

Judge Grants Authors a Victory In Fight Over Digital-Book Rights

By DAVID D. KIRKPATRICK

A federal judge in Manhattan ruled yesterday that the term "book" in book contracts does not automatically include electronic books. The decision goes to the heart of a battle over who controls the right to sell digital editions of the great majority of work published the last century.

The ruling is the latest in a series of verdicts indicating that courts view the Internet as a new and different form of media, not easily governed by the rules of more traditional media.

The decision is a boon to authors and agents who hope to gain from reselling the digital rights to previously published work. Most publishers only began including explicit provisions for electronic publication rights in their contracts within the last 15 years.

Although no one yet knows the extent of consumer demand for electronic books, publishers fear that authors and Internet start-ups will begin selling digital files of their classic titles, potentially undercutting their own efforts to sell electronic books and even some print sales.

The judge, Sidney H. Stein of Federal District Court, ruled that Random House could not block the Internet start-up RosettaBooks from selling digital files containing the contents of eight novels Random House publishes in print, including works by the novelists Kurt Vonnegut, William Styron and Robert B. Parker.

RosettaBooks signed new contracts with the authors for the rights to republish their novels as electronic books, to be bought, to be downloaded and read on a screen. Random House filed suit against RosettaBooks for copyright infringement,

arguing the new publications violated its preexisting contracts to publish the novels "in book form." Its lawyers noted that electronic books aim to replicate the experience of reading a printed book. Random House sought a preliminary injunction blocking RosettaBooks from selling the digital files.

Judge Stein declined to issue the injunction in a strongly worded opinion indicating he believed the law was in RosettaBooks's favor. Based on the language of its contracts, he said, "Random House is not likely to succeed on the merits of its copyright infringement claim."

The case will now go to trial before the same judge, although Random House may seek to appeal the ruling on the preliminary injunction. "There will be a next step from Random House, but we have not yet decided what it is," said Stuart Applebaum, a spokesman for Random House, a unit of Bertelsmann. In a statement, Random House said, "We stand by our view that a digital book is a book."

Mr. Applebaum said that Random House did not plan to sue its authors for breaching their contracts by

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signing with RosettaBooks.

In his opinion, Judge Stein cited two main precedents for determining how to apply pre-existing contracts in other media to new uses. In one, a court ruled that a film company also owned the rights to license the movie for broadcast on television. In the other case, a court ruled the Walt Disney Company's license to use music by Igor Stravinsky in the film "Fantasia" extended to its use in videocassettes of the movie. In each case, the courts' decisions turned on the idea that the new use was in the same medium — moving pictures on a screen.

But Judge Stein concluded that digital publication constituted a different medium, with different features, like the ability to search and annotate the text. "In this case, the 'new use' — the electronic digital signals sent over the Internet — is a separate medium from the original use — printed words on paper," he wrote.

A start-up company hopes to jump-start the market for electronic works.

In support, Judge Stein cited the Random House Webster's Unabridged Dictionary's definition of a book as "a written or printed work of fiction or nonfiction, usually on sheets of paper fastened or bound together within covers."

Lloyd Weinreb, a professor who teaches intellectual property law at Harvard Law School, said the case suggested a pattern. "What is significant," he said, "is that courts are not treating the Internet as more of the same, they are treating it as really quite different and not so easily subsumed under the old rules," he said.

In *The New York Times v. Tasini*, for example, the Supreme Court ruled last month that, unless speci-

fied in contracts, newspaper and magazine publishers do not automatically own the right to resell freelance contributors stories to digital database companies like Lexis/Nexis. In another case, National Geographic Magazine is seeking to appeal to the Supreme Court a ruling that a CD-ROM of the magazine's contents is a new work. Songwriters and performers have also recently clashed with record companies over compensation for the sale of digital music over the Internet.

The Rosetta decision escalates a continuing battle pitting publishers against authors and agents over how to compensate writers for digital sales of their work.

Rafael Pastor of the investment firm Sonenshine Pastor, a partner in RosettaBooks, said the company was continuing with its plans to publish and sell electronic editions of well-known books still under copyright. He said the company continued to acquire new books, including George Orwell's "1984" and Theodore Dreiser's "An American Tragedy." It now owns the rights to about 100

books.

Publishers first began securing electronic rights in the late 1980's anticipating a boom in CD-ROM's that never panned out. Now publishers are hoping that consumers will pay to download the text of books to computers or portable devices. So far, though, few books are available and almost no one is buying them.

Mr. Pastor said RosettaBooks hoped to jump-start the market. "While the big publishers did nothing in the electronic space, we actively went out and bought the rights and brought the books to market," he said. "The fact the market isn't buying them yet isn't our fault."

RosettaBooks currently sells its electronic books for about \$8 a copy, he said. The company woos authors by paying them small advances on future royalties from electronic book sales, even though there is currently very little revenue. Groups representing authors and agents filed briefs on behalf of RosettaBooks. Several major publishers filed briefs with Random House.