Illustration: Rafael Ricoy

Like protagonists in a complex plotline worthy of a dense novel,

R. Bruce Rich L'73 and Michael J. Boni L'88 are

# THE NEW DIGITAL DIVIDE

helping to shape the future of publishing.

They don't agree on much, other than leaving copyright laws intact.

# Two Leading IP Lawyers Take Opposing Sides in the Battle Over e-Book Rights

BY MARK EYERLY

Amazon sells more e-books for Kindle than it does hardbacks, Barnes & Noble is for sale, and someone suggested on Twitter that newspapers rename their local obituary pages "subscriber countdown." And a federal judge is, as of this writing, reviewing a proposed settlement allowing Google to make more than 10 million books available online, including works for which it holds no license.

All of which leads former U.S. Solicitor General Seth Waxman to say of intellectual property law: "I don't think there is any body of law that is more consequential to our national fortunes. It seems to me that precious little is competitively produced in the United States other than intellectual property," he told a Penn Law audience in February during his Segal Lecture. "It's moments like this when advocates who think strategically have an opportunity to shape the law at its core."

Two of those advocates — R. Bruce Rich L'73 and Michael J. Boni L'88 — today find themselves at the very center of legal activity moving the reading world from print to digital, including Boni's representation of the plaintiffs in *Authors Guild v. Google*, Rich's representation of the plaintiffs in *Barclays Capital v. Theflyonthewall*, and their roles as opposing counsel in *Random House* (Rich) *v. Rosetta Books* (Boni).

Both learned the intricacies of copyright in a course taught by Penn Law Professor Bob Gorman. Rich, who "developed the bug" for IP in Gorman's course, is litigation partner at Weil Gotshal in New York and has become one of America's leading IP lawyers. The other, Boni, co-founder of the firm Boni & Zack in Bala Cynwyd, Pa., spent more than a decade as an anti-trust lawyer until a Penn Law classmate (Robin Davis Miller L'88) made an introduction to the Authors Guild, which led to his very first copyright case, where he represented freelance authors. While neither could speak in too much detail about active cases, both were willing to discuss their assessments of the impact of electronic publishing.

Rich, who helped create the nation's pre-eminent music licensing practice and whose clients have included Walt Disney Co., McGraw-Hill Companies and the Association of American Publishers, is a veteran of the digital-era copyright wars. Music fans will remember the industry's repeated lawsuits against Web sites (think Napster) that shared digital music files for free. The music industry flourished online primarily after broadening its focus beyond preventing downloads to saying, in effect, "we welcome the easy access of the digital world, provided customers pay the fee" (think 99-cent downloads for single songs).

Music's experience holds two lessons for authors, book publishers and newspapers, Rich says. First, using IP law to steer the digital economy is inadvisable and can even be misguided. It is one thing to enforce existing rights; it is another to use copyright in an attempt to perpetuate outdated business models or thwart innovative new ones. Second, existing copyright law is generally flexible enough to adapt to most applications brought about by new media. The impulse to run to Congress to "fix" unresolved issues invites patchwork solutions that often are the product of backroom bargaining among the interested parties as opposed to considered policy-making.

"Rights owners should experiment with new markets," Rich says. "Concerns over initially underselling the value of digital rights — which results in the withholding of licenses or demanding exorbitant license fees — can thwart innovation and contract the very markets that content owners should want to see develop. There's time enough to come back and revisit fair market value."

One common law rule that Rich has advocated in a current lawsuit has clear application in the online world – the generally unpopular "hot news" misappropriation doctrine that originated in the 1918 Supreme Court ruling in *International News Service v. Associated Press*. [See accompanying story.] In that case, the court found a quasi-property right in time-sensitive news coverage, holding that AP's competitor, INS, could not systematically distribute AP's breaking news for the

period of time in which reporting the information had significant commercial value.

In early August, Rich argued before the U.S. Court of Appeals for the Second Circuit in *Barclays Capital v. Theflyonthewall* that a similar standard should apply to aggregator Web stites that systematically collect and instantaneously post the most actionable buy-sell recommendations extracted from brokerage firms' proprietary research.

"There's always a powerful impulse to saying information yearns to be free, that in a world of instantaneous communications it's socially undesirable to put a lock on information," Rich acknowledges. "If you say that fast enough, it sounds good. But in the real world there can be a countervailing social interest. If somebody can simply come along at little or no cost to himself and republish information generated at great cost by a competitor, so that it reaches the same intended audience nearly at the same time, then where is the economic incentive to generate the information in the first place?"

The most ballyhooed case in the burgeoning digital world — *Authors Guild v. Google* — is "one of the greatest, most beneficial class actions of which I am aware" according to Boni, who represents the Authors Guild in the case.

"I never dreamed of cozying up to the literary world," and "would not trade my practice for anyone's," says Boni. The Google case originated as a narrowly defined fair use dispute regarding Google's plan to electronically scan millions of books, index them online, and provide snippets of the books as part of search results — all without permission of copyright hold-

R. Bruce Rich L'73 (left) and Michael J. Boni L'88: excellent adversaries in the fight over electronic books and copyright.

ers. The case's evolution into a class action settlement on behalf of all copyright holders that would lead to widescale selling of digitized books has led to "a staggeringly beautiful settlement for the class and for society," Boni argues. "Technology and markets are pushing the outer boundaries of IP law, and this kind of settlement is necessary to protect rightsholders' interests in the digital age."

In overly simplistic terms, the settlement would give Google a non-exclusive right to digitize and sell out-of-print books under copyright, as long as the copyright holder does not object, and a non-exclusive right to sell in-print books if both the author and publisher expressly permit Google to do so; rights holders would receive 63 percent of Google's revenue from the sale. Critics of the settlement object to forcing copyright holders of out-of-print books to actively assert their rights instead of requiring Google to first seek permission before displaying those books. But for Boni, "Copyright exists to encourage creative works not solely for the benefit of the creator, but also for the public good." The proposed settlement will make the aggregated holdings of top libraries, especially their out-of-print titles, available to the poor or those living in rural areas, people who otherwise would not have access to those works, he says. If approved, the Google settlement will make "the largest library of books ever assembled available for free to every person in the U.S," he adds.

The criticism that rights holders of "orphan works" — out-of-print books still under copyright for which the authors cannot be found — are being cheated by the settlement is a myth, Boni says. Unlike photographs in books that do not identify the photographer, there is substantial identifying information about the author and publisher of out-of-print books. Authors' licensing and collecting societies have enjoyed success rates of 85 percent to 95 percent finding authors of out-of-print books to pay them photocopy royalties. Boni also points to the $9 million spent to give notice of the settlement and the more than 600,000 out-of-print books for which ownership already has been claimed since the settlement was announced, which is twice the number of books available on a Kindle. The settlement also calls for establishment of a Book Rights Registry that would collect revenue from Google and locate the rights holders entitled to that money. From Boni's perspective, the Google settlement *creates* a new market for out-of-print works. "Authors write books for one or both of two reasons: for others to read their works, and to get paid," Boni says. "This settlement has breathed new commercial life in and a new audience for out-of-print books."

It was nearly a decade ago — well before e-readers had created a sustainable market for themselves — when Boni and Rich found themselves on opposite sides of the case that would become a precursor for the major copyright disputes originating from the development of digital books. A new internet company, Rosetta Books (represented by Boni), went directly to authors such as Kurt Vonnegut Jr. and William Styron to acquire from them the e-book rights to their books that had been published under the Random House imprint. Random House (represented by Rich) claimed that it owned the rights to the books regardless of whether they were published in print or digital form.

(Boni calls Rich "an excellent adversary. I have the highest respect for his legal acumen." Rich returns the compliment: "Mike is a tenacious, clever and resourceful lawyer who was, at the same time, a gracious adversary.")

The courts twice rejected Random House's argument at the preliminary injunction stage (the Second Circuit explicitly refrained from expressing a view as to the ultimate merits of the dispute) and the two companies settled in a manner that left unresolved whether e-book publishers are *required* to seek a license from print publishers before securing e-rights

"Rights owners should experiment with new markets," says R. Bruce Rich. "Concerns over initially underselling the value of digital rights — which results in the withholding of licenses or demanding exorbitant license fees — can thwart innovation and contract the very markets that content owners should want to see develop."

from authors. At least in one instance that question has been resolved — or short-circuited, if you will. Over the summer literary agent Andrew Wylie announced that he had reached an exclusive agreement with Amazon to publish Kindle versions of older, in-print books by authors he represents, including Philip Roth, Ralph Ellison and Norman Mailer, without seeking a license from their print publishers. In late August, Random House said it now owned the rights to the e-books under a financial agreement with Wylie.

Still, the critical question — exactly what is a book? — remains unresolved and is about to become even more complicated. For example, the bestselling print book Nixonland has been re-issued as an "*enhanced* e-book," incorporating video segments from CBS News to take full advantage of features offered by a range of digital devices, including the iPad.

So far, little has been resolved about how intellectual property law can and should address and accommodate the ease of access, duplication and distribution that the digital world makes possible. As long ago as 2003, a *Columbia Law Review* essay by Penn Law Professor R. Polk Wagner titled "Information Wants to be Free: Intellectual Property and the Mythologies of Control" argued for more stringent copyright protection for the emerging digital era. "Even perfectly controlled works nonetheless transfer significant information into the public domain," Wagner wrote. "Additional control is likely to stimulate additional works — and thus grow the public domain, even assuming no access to the protected work itself." But in a paper titled "From Beyond Fair Use" to be published next year by *Cornell Law Review*, Penn Law Professor Gideon Parchomovsky argues that the digital age requires a new approach to intellectual property that would require copyright owners to increase reader access and provide broader opportunities for others to re-use their works. And Christopher S. Yoo, Penn Law professor and director of the Center for Technology, Innovation, and Competition, notes that some are concerned that developments such as the Google settlement could represent an end-run around the democratic process, given that Congress has several times failed to act on legislation regarding digital access to printed books still under copyright.

Boni says that he does not "subscribe to the view that our copyright laws have been or will soon be antiquated by advances in digital technology," a point about which he generally agrees with fellow Penn Law graduate Rich. "The markets are responding quite well to such advances. TV networks are licensing content to Hulu and YouTube, the movie industry is licensing movies for 'on demand' viewing, and although it took longer than it ever should, the music industry is slowly gaining ground by selling songs through iTunes, Pandora and Rhapsody.

"I'm not sure the question is 'What does copyright look like five years from now in the digital age?' so much as it is this: 'How, under the strictures of the present copyright laws, will content providers' businesses adapt in light of the ever increasing consumption of content via digital media?" Boni says, adding: "The explosion of digital consumption of content has implications not only for the copyright laws but also the antitrust laws." In fact, Connecticut is investigating possible anti-competitive practices in the online pricing of e-books.

"Technology and markets are pushing the outer boundaries of IP law, and this kind of settlement is necessary to protect rightsholders' interests in the digital age," argues Boni.

Rich, who is "acclimating to a Kindle for some reading," says that "the legal grays are likely to remain for some period of time as technology, business platforms and the law evolve. Having practiced copyright law for more than 30 years, I don't think we should hold our breath for the day when a crystalline portrait of the law in this area emerges."

This means, Rich concludes, "The most fun — at least from an IP lawyer's perspective — still lies ahead. Every day seems to bring a new issue, and challenge, to be resolved. Having the opportunity to shape the law in this area is hugely exciting. It's what keeps me and my colleagues energized." PLJ

Mark Eyerly, a former administrator at Penn Law, is executive director of communications at Drexel University's LeBow College of Business.