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FINE-TUNING *TASINI*: PRIVILEGES OF ELECTRONIC DISTRIBUTION AND REPRODUCTION*

Wendy J. Gordon[†]

INTRODUCTION

The United States Court of Appeals for the Second Circuit is arguably the soundest copyright court in the nation. In *Tasini v. New York Times*,¹ it handled a challenge brought by a group of freelance writers against publishers and database proprietors. The controversy, now pending in the United States Supreme Court, has wide importance because it will determine what entitlements attach to a publisher who purchases a privilege to include a freelancer's story in the publisher's magazine or newspaper. Essentially, the issue is whether a publisher, who has not purchased the story's copyright and has not obtained an explicit agreement regarding electronic rights, may nevertheless exploit the story electronically.

All parties in *Tasini* concede that the copyrights lay with the freelancers.² Nevertheless, the defendants put the freelancers' contributions online and into CD-ROMs and made them available for individual download by consumers—all without consulting or compensating the copyright owners.³

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[†] Professor of Law and Paul J. Liacos Scholar in Law, Boston University School of Law. I am grateful to Bob Bone, Jane Ginsburg, Val Gurvitz, Jessica Litman, Mike Meurer, and Lloyd Weinreb for discussion of this Essay. I also want to express my thanks to the many wonderful colleagues at Brooklyn Law School who made my serving as Scholar-in-Residence at Brooklyn a pleasure as well as an honor.

Please note that I am a member of the National Writer's Union, whose president is the named plaintiff in the case discussed herein. Opinions expressed in this Essay are solely my own.

¹ *Tasini v. New York Times Co.*, 206 F.3d 161 (2nd Cir. 2000), *amending* *Tasini v. New York Times Co.*, 192 F.3d 356 (1999), *cert. granted sub nom.* *New York Times Co. v. Tasini*, 121 S. Ct. 425 (Mem) (2000) [hereinafter *Tasini III*].

² *Id.* at 165.

³ *Id.* at 164-65.

The publishers defended their actions by claiming a privilege under a provision of the Copyright Act of 1976 (the "Copyright Act") that authorizes a presumptive privilege to republish "under certain limited circumstances."⁴ The Second Circuit, however, rebuffed the defendants' view. Indeed, the court agreed with the plaintiffs, holding that if print publishers want electronic rights from the freelancers with whom they deal, they must obtain those rights by specific agreements.⁵

In the course of a generally sound decision, however, the court glossed over some matters of statutory application, and it may have been a bit overly generous to the plaintiffs. It is worth setting these details right lest they obscure the straightforward slam-dunk at the core of the plaintiffs' case. Thus, this Essay's key point is statutory: Regardless of whether the making of a digital collection infringes a freelancer's right of *reproduction*, the publisher and his database licensee clearly infringe the right of *distribution* when they make the article available for individual downloads. In addition, this Essay addresses some of the ethical and economic aspects of the controversy over electronic rights.

Specifically, Part I summarizes *Tasini* and analyzes key sections of the Second Circuit and district court opinions. Part II examines three aspects of the statutory provision under which the publishers seek shelter: (1) the limited privilege to "reproduce"⁶ the freelance contribution; (2) the separate and equally limited privilege to "distribute" the contribution⁷; and (3) the statutory requirement that both privileges only apply to a freelance contribution that is reproduced or distributed "as

⁴ H.R. REP. NO. 94-1476, at 122 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, available at 1976 WL 14045. The provision at issue is the second sentence of 17 U.S.C. § 201(c):

(c) Contributions 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. 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) (2000) (emphasis added).

⁵ *Tasini II*, 206 F.3d at 171.

⁶ *Id.*

⁷ *Id.*

part of" a larger whole.⁸ Part III briefly discusses the alienability of the privileges.⁹ Finally, Part IV examines some of the ethical and economic implications of the *Tasini* decision.

Regarding the freelancers' rights of reproduction¹⁰ and the corresponding publishers' privilege, this Essay suggests that the Second Circuit correctly held that the NEXIS database, and a similarly constructed CD-ROM, embodied infringing reproductions.¹¹ These computer versions did not attempt to replicate or revise entire print issues; accordingly, they could not constitute, under the applicable statutory presumptive privilege, a later edition or "revision of that collective work."¹² Therefore, they exceeded the privilege. Nevertheless, this Essay concedes that the court may have been overbroad in holding that all the computer texts were infringing reproductions.¹³ Conceivably, there was no violation of the reproduction right in those few instances where a defendant's website or CD-ROM reproduced the exact format and full content of their magazine or newspaper as a unified whole.

Even if a particular digital product can be considered a privileged "revision" and therefore lawfully made—and this Essay expresses no opinion about whether exact full-format digital reproductions fall within the statutory privilege—infringement can still occur because freelancers have not only a reproduction right, but also an exclusive right of distribution.¹⁴ This Essay points out that regardless of whether including an article in an online database or CD-ROM infringes the copyright owner's right of reproduction, a publisher exceeds his privilege of *distribution* when he allows individual articles to be downloaded because making an individual article available for download is not distributing it as "part of" the whole. Thus, such an act exceeds the applicable privilege. Furthermore, it is not redeemed by the possibility that a person at home who is

⁸ *Id.*

⁹ *Id.*

¹⁰ 17 U.S.C. § 106(1) (2000) (granting the exclusive right of reproduction to copyright owners).

¹¹ *Tasini II*, 206 F.3d at 168-69.

¹² 17 U.S.C. § 201(c) (2000).

¹³ *Tasini II*, 206 F.3d at 170.

¹⁴ 17 U.S.C. § 106(3) (granting the exclusive right of distribution to copyright owners).

receiving the download may be shielded by the fair use doctrine.¹⁵ Regardless of whether a home user is making an infringing reproduction, the act of distribution is separately cognizable.

I. THE *TASINI* DECISION: BACKGROUND

Jonathan Tasini is the president of the National Writers' Union. He and several other freelance writers brought suit against their publishers and several proprietors of electronic databases, most notably Mead Data, the owner of LEXIS-NEXIS. The complaint alleged that the publishers infringed the freelancers' copyright when they published the freelancers' articles electronically or licensed the database proprietors to distribute their articles, in both instances without obtaining the freelancers' permission or paying them anything beyond what was initially paid to publish the article.¹⁶

The legal background is straightforward. The Constitution empowers Congress to give authors exclusive rights in their writings for limited times.¹⁷ Therefore, Congress promulgated the Copyright Act,¹⁸ which secures federal copyrights to everyone who writes, records music, takes photographs, or otherwise

¹⁵ The fair use doctrine privileges behavior that might otherwise be infringing. It finds statutory recognition in 17 U.S.C. § 107. That Section provides:

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include-

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

17 U.S.C. § 107.

¹⁶ *Tasini II*, 206 F.3d at 163.

¹⁷ U.S. CONST., art. I § 8 cl. 8.

¹⁸ 17 U.S.C. §§ 101 *et seq.*

fixes a work of creative authorship "in any tangible medium of expression."¹⁹ Initial copyright ownership inheres in the creative persons themselves,²⁰ unless they produce the items as "works for hire."²¹ Moreover, copyrights are not lost when an author or artist sells an individual copy—even if that copy is the original and only fixation of the work.²² A copyright owner can assign her copyright only if such assignment is in writing and signed by the copyright owner or her agent.²³

Thus, under the Copyright Act, a company that publishes a magazine or newspaper owns the copyrights only of three classes of writers: company employees,²⁴ non-employees who assign a copyright interest to the publisher and execute a writing memorializing the assignment,²⁵ and non-employees who have composed something for the publisher "on commission" and who sign a work for hire agreement.²⁶ Without a written agreement or an employer-employee relationship, the publisher can obtain only a non-exclusive license to publish.

In everyday terms, a non-exclusive license to publish a work is "permission" to publish.²⁷ A layperson might even call

¹⁹ *Id.* § 102.

²⁰ 17 U.S.C. § 201(a) (2000).

²¹ "In the case of a work made for hire, the employer . . . is considered the author." *Id.* § 201(b); see also 17 U.S.C. § 101 (defining "work made for hire").

²² 17 U.S.C. § 202 (2000).

²³ *Id.* § 204(a).

²⁴ *Id.* § 201(b). "A work made for hire is (1) a work prepared by an employee within the scope of his or her employment . . ." 17 U.S.C. § 101 (defining "work made for hire").

²⁵ A contractual transfer of copyright is valid only if it "is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent." 17 U.S.C. § 204(a). A non-exclusive license is not a "transfer of copyright ownership," see 17 U.S.C. § 101, and therefore, it does not have to be in writing. See *Pinkham v. Sara Lee Corp.*, 983 F.2d 824, 831 (8th Cir. 1992).

²⁶ "[A] work specially ordered or commissioned for use as a contribution to a collective work" can be a work for hire "if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." 17 U.S.C. § 101(2) (defining "work made for hire").

²⁷ This common-sense point was obscured in *Tasini* by the court's comment that "each Author owns the copyright in an individual work and . . . has neither licensed nor otherwise transferred any rights under it to a Publisher or electronic database. These works were published with the Authors' consent, however, in particular editions of the periodicals owned by the Publishers." *Tasini II*, 206 F.3d 161, 165 (2d Cir. 2000) (emphasis added). The sentences could not mean what they literally say because if there is "consent," there is, by definition, a "license"—ordinarily a non-exclusive one. Probably, in penning this sentence, the court had in mind only "exclusive licenses."

it a "right" to publish. For example, a guest in a private home might say to a stranger contesting her presence, "I have a right to be here," which means, "I have permission to be here." However, in the Hohfeldian terms that lawyers use when they wish to be precise, a non-exclusive license is a "privilege,"²⁸ generated by the copyright owner's partial waiver of her right to exclude. Unlike a transfer of copyright, non-exclusive licenses are not required to be in writing. Instead, they can flow from conversations and overall dealings between the parties or by operation of law.²⁹

Ordinarily, non-exclusive licenses, or "privileges," can be subdivided as finely as rights and their assignment.³⁰ There-

²⁸ See generally Wesley Newcomb Hohfeld, *Fundamental Legal Conceptions as Applied in Judicial Reasoning*, 26 YALE L.J. 710 (1917); Wesley Newcomb Hohfeld, *Some Fundamental Legal Conceptions as Applied in Judicial Reasoning*, 23 YALE L.J. 16 (1913); see also WESLEY NEWCOMB HOHFELD, *FUNDAMENTAL LEGAL CONCEPTIONS AS APPLIED IN JUDICIAL REASONING, AND OTHER LEGAL ESSAYS* (W. Cook ed. 1923).

A Hohfeldian "right" involves the ability to call upon the government to act. HOHFELD, *supra*, at 37. In the Hohfeldian scheme, for every "right" there is a corresponding "duty." HOHFELD, *supra*, at 38. It is this right/duty pairing that the right-holder can call upon the government to enforce. Someone who has non-exclusive permission to use a resource owned by another is freed from his or her ordinary duty to refrain from using the item. However, the person with such a non-exclusive license has no "rights" to exclude third parties from the resource because (by definition) his license is non-exclusive. Therefore, all he has is a liberty of use. Such liberty is termed a "privilege" by Hohfeld—a freedom from governmentally imposed duties. HOHFELD, *supra*, at 42.

Hohfeld calls right and duty "correlatives" of each other because if one person has a right, some other person must, logically, possess a duty. HOHFELD, *supra*, at 38. He calls duties and privileges "opposites" because the same person cannot simultaneously possess both a duty and a privilege regarding the same resource or action. HOHFELD, *supra*, at 39. (I am grateful to Matt Neal for that formulation.) The opposite of a right is the apt but awkwardly named "no-right"—that is, a "no-right" is the lack of power to use the state to compel behavior. In sum, the possessor of a non-exclusive license has a "privilege" to do what the license permits. The owner has "no right" to stop him (at least, he has no right to do so until the privilege is revoked) but the non-exclusive licensee has "no rights" to use the power of the state against third parties. By contrast, the possessor of an exclusive license has the ability to exclude third parties according to the terms of the license. Such a person has Hohfeldian rights as well as privileges. Logically, as well as statutorily, only the possessor of an exclusive right is in line to qualify as an owner of property. See 17 U.S.C. § 101 (defining "transfer of copyright ownership"); see also 17 U.S.C. § 201(d)(2).

²⁹ *Pinkham*, 983 F.2d at 831 ("[U]nlike an exclusive license, an authorization can be given orally or implied from conduct.").

³⁰ The principles that counsel against alienability, tend to apply with different force when rights are *waived* rather than *transferred*. In a waiver (i.e. the grant of

fore, a separate non-exclusive license can apply to each aspect of the copyright owner's many exclusive rights.³¹ Each such grant of permission can be quite valuable. In particular, someone who has the appropriate permission to use another person's work can join that work to other works in such a way that she creates a copyrightable work of her own—a "compilation." In the case of compilations, the new copyright does not attach to the individual items, of which the compilation is comprised, but rather it attaches to the selection and ordering of the items.³² A compilation of individually copyrightable articles (such as a magazine, newspaper, or encyclopedia) is called a "collective work," and a "collective work" copyright can co-exist with the individual authors' copyrights.³³ Indeed, according to the statute, "Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole"³⁴

Typically, an individual magazine will be subject to many copyrights. For example, assume that the publisher who owns the copyright in a "collective work" (e.g., a magazine) has obtained permission, but no assignments of copyright, from others. Then, side-by-side with the publisher's collective-work copyright, photographers will own the copyrights in their respective photographs, advertising agencies will own the copyrights in their respective advertisements, the publisher will own the copyright in any article written by his employees in the scope of their employment, and freelancer writers will own the copyrights in the works they have contributed. Consequently, a third party who copied the entire magazine would violate all of these copyrights, and he would be liable both to

a privilege) the right-holder does not alienate himself from the right but instead merely allows another to share in its exercise. See Wendy J. Gordon & Sam Postbrief, *On Commodifying Intangibles*, 10 YALE J.L. & HUMAN. 135, 152-54 (1998).

³¹ See 17 U.S.C. § 106 (codifying exclusive rights of copyright holders that can be subdivided and separately conveyed); see also H.R. REP. NO. 94-1476, at 123 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, available at 1976 WL 14045 (endorsing "the principle of divisibility of copyright").

³² A compilation can exist either in an assembly of items that are not themselves copyrightable (e.g. a set of statistics) or of an assembly of elements that may be individually copyrightable. 17 U.S.C. § 101 (defining "compilation"). The latter scenario is the fact pattern in *Tasini*.

³³ 17 U.S.C. § 201(c).

³⁴ *Id.*

the publisher as owner of the copyright in the "collective work" and to the owners of the copyrights in the individual articles, photographs, and ads. Thus, to lawfully reproduce the entire magazine, the third party would need the permission of *all* the copyright owners. Furthermore, although the owner of copyright in the collective work himself may have a privilege to reproduce a photograph or article for a particular purpose, he does not necessarily have any legal power to convey general privileges of reproduction to others.

Ordinarily, someone who bargains for one privilege (such as the privilege to print a freelance article in a magazine or newspaper) only receives what he has bargained for. However, sometimes bargains are unclear or expensive to specify fully, and for these and other reasons, the law may create presumptions as to their scope. Under § 201(c),³⁵ such a presumption affects the dealings between publishers and freelancers. In relevant part, § 201(c) provides:

Contributions to Collective Works 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.*³⁶

It is upon this presumptive privilege that the publishers and database providers in *Tasini* rested their defense. The defendants argued that the database collections of articles were "revisions" of the newspapers or magazines for which the plaintiff freelancers voluntarily had contributed material.³⁷ Furthermore, they argued that there was nothing in the dealings of the parties to contradict this presumption.³⁸ Therefore, since § 201(c) presumptively authorizes publishers to reproduce and distribute "revisions," the defendants claimed that they

³⁵ The Second Circuit withdrew its first *Tasini* opinion to substitute a slightly-amended version, which changed most of the references to "privilege" to "presumptive privilege." Apparently, this was to emphasize that the privilege was not a mandatory privilege and that it could be eliminated by the parties' agreement. *Tasini II*, 206 F.3d at 106.

³⁶ 17 U.S.C. § 201(c) (emphasis added).

³⁷ *Tasini v. New York Times Co.*, 972 F. Supp. 804, 809 (S.D.N.Y.), *rev'd*, 206 F.3d 161 (2d Cir. 1999), *cert. granted sub nom.* *New York Times Co. v. Tasini*, 121 S. Ct. 425 (2000) [hereinafter *Tasini I*].

³⁸ *Id.* at 810-12.

were authorized to put the freelancers' articles online and into CD-ROM form, and that they could convey this purported authorization to database publishers.³⁹

Of course, the plaintiffs disagreed. They challenged the notion that § 201(c) could be interpreted so broadly. Furthermore, they argued that whatever privilege is granted by § 201 could not be transferred.⁴⁰ Unfortunately, the statute nowhere defines a privileged "revision" under § 201(c), and it takes no explicit stand on the issue of transferability.⁴¹ Thus, it will be useful to examine § 201(c) in some depth.

II. THE PRESUMPTIVE PRIVILEGE AND ITS SCOPE

Section 201(c) is part of a complex set of statutory provisions, but its legislative history provides some assistance. To clarify the language, "*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,*" the House Report provided examples:

Under the language of this clause a publishing company could reprint a contribution from one issue in a later issue of its magazine, and could reprint an article from a 1980 edition of an encyclopedia in a 1990 revision of it; the publisher could not revise the contribution itself or include it in a new anthology or an entirely different magazine or other collective work.⁴²

Digital databases hardly seem to fall within these common-sense guidelines. Moreover, a website that enables downloading of individual articles is distributing those individual articles.⁴³ Such a use falls outside of the narrow privilege that

³⁹ *Id.* at 806.

⁴⁰ *Id.* at 815.

⁴¹ See generally 17 U.S.C. § 201.

⁴² H.R. REP. NO. 94-1476, at 122-23 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, available at 1976 WL 14045.

⁴³ The average web-surfer thinks of downloading as an act that he or she performs as the sole active party. For example, when an attorney uses NEXIS, LEXIS, or WESTLAW to retrieve an article, she probably imagines that her computer sends a message that opens a drawer of the database, whereupon the attorney's computer makes a snapshot copy of the desired contents and brings the copy home. That mental picture errs in several ways, most importantly by depicting the database and its server as passive. To the contrary, the servers actually

allows the publisher only to reprint and distribute the individual article "as part of" a larger whole. This Essay argues that the enabling of downloads resolves any doubts about the permissibility of the defendants' conduct with regard to NEXIS.⁴⁴ Before reaching that question, however, the definition of a key word in § 201(c), "revision," should be addressed.

A. *The Nature of a "Revision": Comparing the View of the Second Circuit and the District Court*

The district court had deliberately interpreted the term "revision" quite broadly,⁴⁵ and it employed a two-step logic that implicitly placed the definitional burden on the plaintiffs. First, the court asked whether the database was "substantially similar" to the printed issue of the periodical and "recognizable" as a version of those periodicals.⁴⁶ This inquiry deliberately paralleled the inquiry into what constitutes an infringing use; the classic test for determining if a work infringes another's copyright is whether the two works are "substantially similar."⁴⁷ Using that test, the district court indeed concluded that enough of the original work's selection had been preserved so that the database would have infringed the print periodicals if done without the publishers' permission.⁴⁸ The district court then came to its second step: asking whether "the resulting work might be so different in character from that

load the article from their databases and send it to the customer's personal computer. See, e.g., Chris Hughes & Gunther Birzniece, *Serving Up Webserver Basics*, at <http://webcompare.internet.com/webbasics/index.html> (last visited Feb. 10, 2001). Admittedly, there is no perfect match between the Copyright Act's notion of "distribution" and what happens when a database server enables a download. See Jane C. Ginsburg, *Putting Cars On The "Information Superhighway": Authors, Exploiters, and Copyright In Cyberspace*, 95 COLUM. L. REV. 1466, 1482 (1995). Nevertheless, the cases holding that the server's behavior constitutes "distribution" seem justifiable. See *infra* note 76 and accompanying text.

⁴⁴ See 17 U.S.C. § 201(c). The two CD-ROM products involve different technology than the online database. A CD-ROM copy of a collective work may not necessarily "distribute" individual articles.

⁴⁵ *Tasini I*, 972 F. Supp. at 819-20, 824.

⁴⁶ *Id.* at 821-25.

⁴⁷ MELVILLE NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* ch.13, § 13.03 (2000).

⁴⁸ "[I]f NEXIS was produced without the permission of The New York Times or Newsday or Time, these publishers would have valid claims of copyright infringement against MEAD." *Tasini I*, 972 F. Supp. at 826.

collective work which preceded it that it cannot fairly be deemed a revision."⁴⁹ Concluding that such a "difference" had not been shown, the district court found the database privileged.⁵⁰

Thus, the district court, in its discussion of substantial similarity, came dangerously close to defining a privileged "revision" as if the category embraced anything that used a substantial part of the print periodical.⁵¹ An example can help clarify why such a view would be inappropriate. Assume, for example, that someone had made an exciting collection of short poems. If the collector had the poets' permission to make the anthology, his "selection or arrangement" of the poems could give him a collective work copyright, and he would have all the presumptive privileges that are granted under § 201(c). Assume also that later a composer used all but one of the poems, in the same sequence, as lyrics for an opera. That opera would be a "derivative work" of both the anthology and the copied poems, infringing if it was done without permission. It would infringe both the collector's ordering and selection of the poems and the individual poets' language.⁵² Although the composer might settle his lawsuit with the anthologist, he still would be liable to the individual poets. No one would imagine that § 201(c) would authorize anthologists to create musical versions. Thus, of the immense number of potentially infringing works that can be made from a collective work, only a small subset would constitute "revisions."

The Second Circuit recognized that the issues arising under § 201(c) were quite different from those arising in cases addressing whether a collective work is infringing because it is "substantially similar" to another. Therefore, the Second Cir-

⁴⁹ *Id.* at 825.

⁵⁰ *Id.* at 826.

⁵¹ This Essay suggests that the district court was influenced by the incorrect view that it would be "anomalous" for something "substantially similar" not to constitute a "revision" under § 201(c). See *Tasini v. New York Times Co.*, 981 F. Supp. 841, 847 (S.D.N.Y. 1997) (denying motion for reconsideration). Nevertheless, it should be noted that the district court pulled back from treating "substantial similarity" as the sole test for determining whether a database constituted a privileged "revision." *Id.*

⁵² Thus, the owner of the collective-work copyright could successfully sue the composer, as could the owners of copyright in the individual poems.

cuit properly put aside the "substantial similarity" analysis⁵³ and the notion that the plaintiffs had to prove any special "difference."⁵⁴ Instead, it focused on how the daily and monthly periodicals had been virtually dissolved in the NEXIS database and on how the databases were primarily used—to provide end users access to "the preexisting materials that belong to the individual author."⁵⁵ Accordingly, the Second Circuit found the database not to constitute a permissible "revision."⁵⁶

Furthermore, the Second Circuit was concerned that the publishers' reading of the statute "would cause the exception to swallow the rule."⁵⁷ The court wrote, "[W]ere the permissible uses under § 201(c) as broad and as transferable as appellees contend, it is not clear that the rights retained by the Authors could be considered 'exclusive' in any meaningful sense."⁵⁸ Moreover, the Second Circuit noted that interpreting "revision" too broadly would make part of § 201(c) superfluous.⁵⁹ Recall that the provision gives a presumptive privilege to "a later collective work in the same series" *as well as* to "revisions" of the particular collective work.⁶⁰ If a "revision" is defined so broadly as to embrace any electronic database that takes some of what the print publisher selected for inclusion, "revision" is so broad as to leave no need for the specific mention of "collective work in the same series."⁶¹ Yet the statute also contains the latter phrase. Since a statute should be construed in a way that gives meaning to each of its parts, construing a statute in a way that makes part of it redundant should be avoided.

In rejecting the broad interpretation of "revision," the Second Circuit is persuasive. Given what Congress intended when enacting the provision,⁶² it seems absurd to contend that pub-

⁵³ *Tasini II*, 206 F.3d at 168-69, 169 n.4.

⁵⁴ *Id.* at 169 n.4.

⁵⁵ *Id.* at 169.

⁵⁶ *Id.*

⁵⁷ *Id.* at 168.

⁵⁸ *Tasini II*, 206 F.3d at 168.

⁵⁹ *Id.*

⁶⁰ 17 U.S.C. § 201(c) (2000).

⁶¹ *Tasini II*, 206 F.3d at 167.

⁶² In the eyes of at least one court, "[C]ongress passed the section to enlarge the rights of authors." *Ryan v. Carl Corp.*, 23 F. Supp. 2d 1146, 1150 (N.D. Cal. 1998).

lishers who pay for print rights should also presumptively have free rein to sell mass licenses to electronic media. Most importantly, in what I view as the crux of the opinion, the court noted:

[S]ection 201(c) would not permit a Publisher to sell a hard copy of an Author's article directly to the public even if the Publisher also offered for individual sale all of the other articles from the particular edition. We see nothing in the revision provision that would allow the Publishers to achieve the same goal indirectly through NEXIS.⁶³

The opinion, however, did not anchor this consideration as firmly in the statutory language as it might have. This is because the court never focused on § 201(c)'s "as part of" language. In fact, the court saw the central issue somewhat differently. For the Second Circuit, "[t]he crux of the dispute is . . . whether one or more of the pertinent electronic databases may be considered a 'revision' of the individual periodical issues from which the articles were taken."⁶⁴ Such a formulation ignores "distribution" and places all its weight on the "reproduction" prong of the privilege.⁶⁵ This is troublesome because the

⁶³ *Tasini II*, 206 F.3d at 168 (emphasis added).

⁶⁴ *Id.* at 165.

⁶⁵ When a freelancer's writing is put into a CD-ROM or an online database of articles, the step that fixes the digital version in a physical medium is "reproduction." This point assumes that making the online website involves initially storing the material on one or more hard drives. Websites cannot be maintained solely in RAM form. It is far from clear that ephemeral RAM storage should be governed by the "reproduction right." Not only is there a separate display right available under the statute, 17 U.S.C. § 106 (2000), but the legislative history to the Copyright Act states that "the definition of 'fixation'. . . exclude[s] from the concept purely evanescent or transient reproductions such as those projected briefly on a screen, shown electronically on a television or other cathode ray tube, or captured momentarily in the 'memory' of a computer." H.R. REP. NO. 94-1476, at 53 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, *available at* 1976 WL 14045. It is difficult to see a difference between "reproduction" and "fixation" under the statute—and this Essay argues that neither should be satisfied by manifestation in RAM. The practical issues here are large. If appearance in RAM is merely a "display," then the applicable right only gives the copyright owner power when the display is made "publicly." 17 U.S.C. § 106(5). Since the copyright owner's display rights are limited to "public" displays, private users of the Internet get some shelter. On the contrary, if appearance in RAM form would be considered a "reproduction," even private actions by individual consumers at their home computers would trigger a copyright owner's prima facie right. To hold that every private person is "copying" when they receive something in RAM may extend the copyright owners' rights impermissibly, creating problems both for free speech and for privacy. *See, e.g.,*

panel is not fully persuasive regarding the production of databases that, unlike NEXIS, contain full-text and full-format imaging of the collective works.

When analyzing a particular digital version that seems to have contained full-format exact copies, the Second Circuit ruled that such a version also infringed. The court reasoned, "Although this database contains scanned photo-images of editions of The New York Times Sunday book review and magazine, it also contains articles from numerous other periodicals. In this respect, then, it is also substantially similar to NEXIS, and it, too, is at best a new anthology."⁶⁶ If the book review and magazine sections of the *New York Times* are independent "collective works," it is hard to imagine that merely collecting several verbatim, full-format issues of each on a disk together with other fully-copied periodicals makes a new "version" that exceeds the privilege,⁶⁷ any more than a library infringes a copyright holder's rights when it binds journal issues together in a hard-cover volume. The court here seems to be falling into the same kind of error as exhibited in the much-criticized opinion in *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*,⁶⁸ where the Ninth Circuit found it improper to mount a photograph on a ceramic back without the permission of the copyright owner.⁶⁹ One could well imagine that other circuit courts, or the Supreme Court, would disagree with the Second Circuit on this issue. Indeed, the availability of the § 201(c) privilege should not depend on whether several complete issues of a given magazine or newspaper appear together on the

Jessica Litman, *The Exclusive Right to Read*, 13 CARDOZO ARTS & ENT. L.J. 29, 40 (1994). Interestingly, Congress recently overturned the case most often relied on when arguing that reading material into RAM can constitute a violation of the reproduction right. *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993), *overturned by* Title III of the Digital Millennium Copyright Act, Pub. L. No. 105-304 (codified at 17 U.S.C. § 117(c) (1998)). Congress did not alter the general definition of "reproduction" in this piecemeal correction. The § 117(c) exemption applies only if a "copy" has been made, without specifying whether RAM constitutes something solid enough to be a "copy." Nevertheless, the sequence does indicate that assimilating RAM into "reproduction" can have undesirable consequences.

⁶⁶ *Tasini II*, 206 F.3d at 170 (discussing "General Periodicals OnDisk").

⁶⁷ This should be contrasted with the way a database, like NEXIS, dissolves one periodical into a sea of writings.

⁶⁸ 856 F.2d 1341 (9th Cir. 1988).

⁶⁹ *Id.* For an astute opinion declining to follow *Mirage*, see *Lee v. A.R.T. Co.*, 125 F.3d 580 (7th Cir. 1997).

same computer disks or are available on the same web site.

Nevertheless, the Second Circuit may be correct in rejecting § 201(c)'s applicability to exact and full-format digital reproductions. For example, the legislative history of § 201(c) indicates that, in 1976, Congress believed that "[t]he basic presumption of § 201(c) is fully consistent with present law and practice, and represents a fair balancing of the equities."⁷⁰ Therefore, in interpreting the undefined word, "revision," reference might be made both to 1976-era practice and general fairness. It is quite possible that, through these lenses, anything intended to give profit through exploiting individual articles would not be seen as a "revision." This Essay takes no position on that question. Rather, this Essay emphasizes that regardless of whether reproducing a particular digital version constitutes a "revision," lawfully produced under § 201(c), making individual items available for download is a "distribution" that infringes a freelancer's copyright.

This distinction can be important because the Supreme Court might conceivably hold that a publisher is privileged under § 201(c) if he reproduces the freelancers' articles as part of a full-format, full-text digital version of his periodical. If the Supreme Court took this step, an issue would arise over whether a publisher could also provide a download option for such a digital version. This Essay argues that the answer would be "no": before any online database can lawfully distribute individual downloads, and regardless of whether the database itself was lawfully made, the database must have permission from the freelancers who own the copyrights in the individual articles.

B. *Individual Downloads*

The § 201(c) presumptive privilege applies to two distinct rights of a copyright owner: the reproduction right and the distribution right.⁷¹ When a later edition or revision of a newspaper or encyclopedia is printed, § 201(c) allows the publisher to reproduce copies of freelance articles that were li-

⁷⁰ H.R. REP. NO. 94-1476, at 123 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, *available at* 1976 WL 14045.

⁷¹ 17 U.S.C. § 201(c) ("privilege of reproducing and distributing").

censed earlier; this is the "reproduction" aspect of § 201(c).⁷² In addition, the publisher can sell that later edition or revision; this is the "distribution" aspect of § 201(c).⁷³ "Reproduction" and "distribution" are separate rights under federal copyright law.⁷⁴ Section 201(c) provides that such reproduction and distribution can occur only "as part of" the later edition or revision.⁷⁵ Thus, a publisher violates the law by *either* a reproduction *or* a distribution that takes place not "as part of" a "revision."⁷⁶ It is fairly well established that sending an image or text out for download constitutes an act of distribution.⁷⁷

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.* § 106(1) (granting exclusive right of reproduction); *id.* § 106(3) (granting exclusive right of distribution).

⁷⁵ 17 U.S.C. § 201(c).

⁷⁶ *Ryan v. Carl Corp.*, 23 F. Supp. 2d 1146, 1149 n.2 (N.D. Cal. 1998).

⁷⁷ *See, e.g., Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543, 551 (N.D. Tex. 1997) (concluding that "Webbworld 'distributed' PEI's copyrighted works by allowing its users to download and print copies of electronic image files"); *Playboy Enters. Inc. v. Frena*, 839 F. Supp. 1552, 1556 (M.D. Fla. 1993) (finding the operator of a subscription online bulletin board service liable for infringing distribution). In cases like *Frena*, the question usually concerns the relatively passive role of the electronic service provider, who may have no knowledge of what is posted or what is downloaded. By contrast, defendants in *Tasini* either provide content or maintain their own websites. Thus, no plausible issue of ignorance can be raised.

It may not matter whether plaintiffs can specifically prove that their individual articles were downloaded. *See Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199, 203 (4th Cir. 1997). In *Hotaling*, the defendant argued that "holding a work in a library collection that is open to the public constitutes, at most, an offer to distribute the work. In order to establish distribution, the [defendant] argue[d], the evidence would need to show that a member of the public accepted such an offer." *Id.* A similar issue may arise in *Tasini*. The defendants may argue that holding a work on a database open to individual downloads does not amount to distribution without proof that the database actually sent out an article in response to a download request. The *Hotaling* court rejected such a view and held the defendant liable:

When a public library adds a work to its collection, lists the work in its index or catalog system, and makes the work available to the borrowing or browsing public, it has completed all the steps necessary for distribution to the public. At that point, members of the public can visit the library and use the work. Were this not to be considered distribution within the meaning of § 106(3), a copyright holder would be prejudiced by a library that does not keep records of public use, and the library would unjustly profit by its own omission.

Id. Similarly, making the individual works available for download, in circumstances where it is virtually certain that some such individual downloads occurred, may be sufficient.

A focus on the freelancers' exclusive right of distribution⁷⁸ also disposes of a red herring introduced by the defendants, namely, contributory infringement based on the acts of end users.⁷⁹ Whether end users are sheltered by the fair use doctrine when downloading from the defendants' web sites is irrelevant because at the same time as a consumer is *reproducing* the article in question, the database proprietor is *distributing* the article—an act of direct, not contributory, infringement.

Each act—the consumer's reproduction, the service's distribution, and the print publisher's assistance in the distribution and making of the database—is a separate candidate for copyright infringement.⁸⁰ Was a database distributing individual articles? Did a publisher act to further that end? If so, both the database proprietor (as a direct infringer) and the print publisher (as an entity that contributed to and induced the database proprietor's infringing distribution⁸¹) are liable for distributing a copyrighted item in a way that is not "part of" a collective work. The end users have nothing to do with it.

Furthermore, a large commercial database service like NEXIS can be infringing even if many of its customers are engaged in fair use.⁸² Economic analysis suggests that when

⁷⁸ Admittedly, the plaintiffs do not seem to have explicitly focused on the defendants' active role in distributing downloads. Nevertheless, the Plaintiffs' Amended Complaint contains several allegations that downloading occurred and that the distribution right was violated both directly and contributorily. See Plaintiffs' Amended Complaint at ¶¶ 40, 48, 49, 350, 358 and 359, *Tasini v. New York Times Co.*, 972 F. Supp. 804 (S.D.N.Y. 1997) (No. 93 Civ. 8678), available at <http://www.nwu.org/tvt/tvtcomp1.htm> (visited Feb. 16, 2001).

⁷⁹ For the defendants' arguments regarding contributory infringement and fair use, see Defendants' Petition for a Writ of Certiorari at 22-26, *Tasini v. New York Times Co.*, 206 F.3d 161 (2d Cir. 1999), *cert. granted*, 69 U.S.L.W. 3316 (U.S. Nov. 6, 2000) (No. 00-201).

⁸⁰ See 17 U.S.C. § 106.

⁸¹ "One who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer." Ginsburg, *supra* note 43, at 1485 (citing *Gershwin Publishing Corp. v. Columbia Artists Mgmt.*, 443 F.2d 1159, 1162 (2d Cir. 1971)).

⁸² *Cf. Frena*, 839 F. Supp. at 1558 ("One who distributes copyrighted material for profit is engaged in a commercial use even if the customers supplied with such material themselves use it for personal use."). Admittedly, if all individual consumer uses are fair, that tends to suggest that whatever enables the fair uses to occur should also be noninfringing. Thus, if a commercial service has enabled another person's fair use, that should be relevant to the treatment given the commercial entity. But nothing mandates that the individual and the distributional entity must be treated exactly the same. To the contrary, it is well established

transaction cost difficulties provide the reason for fair use treatment, the fair use doctrine might legitimately give less generous treatment to centralized commercial entities than to the individual consumers whom the entities serve.⁸³

Perhaps as a way of escaping the "as part of" limitation, the publishers apparently argued that "whether an electronic database infringes upon an individual author's article would essentially turn upon whether the rest of the articles from the particular edition in which the individual article was published could also be retrieved individually."⁸⁴ Such an argument seems to imagine that an article can be considered distributed "as part of" a collective work whenever a consumer could, by a properly worded search, call up the remainder of the periodical in which the article appeared. However, it does not much matter whether the other articles *could* be retrieved with others. What is crucial is that the electronic distribution did not *require* that the individual articles be retrieved only in the context of the entire edition.⁸⁵ By providing individual downloads, the distribution exceeds the presumptive privilege—even if such privilege is available for the act of making the electronic version. To repeat: The Copyright Act explicitly allows redistribution of the individually-owned articles only "as part of" a collective work, a revision, or a later edition, and not individually.⁸⁶

under the fair use doctrine that the commercial character of a use can make a significant difference. See 17 U.S.C. § 107(1).

⁸³ See generally Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600 (1982).

⁸⁴ *Tasini II*, 206 F.3d 161, 168 (2d Cir. 1999).

⁸⁵ Thus, the Second Circuit wrote:

[I]t is significant that neither the publishers nor NEXIS evince any intent to compel, or even to permit, an end user to retrieve an individual work: only in connection with other works from the edition in which it ran. Quite the contrary, the New York Times actually forbids NEXIS from producing "facsimile reproductions" of particular editions.

Tasini II, 206 F.3d at 169 (citing *Tasini I*, 972 F. Supp. 804, 826 n.17 (S.D.N.Y. 1999)).

⁸⁶ 17 U.S.C. § 201(c).

III. TRANSFERABILITY

The court declined to reach the question of assignability of the privilege.⁸⁷ Nevertheless, several sections of the opinion intimated that the court thought that the privilege could not be transferred.⁸⁸ Therefore, since a significant scope for a privilege under § 201(c) remains after *Tasini*, it is important to clarify whether the privilege can be assigned and (a separate and interesting question) whether it can be shared. If both are prohibited, then the privilege attaches *inalienably* to the initial publisher who purchases a license to publish the freelancer's work.

To hold the privilege inalienable would be overbroad. Inalienability would mean that any time a publishing company is sold, no § 201(c) privilege adheres to the collective works that are sold with it. Similarly, publishers often buy and sell entire collective-work copyrights. Indeed, it is hardly remarkable for one publisher to sell all her rights in a particular encyclopedia to another publisher. When that occurs, the privilege to reprint the entire set is expected to accompany the sale. However, if

⁸⁷ *Tasini II*, 206 F.3d at 165 & n.2. Footnote 2 was added in the final version of the opinion, but it was not present in the withdrawn version. It is unclear what the note adds because the opinion already stated, "We need not, and do not, reach the question whether this privilege is transferable under Section 201(d)." *Id.* at 165. By comparison, footnote 2 states, "We also do not consider the issue of assignability. Rather, we assume for purposes of this decision only, that the Publishers had the right to assign the articles in question to Mead and UMI." *Id.* at 165 n.2. Perhaps the footnote was intended to explain away all mentions of transferability in the opinion as *arguendo* assumptions.

⁸⁸ Thus, in summarizing the statute, the court writes, "Section 201(c) creates a presumption that when the author of an article gives the publisher the author's permission to include the article in a collective work, as here, the author also gives a *non-assignable*, non-exclusive privilege to use the article as identified in the statute." *Id.* at 166 (emphasis added). Conceivably the court's comments here arose merely out of indulging *arguendo* the publishers' arguments that the privilege could be transferred. *See id.* at 165 n.2. But the language about assignability seems to go further. Incidentally, even where entitlements cannot be *assigned*, privileges can sometimes be *shared* and rights can sometimes be *waived*. However, the court does not address the distinction between assignment and other powers. For another hint that the court thinks the presumptive privilege is non-transferable, the final opinion added quotation marks around the word "privilege," as if to distinguish it from transferable "right" in a context where rights are statutorily transferable and privileges have no such express transferability. *Tasini II*, 206 F.3d at 168 n.3. The addition of these quotation marks is one of the few changes that the final opinion made to the material appearing in the withdrawn opinion.

the § 201(c) privilege were not transferable, the buyer of an encyclopedia title could not do new press runs of the encyclopedia because it would be an infringing reproduction.⁸⁹ Such a result would be absurd.

This Essay suggests that the Copyright Act itself offers a compromise position between the inalienability apparently proposed by the plaintiffs and the full transferability apparently proposed by the defendants. According to the statute, the privilege inheres in "the owner of copyright in the collective work."⁹⁰ This phrase can be interpreted as referencing a *status* rather than an *individual*. If so, when there is a change in the identity of the owner of the collective-work copyright, the holder of the privilege would change as well. The privilege could and would attach to the new owner, appurtenant to the ownership of copyright in the entire collective work.

Of course, this does not end all issues of transfer. In *Tasini*, the publishers may have tried to license a use of their purported privilege to the database proprietors as a bare license—that is, without selling the overall copyright.⁹¹ However, such a bare license might not suffice to carry the privilege with it, and this raises different and complex issues. Some bare licenses are fully alienable (e.g., a typical movie ticket), but some are inalienable (e.g., the invitation from one friend to another to "drop in Tuesday night"). One of the plaintiffs' attorneys in *Tasini* persuasively argued that non-exclusive licenses in the patent area are not transferable.⁹² In my view, neither the argument by analogy from patent law nor the Copyright Act⁹³ fully resolves the issue of the privilege's puta-

⁸⁹ 17 U.S.C. § 106(1).

⁹⁰ 17 U.S.C. § 201(c).

⁹¹ The fact that the collective-work copyright can be subdivided generates further complications: Can the privilege accompany each assignment? Can it also remain with the seller so long as he retains any exclusive rights? I would suggest the answer to both questions is "yes." If Publishing Company A receives an exclusive right to publish a collective work on the West Coast, but Publishing Company B retains all other rights, both have "a copyright." Given the divisibility of copyright endorsed by the 1976 Act, it is probable that the privilege could inhere in both. Although § 201(d)(2) does not mention "privileges" when it approves divisibility, it seems to contemplate that all copyright holders will be treated equally.

⁹² See Alice Haemmerli, *Commentary: Tasini v New York Times Co.*, 22 COLUM.-VLA J.L. & ARTS 129, 133-40 (1998).

⁹³ The Copyright Act provides that "[a]ny of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106,

tive inalienability. However, that issue need not be reached if there is no applicable privilege to transfer.

IV. ETHICS AND ECONOMICS

The *Tasini* decision not only operates prospectively, it also imposes liability on publishers and database proprietors for already-extant electronic versions. The publishers and database proprietors have been proceeding without appropriate consent from the freelance copyright holders for some time. Thus, the *Tasini* decision could cause some writings to disappear from the electronic record, either because an author is reluctant to license them or because a publisher prefers purg-

may be transferred." 17 U.S.C. § 201(d)(2). The Second Circuit hints that it believes that under the Copyright Act, only "rights," and not "privileges," can be transferred. However, this cannot be correct because unless privileges constitute a transferable component of copyright assignments, a buyer cannot use what he has purchased. Section 106—the central grant of rights in the Copyright Act—is probably the source of the confusion because it mixes rights, privileges, and powers. Section 106 provides that copyright owners have "the exclusive rights to do and to authorize" certain acts in regard to their works. This phrasing does not distinguish between rights and privileges:

Although section 106 employs only the word "rights," it uses that word loosely, as synonymous with "entitlements." In fact, section 106 constitutes a simultaneous award of Hohfeldian rights, privileges, and powers over the enumerated uses. Because the section 106 grants are "exclusive," the owner has the [Hohfeldian] *right* to exclude others from the physical acts described. Because the section 106 grant includes an entitlement "to do" the enumerated physical acts, creators have a [Hohfeldian] *privilege* to use their creations in the manners specified. Because the grant awards an entitlement "to authorize" the various physical acts, creators have a [Hohfeldian] *power* to transfer their entitlements. Because creators hold that power "exclusively," they also have an immunity from other persons' efforts to affect the legal status of the copyright. Thus, the intellectual property entitlements include, for example, the *privilege* to make reproductions, the *right* to forbid strangers to make reproductions, and the power to sell others a privilege to make reproductions.

Wendy J. Gordon, *An Inquiry Into The Merits of Copyright: The Challenges of Consistency, Consent and Encouragement Theory*, 41 STAN. L. REV. 1343, 1366 (1989).

Admittedly, as the Second Circuit notes, a "right" in technical lawyers' language is not a "privilege," and Congress used both "right" and "privilege" with distinct meanings in 201(c). *Tasini II*, 206 F.3d at 168 n.3. Moreover, also admittedly, the Act says nothing explicit about the transferability of "privileges." *Id.* at 168. But in everyday parlance, many of the Hohfeldian terms—"rights," "privileges," and "powers"—are collapsed into the catchall term "right." Sometimes the same people who use Hohfeldian precision at one moment may use everyday language the next.

ing to paying.⁹⁴ It is sometimes argued, therefore, that *Tasini* will cause unacceptable disruption of libraries and archives.

Although some excision from the electronic record is possible, the extent of such losses is easily exaggerated. It is doubtful that libraries have already come so unmoored from their paper origins that the public record will be seriously impaired by temporary gaps in the electronic record. Further, the National Writers Union offers a clearinghouse solution to provide publishers and databases the licenses they need to keep most of the record intact.⁹⁵ Additionally, if the Supreme Court cures the Second Circuit's arguable over-generosity, some of the records could be retained as-is.⁹⁶

Moreover, and most importantly, it may be unwise to adopt a principle that counsels surrender whenever powerful entities, like major publishers, have induced the public to rely on a continuance of the entities' unlawful behavior. As cases like *Tasini* and *A&M Records, Inc. v. Napster, Inc.*⁹⁷ illustrate, computer technology and the Internet community evolve so quickly that behaviors of fairly clear illegality can spawn institutions and customs before the courts can respond. Sometimes those new institutions and customs are desirable; sometimes they are not. However, regardless of their merit, the speed of technological development may result in institutions and customs that are costly to unravel. This, in effect, can empower one party to hold the public hostage.⁹⁸

⁹⁴ Withdrawing infringing material does not eliminate the obligation to pay for past infringements, of course, but it does avoid liability for continuing infringements.

⁹⁵ See Publication Rights Clearinghouse, at <http://www.nwu.org> (last modified Jan. 20, 2000).

⁹⁶ See *supra* notes 65-69 and accompanying text (suggesting that reproduction of magazines and newspapers in complete and exact form on computer has some arguable claim to be privileged).

⁹⁷ 239 F.3d 1004 (9th Cir. 2001).

⁹⁸ For example, when one party unilaterally engages in unlawful behavior with effects that are costly to unravel, society's interests are affected whatever course a court chooses. Approving the behavior would be unjust, but undoing its effects may impose costs on innocent third parties. Thus, in *Tasini*, it would be contrary to law to approve everything that the publishers have done, but declaring their behavior infringing may result in libraries, researchers, and other innocent third parties having to bear transaction costs and other burdens. Thus, a court might understandably desire to avoid the social costs that would be entailed in undoing the unlawful institution. However, yielding to this desire is like yielding to a hostage-taker: yielding to strength rather than to a claim of right.

It is easy to be blinded by the interests of the affected hostages, here the archivists and researchers. Nevertheless, the long-term desirability of customs or institutions should be assessed separately from the short-term costs that unraveling them may impose.⁹⁹ For example, it is possible that enforcing the freelancers' rights will have permanent and positive incentive effects, increasing the quantity and quality of work produced. Consequently, researchers may receive far more in the long run than they will lose during the transition period. Furthermore, of course, not all morality is subsumed in an economic calculus.

Nevertheless, custom is often legitimately relevant to legal decision-making.¹⁰⁰ Does this suggest that deference should be given to the publishers' custom of engaging in electronic distribution without consulting or paying the freelancers? The response is negative, and threefold. First, the so-called custom is unilateral. Second, the relevant statute attempts to limit the relevance of changes in custom.¹⁰¹ Third, the primary reason that customs are often helpful to decision-makers—because they provide useful information about efficiency—does not apply to the publishers' practice of proceeding without obtaining specific consent from the copyright holders.

Regarding efficiency, the Coase Theorem suggests that efficient patterns are likely to emerge when parties deal with each other over a period of time, with good information and low transaction costs among them.¹⁰² When these conditions are present, a custom is likely to be a useful guide for how resources should be used.¹⁰³ The freelancers would argue that

⁹⁹ See *supra* note 98. Also note that this Essay touches on only one aspect of the many relevant normative debates.

¹⁰⁰ See, e.g., *Richard A. Epstein, International News Service v. Associated Press: Custom And Law As Sources Of Property Rights In News*, 78 VA. L. REV. 85, 85-89 (1992).

¹⁰¹ Section 201(c) attempted to capture a set of practices and customs that seemed fair to Congress at a particular time. As the 1976 House Report stated, "The basic presumption of section 201(c) is fully consistent with present law and practice, and represents a fair balancing of the equities." H.R. REP. NO. 94-1476, at 123 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, *available at* 1976 WL 14045. Further, the statute explicitly states that the publisher "is presumed to have acquired *only*" the set of listed privileges. 17 U.S.C. § 201(c) (2000) (emphasis added).

¹⁰² See generally Ronald H. Coase, *The Problem of Social Cost*, 3 J.L. & ECON. 293 (1960).

¹⁰³ By "resource use" or "resource allocation," I am referring to how physical or

these Coasean conditions are not applicable because the publishers' electronic practices occurred *after* the freelancers sold the initial story rights; thus, the freelancers would face prohibitive transaction costs in trying to affect the behavior. The publishers would probably reply that because most of the freelancers are repeat players, the condition of frequent interaction in a low transaction-cost setting was indeed satisfied. However, both arguments would miss a deeper point. Interaction among parties can tell us something about desirable *resource use*, but it tells us nothing about what might be the desirable *distribution* of the resulting gains.¹⁰⁴ Thus, although the custom of electronic publishing may be desirable, the custom of not paying for the privilege can easily change without impeding the publishing itself. That is, no one denies that electronic publication and distribution is a good thing—an efficient use of resources. But, also, no one doubts that this good thing will continue to occur after the freelancers' rights are honored. The publishers may be more adept than individual authors at arranging for dissemination, but nothing suggests that the authors will have trouble identifying and locating the publishers as potential licensees.¹⁰⁵

human capacities are deployed, for example, whether a given field should be planted in wheat or grazed by cattle or whether a given writer should spend her days writing freelance newspaper articles or working for a public-relations firm.

¹⁰⁴ If a field's most efficient use is as a wheat field, and a person's most efficient use of her skills is as a farmer, then resource allocation is satisfied if she plants wheat in that particular field. But whether she owns the field and its produce, or is merely an employee or tenant farmer, is primarily a "distributional" issue.

¹⁰⁵ It is sometimes argued that centralizing the control of intellectual properties will increase efficiency. See generally Edmund Kitch, *The Nature and Function of the Patent System*, 20 J.L. & ECON. 265 (1977). Kitch argued that even aside from incentives to invent, patent law provided desirable mechanisms for coordinating follow-on research and other exploitation of inventions. At least one author has tried to extend a related thesis into copyright, arguing that large corporations are the best copyright owners because the biggest entities have the best distributional and exploitation networks. See generally Sidney A. Rosenzweig, Comment, *Don't Put My Article Online! Extending Copyright's New-Use Doctrine To The Electronic Publishing Media And Beyond*, 143 U. PA. L. REV. 899 (1995). Rosenzweig suggests that in cases where contracts are ambiguous, it is best to construe new use rights as going to publishers rather than to individual authors and artists, because the corporations have better capacities for distribution and exploitation than do the individuals, and because the individual creators have formed no expectations of reward. Although Rosenzweig stops short of recommending that rights to CD-ROMS and online databases be resolved in this manner, Rosenzweig, *supra*, at

Also, to the extent that a publisher has superior knowledge about the value or imminence of a new technological use, there will be asymmetric information when that publisher meets a freelancer over the bargaining table. The § 201(c) privilege is a default term; it is intended to fill gaps where ex-

930, the pro-centralization thesis warrants some attention.

Whatever the merits of the Kitch thesis in regard to organizing research and development in the physical sciences, where simultaneous invention is common and many of the investigative processes are likely to be chosen identically by similarly-situated researchers, the Kitch thesis has much less applicability in the cultural realm. Each cultural product is likely to be unique and many are personal to their authors. Moreover, it is uniformity rather than diversity that we have most to fear in the cultural sphere. Finally, opting to favor the "best disseminator" can retard initial creativity.

For example, consider the dispute between Warner Brothers and author Dashiell Hammett over Hammett's desire to continue writing and selling stories featuring the character he created, Sam Spade. In an ambiguous contract, Hammett sold Warner Brothers certain rights in *THE MALTESE FALCON*, a successful novel featuring Sam Spade. Warner Brothers contended that the contract gave it all rights to the character, and it sued when Hammett sold new stories and conveyed some rights relating to Sam Spade to others. In a well-known decision, the Ninth Circuit found that Hammett had retained rights over his character. See *Warner Bros. Pictures v. Columbia Broad. Sys.*, 216 F.2d 945 (9th Cir. 1954.). It hardly seems plausible to argue, as a pro-centralization thesis would seem to suggest, that the public would have benefited more if the corporation had won.

In some abstract world, perhaps, Warner Brothers could have hired Hammett to write the story, and in that abstract world, perhaps, Warner Brothers could have obtained as good and diverse results from Hammett-the-employee as Hammett-the-independent-writer could produce on his own. In the real world, however, it is likely that Hammett produced better as an independent writer and that depriving him of ownership would have decreased his creativity. That is, giving the corporation the rights would have had a negative effect on how resources are used. This can be usefully compared with the *Tasini* outcome, where affirming the authors' electronic rights is likely to have no negative resource-allocative effects in the long term.

But again, the central point to note is that the patterns of distribution will not change much, if at all, if *Tasini* is affirmed. Indeed, freelancers will continue to sell newspapers and magazines, and publishers, in turn, will utilize their distribution skills. The difference is that, after *Tasini*, the freelancers can demand payment for the extra value that electronic publishing gives their work. Whether the demand would yield any extra money is a question of bargaining power.

These differences in income might have some incentive effect, but the question is quite speculative. For example, there might be a small shift of income from publishers as a group to authors as a group or there might be a small shift of income from freelancers in general to the individual freelancers whose articles are most often downloaded. Either side could speculate further about the incentive effects of any income differences that did result. Would publishers be less likely to experiment with new technology? Would skilled freelancers strongly increase their output? Given the clear language of the statute, and the absence of any imminent emergency, it seems unnecessary for a court to resolve these questions.

plicit contractual specification is absent. One influential theory of such terms suggests that defaults can usefully function to push a party with better knowledge to be explicit.¹⁰⁶ Thus, one viewing § 201(c) from the perspective of the penalty theory of defaults would argue in favor of excluding electronic rights as a new and valuable use from the scope of the default privilege. If that were the rule, the publisher would have to raise the issue during negotiations to contract for a right to use the new technology. Such an approach—consistent with the Second Circuit's holding in *Tasini*—would provide a mechanism for alerting the less informed freelancer that there is something to contract about, thereby mitigating the informational asymmetry.¹⁰⁷

Moreover, there is no *prima facie* moral reason to favor the publisher over the author. To the contrary, the author has a stronger claim of right on her side.¹⁰⁸ To the extent that the court is concerned with gaps during the transition period, or with the desirability of encouraging fast actors like the publishers to take advantage of new technology, alternatives are available. For example, any injunctive relief could be limited so that it functions prospectively only. Thus, a court-administered scheme of monetary recovery for existing infringements—a kind of retrospective compulsory license—could be a useful result.¹⁰⁹ The worst result would be to pretend that no infringement has occurred.

¹⁰⁶ "Penalty defaults, by definition, give at least one party to the contract an incentive to contract around the default. From an efficiency perspective, penalty default rules can be justified as a way to encourage the production of information." Ian Ayres & Robert Gertner, *Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules*, 99 YALE L.J. 87, 97 (1989).

¹⁰⁷ I am indebted to Bob Bone for this formulation.

¹⁰⁸ A full exploration of this issue is outside the scope of this Essay. For a detailed discussion, see generally Wendy J. Gordon, *A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533 (1993) (arguing that creators have a moral claim, albeit limited, to ownership of their works).

¹⁰⁹ The Court has hinted that it may be appropriate to deny injunctive relief when public discourse is affected by copyright enforcement. See *Campbell v Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 n.10 (1994).

CONCLUSION

In *Tasini*, neither the district court nor the Second Circuit focused sufficiently on the express limitation in § 201(c), which states that its distribution privilege applies only to distributions of individual works done "as part of" a collective work.¹¹⁰ Even if a privilege were available to allow a new collective work to be *made*, § 201 would not cover *distribution* of the individually-owned articles, except in connection with the whole collective work. Distribution out of context, as enabled by the typical electronic service, is clearly not permissible under § 201(c).

In *Tasini*, the Second Circuit held that the defendants' infringed the freelancers' right of reproduction by making digital versions. Nevertheless, after *Tasini*, many actions remain that are covered by the presumptive privilege. For example, where not negated by the parties, the privilege under § 201(c) allows the publisher of an encyclopedia to print and distribute later editions, notwithstanding the copyright interests of individual contributors. Therefore, the question of the privilege's alienability remains important.

For example, imagine that a print publisher is sold to a larger company, or that two publishing companies merge and transfer their assets to the new entity, or that the publisher of many collective works decides to sell one of them (say, a magazine) to a new publisher. Congress would probably be shocked to find out that the new owner of the collective work copyrights would be forbidden from re-issuing them. Indeed, *ENCYCLOPEDIA BRITANNICA* or *WORLD BOOK* should not be required to repurchase every freelance article in its volumes whenever corporate ownership changes. This Essay does not address the question of whether the privilege should be transferable "in gross." This Essay does, however, argue that the § 201(c) privilege should be capable of accompanying any sale of copyright in the full collective work. Indeed, the statutory language permits, and may even encourage, such a reading.

As for the gaps in the electronic record that the *Tasini* decision may cause during a transition period, the affected researchers can be analogized to innocent hostages. While

¹¹⁰ See *supra* text accompanying note 64.

sometimes it may be necessary to pay ransom to safeguard hostages, there are both ethical and incentive problems in surrendering to one party to protect another party whom the first party's behavior has imperiled. The rule of law has some flexibility in it, but nothing about the facts in *Tasini* appears so urgent that the Court should avert its attention from the defendants' clearly infringing conduct. If the freelancers' copyrights are given their due, electronic publishing will still go forward, and there might be an ethically and economically desirable shift in incentive patterns as a result.