

Understanding *Tasini*: the Litigation and its Impact on New Media Licensing

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Introduction

In September 1999, the U.S. Court of Appeals for the Second Circuit handed down a decision of striking import to both traditional and new media publishers alike.¹ In deciding that the limited license to include copyrightable contributions in collective works which freelance writers generally grant publishers in conjunction with their submissions *does not* authorize the works' subsequent inclusion in an electronic archive which permits access to the individual works, the decision clashed with the assumptions and practices of publishers to date and rendered thousands of existing archives potentially infringing. While the practical, forward-looking impact of *Tasini* may ultimately prove somewhat less dramatic as publishers merely contract around the issue in future agreements, the immediate repercussions of the decision may have a devastating effect on existing electronic databases. Moreover, the underlying issues raised by the case may have broader implications as we evolve to a "on-line" society in the digital age. A complete and thorough understanding of *Tasini* is therefore essential for practitioners and media observers alike.

Pre-*Tasini* Assumptions Regarding Freelance Contributors.

A. Freelance Writers Generally Own the Copyright in the Works They Submit for Publication.

1. Initial ownership of the copyright in an article in a collective work often will turn on the writer's employment status. Whether the copyright vests initially in the writer or the publishing entity will depend on which entity is deemed the author: the writer or the publication the work was created done for. Under the Copyright Act of 1976, effective for works created on or after January 1, 1978 (unless the works are created under agreements before that date):

- a. "Copyright . . . vests initially in the author or authors of the work."
17 U.S.C. § 201(a).

Eric German, an associate at Proskauer, provided substantial assistance on this outline.

The opinion originally appeared at 192 F.3d 356 (2d Cir. 1999), but was subsequently withdrawn from the bound volume pending revision. The text of the Second Circuit's original opinion can now be found at 1999 WL 753966 (2d Cir.). On February 25, 2000, the court issued a amended opinion, which is not yet available on the legal databases, but is on the internet at <http://www.law.pace.edu/lawlib/legal/us-legal/judiciary/second-circuit/test3/97-9181.opn.html>.

- b. "In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author." *Id.* at § 201(b).
 - c. "A 'work made for hire' is-- (1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work as a sound recording, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." *Id.* at § 101.
 - d. "A 'collective work' is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole." *Id.* "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." *Id.* at § 201(c).
2. Thus, if the writer of the work at issue is employed as a writer by the publication at the time the article was written, the article qualifies as a work for hire and ownership vests initially in the publication. *Id.* at § 101, § 201(b); see also *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989) (distinguishing employees from independent contractors).
 3. Moreover, if the writer was not an employee, but the work was "specially ordered or commissioned" as part of a collective work, and "the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire," ownership will again vest initially in the publication. *Id.* at § 101.
 4. However, if the work was written by a "freelancer" or independent contractor and was not "specially ordered or commissioned," it is not a work for hire and the copyright ownership vests initially in the writer who is the statutory author of the work.
 5. Works created under the pre-1976 Act are subject to a different analysis, not addressed here.

B. Pre-Tasini Licensing and Publisher Assumptions

1. Prior to the *Tasini* litigation, many publishers accepted freelance submissions pursuant to verbal agreements reached between the newspapers and the writers. In essence, the paper and the writer would agree on a topic, a length, a deadline for submission and a fee. See *Tasini v. The New York Times Co.*, 972 F.Supp. 804, 807 (S.D.N.Y. 1997) (discussing the practice of the New York Times), *reversed*, 1999 WL 753966 (1999), *withdrawn*, 52 U.S.P.Q.2d 1186, *amended decision at* <<http://www.law.pace.edu/lawlib/legal/us-legal/judiciary/second-circuit/test3/97-9181.opn.html>>.
2. Other publishers entered into similar verbal agreements, yet attempted to memorialize these understandings in a memo endorsement on the checks with which they paid the writers, making payment of the check conditioned on the assignment of "first-time publication rights . . . and the right to include such material in electronic library archives" 972 F.Supp. at 807 (describing Newsday's practice).
3. Still other publications required more formalized, written agreements calling for an assignment of "first publication rights." *Id.* (Sports Illustrated).
4. When publishers began including these materials in electronic databases in the early 1980s, many assumed that the inclusion constituted a mere "revision," and was therefore authorized under 17 U.S.C. § 201(c) as an extension of the original license.
 - a. The publisher's copyrightable interest in a collective work encompasses only those elements of the arrangement and selection process contributed by the publisher. 17 U.S.C. § 103(b).
 - b. "In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of *that particular collective work, any revision of that collective work, and any later collective work in the same series.*" 17 U.S.C. § 201(c) (emphasis added).
 - c. Thus, many publishers believed they could rely on the presumption created by § 201, that licensing of the entire publication for inclusion in an electronic database fell within the scope of the license granted to the publisher by the author in the first instance.

III. Tasini v. New York Times

A. The Parties and the Claims.

1. The plaintiffs were "six freelance writers who have sold articles for publication in a variety of popular newspapers and magazines." 972 F.Supp. at 806.
 - a. "All of the plaintiffs wrote their articles on a freelance basis, and not as employees of the defendant publishers." *Id.*
 - b. Almost all of the works at issue were licensed without any written agreement. *See* Part II(B)(1), *infra*. Several were subject to certain language included on the checks themselves. *See* Part II(B)(2), *infra*. While one work was subject to a written agreement, *see* Part II(B)(3), *infra*, no express agreement was made in any written instrument that any of the works be deemed works made for hire.
2. The defendants included three major publishing entities in which the plaintiffs' works had appeared: The New York Times, Newsday, and Sports Illustrated (Time, Inc.). The remaining defendants (University Microfilms, Inc. or UMI Co., and The MEAD Corp. (LEXIS/NEXIS)) licensed the contents of the defendant publishers' periodicals for inclusion in electronic database services.
 - a. "Beginning in the early 1980s, the defendant publishers entered into a series of agreements pursuant to which they sold the contents of their periodicals to the electronic defendants. NEXIS has carried the articles appearing in Sports Illustrated since 1982, The New York Times since 1983, and Newsday since 1988. UMI has distributed 'The New York Times OnDisc' since 1992, and The New York Times Magazine and Book Review have been available on the image-based CD-ROM since 1990." 972 F.Supp. at 807-08 (citations omitted).
 - b. On two of the three electronic databases at issue in the case, articles are individually and directly accessible. NEXIS and one of the two UMI discs do not "use the electronic files to create 'mechanicals' or to emulate the physical lay out of each periodical issue: such things as photographs, advertisements, and the column format of the newspapers are lost." *Id.* at 808. The other UMI disc digitally scans in each edition of the Sunday Book Review and they appear precisely as they do in print form. *Id.* at 808-09. Articles on this disc are not individually retrievable. *Id.* at 809.

3. The case called for a determination of "whether publishers are entitled to place the contents of their periodicals into electronic data bases and onto CD-ROMs without first securing the permission of the freelance writers whose contributions are included in those periodicals." *Id.* at 806.
 - a. The plaintiffs maintained that "the publisher defendants have exceeded their narrow 'privileges' under this provision by selling plaintiffs' articles for reproduction by the electronic defendants. In particular, plaintiffs complain that the disputed technologies do not revise the publisher defendants' collective works, but instead exploit plaintiffs' individual articles." *Id.* at 809.
 - b. Plaintiffs sought "to hold [the remaining] defendants contributorily liable only to the extent that defendants have cooperated with one another in creating these allegedly infringing works. Plaintiffs do not advance the distinct claim that defendants are contributorily liable for potential copyright infringement by users of the disputed electronic services." *Id.* at 809, n.3.
4. The publisher defendants argued that their licensing of the works for inclusion in the electronic databases was authorized by the initial license from the authors under the presumption created in § 201(c). Defendants Time and Newsday also argued that they are not limited to the privileges set forth in § 201(c) because the plaintiffs "expressly transferred the electronic rights in their articles." *Id.* at 809.
 - a. The publisher defendants argued that the works' inclusion in the databases was covered as a "revision" or "later collective work in the same series" under § 201(c).
 - b. The database defendants argued that they were not contributorily liable because there was no infringement. Moreover, they argued that because substantial non-infringing uses of their database services existed, contributory liability would not lie. *See Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984).

B. The District Court Rules in Favor of the Publishers

1. On August 13, 1997, Judge Sotomayor of the U.S. District Court for the Southern District of New York issued an opinion (972 F.Supp. 804), granting summary judgment in favor of the defendants.
2. The court initially rejected Newsday's and Time's express transfer arguments.

- a. As to Newsday, the court concluded that "the record reveals no basis for concluding that Newsday's purported 'understanding' was shared by plaintiffs, all of whom deny that they ever intended to authorize the use of their articles on-line. Thus, Newsday cannot now rely upon its check legends to give retroactive effect to supposed unspoken agreements concerning electronic rights in plaintiffs' articles." 972 F.Supp. at 811.
- b. As to Time (Sports Illustrated), the court concluded that the agreements grant of the right to publish the work first "cannot reasonably be stretched into the right to be the first to publish an article in any and all media." *Id.* at 812.
3. The court then concluded that "to the extent that the electronic reproductions qualify as revisions under Section 201(c), the defendant publishers were entitled to authorize the electronic defendants to create those revisions," rejecting the plaintiffs' argument that even if the databases were revisions under § 201(c), the revision "privilege" was not transferrable. *Id.* at 816.
4. Finally, the court concluded that because "NEXIS and UMI's CD-ROMs carry recognizable versions of the publisher defendants' newspapers and magazines," "[f]or the purposes of Section 201(c), then, defendants have succeeded at creating 'any revision[s]' of those collective works." *Id.* at 824. It therefore granted summary judgment in favor of the defendants. *Id.* at 827.

C. The Second Circuit Reverses

1. On September 24, 1999, a U.S. Court of Appeals for the Second Circuit panel consisting of Chief Judge Winter, Judge Miner and Judge Pooler reversed the grant of summary judgment by the lower court and remanded the case with instructions to enter judgment in favor of the plaintiffs. 1999 WL 753966 (2d Cir.), *withdrawn*, 52 U.S.P.Q.2d 1186.
2. On appeal, the authors advanced two principal arguments:
 - a. The revision privilege of § 201(c) is non-transferrable; and
 - b. Nevertheless, the inclusion of the works in an electronic database does not qualify as a revision as contemplated by § 201(c).
3. The Second Circuit did not initially address the transferability of the revision privilege, in light of its holding.

4. However, the Court reversed the lower court's determination that the uses of the works at issue qualified as revisions under § 201(c).

a. Citing canons of statutory construction and examining portions of the relevant legislative history, the Court held that because the databases do "almost nothing to preserve the copyrightable aspects of the Publishers' collective works, 'as distinguished from the preexisting material employed in the work,'" "what the end user can easily access . . . are the preexisting materials that belong to the individual author under Sections 201(c) and 103(b)." 1999 WL 753966 at *7.

5. The court therefore reversed the grant of summary judgment in favor of the defendants and remanded the case with instructions to the lower court to enter judgment in favor of the plaintiffs. *Id.* at *10.

D. The Petition for Rehearing and Suggestion for Rehearing En Banc

1. In October 1999, a petition for rehearing was timely filed with a suggestion that the Court take the case *en banc* (see attached). The petition argued that the panel opinion "contains three fundamental errors of copyright law that have consequences far beyond this case" (Petitioner's Brief at 1):

- a. By focusing on the copyrightable elements of the publishers' collective works which were not included in the electronic databases, the opinion requires digital storage devices to retain the same selection *and* arrangement as a print copy, rather than allowing merely the same selection *or* arrangement to suffice;
- b. By focusing on the end user's ability to access the works directly and individually, it imposes direct infringement liability based on the unknowable acts of third parties in direct conflict with Supreme Court precedent; and
- c. It imposes liability as a "new anthology" each time multiple works are included in one computerized collection of data, even the "contents of a laptop's hard drive."

2. The Newspaper Association of America and the Magazine Publishers of America, Inc., and several of each organization's members, filed an *amicus* brief detailing the extraordinarily harmful effect the panel's opinion would have on the historical record if not reversed.

3. As of March 13, 2000, the petition for rehearing and suggestion for rehearing *en banc* are still pending.
4. The panel did, however, on February 25, 2000, issue an amended opinion, making the opinion even more adverse (slightly) to publishers than it had previously been.
 - a. It repeatedly changed the word "privilege," as used to refer to § 201(c), to "presumption," thus indicating that the section creates only a presumption, or a "presumptive privilege," not a true "privilege."
 - b. It added language to indicate that the § 201(c) presumption is not assignable, calling it a "non-assignable, non-exclusive privilege to use the article as identified in the statute."

IV. The Practical Impact of the *Tasini* Decision: Where Do We Go From Here?

- A. Under *Tasini*, publishers now must obtain express contractual consent to use freelance works not qualifying as work for hire in electronic databases. Existing databases containing unlicensed freelance works are infringing.
- B. What should publishers and on-line database providers do?
 1. Going forward, publishers should obtain express, written permission from freelance writers to include the articles in individually accessible electronic databases, including the Internet. Many publishers have been doing so since the *Tasini* case was filed.
 2. As to existing databases, the second Circuit's opinion, as amended, raises the possibility that the inclusion of articles written by freelance writers on a non-work for hire basis in on-line databases without express, written authorization will be deemed infringing. The Newspaper Association of America and Magazine Publishers of America's *amicus* brief raises that possibility that publishers may well be forced to withdraw these articles from services such as LEXIS-NEXIS. Most publishers are adopting a "wait and see" approach, watching for the results of the petition for rehearing and suggestion for rehearing *en banc*, before taking any significant action with respect to existing databases.
 - a. Should the petition for rehearing be denied, publishers have, essentially, three options with respect to past editions already placed into archived databases:
 - (1) removal of the articles from archived databases;

- (2) location of the authors in an attempt to secure the necessary license; or
- (3) accepting the risk on the basis that infringement liability, if any, may ultimately prove relatively insubstantial.

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