" of revision was nontransferable. Under the writers' theory, the electronic publishers were liable for infringement, as the print publishers could not transfer their privileges in their collective works.

Despite the writers' arguments, Judge Sotomayor determined that the Sec. 201(c) privileges could be transferred. Sec. 201(d) provides for the transfer of not just rights, but also any "subdivision" of rights. The court reasoned that this interpretation was consistent with the intent of the Copyright Act, which was in significant part a repudiation of the concept of copyright indivisibility.

_Different Media _

The court also rejected the writers' arguments that Sec. 201(c) only permitted revisions of a collective work in the same medium in which the work initially appeared.

First, the court rejected the freelance writers' theory that Sec. 201(c) rights precluded revisions via the use of computers. The writers argued that Sec. 201(c) does not list the "display" right among the publishers' privileges and that such rights are needed to display a work publicly on a computer screen. The court found, however, that the right to "reproduce" a work under Sec. 201(c) "necessarily encompasses" the right to create copies of the work, which "presupposes that such copies might be 'perceived' from a computer terminal."

Second, Judge Sotomayor rejected the writers' argument that certain examples of permissible revisions mentioned in the legislative history indicated a Congressional intent to limit revisions to the same media. The court determined that such an argument was inconsistent with the fact that the Copyright Act "was plainly crafted with the goal of media neutrality in mind." According to the court, in the absence of an explicit limitation, "it is to be presumed that the terms of the 1976 Act encompass all variety of developing technology." 9

Third, the court rejected the writers' argument that the "plain meaning" of the

word "revision" presumes that the revision must be nearly identical to the original and therefore in the same medium. Both the language of the statute and its legislative history indicated an intent to give publishers "significant leeway" to create "any revision of their collective works"--including major revisions.

_Revising Collective Works _

Judge Sotomayor, however, did recognize that Sec. 201(c) imposed " key limitations" upon publishers' revision rights. Publishers are only permitted to reproduce a particular article as part of a "revised version" of the collective work in which the article originally appeared.

Publishers cannot place the articles in "new anthologies" or "entirely different magazine[s] or other collective work[s]," but are instead limited to revisions of prior collective works. Therefore, the ultimate question is how one determines whether something is an acceptable revision or a new work.

Judge Sotomayor turned to copyright law interpreting "compilations" for guidance. Under _Feist Publications Inc. v. Rural Telephone Service Co._, the copyrightable expression in a compilation is the manner in which the compiler has "selected and arranged" the underlying material. 10

The court reasoned that if in revising a collective work a publisher maintains "some significant original aspect" of the original work, i.e., the original selection or arrangement, it would satisfy the requirements of Sec. 201(c).

To make such determinations, the court proposed a two-step approach:First, identify the distinguishing original characteristics of the works; and second, determine if these characteristics are preserved.

The court noted, however, that it did not "declare a fixed rule by which a revision of a particular collective work is created any time an original selection or arrangement is preserved in a subsequent creation," and that "[i]n certain circumstances, it is possible that the resulting work might be so different in character from 'that collective work' which preceded it that it cannot fairly be deemed a revision." 11

Applying this test, Judge Sotomayor found that one of the "defining" original aspects of the publishers' periodicals was the selection of the articles included in the magazines. According to the court, "The New York Times perhaps even represents the paradigm, the epitome of a publication in which selection alone reflects sufficient originality to merit copyright protection," 12 as deciding what news is "fit to print" is a highly subjective process.

The court found that the electronic publications maintained sufficient original aspects of the originals to qualify as revisions and not to constitute a new infringing work, as they preserved the publishers' original selection. While the writers argued that the "immersion" of the component articles in a larger data base destroyed the original collective works, the court found that the copyrightable selection was preserved by references to the original version. The electronic versions of the

publications were thus "substantially similar," as a matter of law, to the original versions such that the electronic publishers would have been liable to the print publishers for infringemen t but for their licenses to distribute the works electronically.

_Windfall for Publishers _

Judge Sotomayor concluded by rejecting the writers' claims that an unfavorable decision would have a draconian effect on authors' rights, noting that Sec. 201(c) prevents many activities of publishers that would involve the exploitation of individual articles, such as selling an individual article for print in another magazine or reworking a featured article into a full-length book.

The court recognized, however, that the holding deprives writers of certain economic benefits and that Congress may not have intended the publishers' windfall permitted by the court's ruling. It noted that, if so, the result is unintended "only because Congress could not have fully anticipated the ways in which modern technology would create such lucrative markets for revisions; it is not because Congress intended for the revision right to apply any less broadly than the Court applies it today." 13

Congress is free to revise Sec. 201(c), but unless and until that happens, Judge Sotomayor stated that it is not the province of the courts to take these unanticipated circumstances into account or to speculate as to what Congress might have done were it to consider such circumstances.

Judge Sotomayor's decision may not be the last word in _Tasini_ or on the subject of electronic publishing rights. Publishers and freelance writers' groups predict that the _Tasini_ ruling will not end their conflict because of post-filing developments, likely appeals and questions about the scope of the ruling. 14

_Tasini _is symptomatic of the larger, recurring question: How should the law deal with unforeseen technological innovations that later have immense practical and monetary value? Plaintiffs already have moved for reconsideration or reargument.

In the event the motion is denied, followers of the case believe an appeal to the 2d U.S. Circuit Court of Appeals is likely. Also, while other district courts are not bound to follow Judge Sotomayor's ruling, the thoroughness of the opinion and the detailed record before the court make it highly persuasive.

One thing is certain, however, _Tasini _is another example of the flexible nature of the Copyright Act and how it can be applied to new technologies not contemplated at the time it was enacted.

(1) 93 Civ. 8678 (SS), 1997 U.S. Dist. Lexis 11988 (S.D.N.Y. Aug. 13, 1997).

(2) 17 U.S.C. 1, et seq.

(3) See, e.g., Sony Corp. of Am. v. Universal City Studios Inc., 464 U2ES.

417, 429, reh'g denied, 465 U.S. 1112 (1984).

(4) 1997 U.S. Dist. Lexis 11988, at *17.

(5) See Rey v. Lafferty, 990 F.2d 1379, 1387-90 (1st Cir. 1993).

(6) See Rooney v. Columbia Pictures Indus Inc., 538 F. Supp. 211 (S.D.N.Y.), aff'd, 714 F.2d 117 (2d Cir. 1982), cert. denied, 460 U.S. 1084 (1983)2E

(7) See John B. Kennedy and Shoshana R. Dweck, "Publishers, Authors Battle Over Electronic Rights," NLJ, Oct. 28, 1996, at C17.

(8) 1997 U.S. Dist. Lexis 11988, at *24.

(9) Id., at *45.

(10) 499 U.S. 340, 349 (1991).

(11) 1997 U.S. Dist. Lexis 11988, at *71.

(12) Id., at *63.

(13) Id., at *75-76.

(14) Steve Lohr, "Freelancers Lose Test Case On Electronic Publishing," N.Y. Times, Aug. 14, 1997,at D18. _Ms. Cendali is a partner and Mr. Reyes is an associate in the New York office of O'Melveny & Myers L.L.P. Ms. Cendali is also the co-chair of the Intellectual Properties Committee of the Litigation Section of the American Bar Association._ _

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