



Publishing Litigation Roundup 2021: *New (or Recent) Decisions of Interest*



David Slarskey

Slarskey LLC

dslarskey@slarskey.com / (646) 893-6082

Brenda Ulrich

Archstone Law Group

bulrich@archstonelaw.com / (781) 314-0115



Topics of the Day

- *Works for Hire vs. Authorship*
 - Contract Interpretation in Royalty Disputes
 - Class, Mass, and Individual Actions
 - Antitrust and the Textbook Market
 - *Fair Use vs. Infringement*
 - Publishing and Non-Disclosure Agreements
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Works for Hire vs. Authorship

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Works for Hire vs. Authorship

Work for Hire

- Preferred by major publishers
- Facilitates acquisition and transfer of rights
- Defined by Copyright Act as (1) a work created by an employee *within the scope of his employment*, or (2) a “*specially ordered or commissioned*” work if it falls within nine enumerated categories and if *the parties agree to designate it as such*

Authorship

- Presumption based on creation
- Preferred by artists and artistic guilds
- Greater control for creatives
- Rights may be *assigned*
- Protects termination and moral rights

Categories of Works for Hire*

17 U.S.C. § 101(2)

*If so designated

- Contribution to a collective work
 - Part of a motion picture or other audiovisual work
 - Translation
 - Supplementary work
 - Compilation
 - Instructional text
 - Test
 - Answer material for a test
 - Atlas
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TD Bank NA v. Hill, 928 F.3d 259 (3d Cir. 2019)

- 2007 manuscript written (with some support) by Vernon Hill, Commerce Bank's CEO. Never published.
- "Resembled both an autobiography and a marketing tool"
- Commerce Bank executed a publishing agreement conveying rights to the Penguin Books.
- Hill guaranteed "the Work is a work for hire... and that the Author [Commerce] has full power and authority to enter into the Agreement."
- Relationship soured.
- 2012: Hill published a new book for a new bank.



TD Bank NA v. Hill, 928 F.3d 259 (3d Cir. 2019)

- Not a work for hire, but rather an *assigned manuscript*
- “The agreement need not comply with any formalities or invoke particular language to constitute an assignment; any writing will suffice as long as the assignor has, in some fashion, manifested **an intention** to make a present transfer of his rights to the assignee.”
- “Hill's commitments together convey an unmistakable intent to effect a present transfer of any interest he possessed...”
- “[I]n doubtful cases, a document should not be construed to divest an author completely of his ownership interest...”



Work for Hire vs Regular Publishing Contract

- It's not a work for hire unless the contract explicitly says so (unlike an employment situation, where it can be inferred). This distinction is important for preserving termination and reversion rights.
- Payment terms are separate from work for hire vs assignment -- either can be structured as a flat fee, or royalty-bearing, hybrid or other arrangement.

Contract Interpretation in Royalty Disputes

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"When I use a word," Humpty Dumpty said, in rather a scornful tone, "it means just what I choose it to mean—neither more nor less."

"The question is," said Alice, "whether you *can* make words mean so many different things."

"The question is," said Humpty Dumpty, "which is to be master—that's all."

-Lewis Carroll,
Through the Looking Glass



Typical Issues in Royalty Disputes

- Royalty allocations and apportionment
- Information rights and record-keeping
- Renegotiation of rights
- Changes in marketing and distribution practices
- *Unfair practices*
- Relief (damages, injunction, settlement)



Class, Mass, and Individual Actions

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Class, Mass, and Individual Actions

- Class vs. Mass vs. Individual
 - What's the difference?
 - Benefits and drawbacks of each
- Class Issues
 - Has it been certified?
 - Who is in?
 - How do I benefit?
 - Can I object? Opt-out?



Class Mass and Individual Actions

Class Actions

- *Flynn v. McGraw Hill*

- Alleges improper royalty payments/allocations to *Connect*
- Motion to dismiss pending based on definition of “Work”
- Class discovery going forward

- *Bernstein v. Cengage*

- Challenges improper allocation on MindTap and Cengage Unlimited
- Dismissed claim based on failure to pay royalties on “total net receipts”
- Upheld bad faith claim based on MindTap, not Cengage Unlimited
- Amendment granted to revise CU bad faith allegations

Antitrust and the Textbook Market

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McGraw-Hill / Cengage Merger

The Proposed Merger

- Announced in May 2019
- Would have combined the second and third-largest textbook publishers
- Could have lead to force reduction, consolidation and IPO
- Would have tested Cengage Unlimited model

Why Did it Fail?

- DOJ announced the termination in May 2020
- Concerns about anticompetitive impact of the merger
- Inability to agree on a divestiture package
- Concerns about digital strategies
- Acknowledgment that it would be bad for students

Fair Use vs. Infringement

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What is “Fair Use”?

- Exception to protections under the Copyright Act for original and derivative works
- Balances intellectual property rights of author with the ability of others to reference those works
- Factors considered
 - Purpose or character of the use (e.g., commercial or non-profit)
 - Nature of the copyrighted work
 - Amount and substantiality of work used
 - Effect of use on the market for the copyrighted work





1981 Goldsmith Photograph (left) and Sample Images from Warhol's "Prince" Series

The Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith, 19-2420 (2d Cir. 2021)

Fair Use

- *Purpose.* Transformed Prince “from a vulnerable, uncomfortable person to an iconic, larger-than-life figure.”
- *Nature.* “Commercial nature of a secondary use is of decreased importance when the use is sufficiently transformative such that the primary author should not reasonably expect to be compensated,” or where user serves a public purpose

Not Fair Use

- *Purpose.* Transformation “cannot turn merely on the stated or perceived intent of the artist or the meaning or impression that a critic ... draws from the work” Need a “fundamentally different and new” artistic purpose.
- *Nature.* “[T]hat a commercial non-transformative work may also serve the public interest or that the profits from its commercial use are turned to the promotion of non-commercial ends does not factor significantly” here.

The Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith, 19-2420 (2d Cir. 2021)

Fair Use

- *Nature.* The nature of the Prince Series was “highly transformative.”
- *Amount used.* “By cropping and flattening the Goldsmith Photography, thereby removing or minimizing its use of light, contrast, shading, and other expressive qualities, Warhol removed nearly all of its copyrightable elements.”
- Photographs occupy distinct markets

Not Fair Use

- *Nature.* The nature of the original Goldsmith photograph “is both unpublished and creative,” and was available for a single-use and publication.
- *Amount used.* “quantity of the materials used,” and “quality and importance in relation to the original work.” Copyright protects the way the author expresses an idea, not the idea itself.
- Could adversely affect licensing market

Publishing and Non-Disclosure Agreements

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TRIGGER WARNING



[Creative Commons: Gage Skidmore](#)

Trump v. Trump, 69 Misc. 285 (Sup. Ct. 2020)

- Sought to enjoin publication of Mary Trump's book based upon agreement from estate proceeding for Fred Trump, resolved in 2001 among family
- Agreement to seal the record and that "the public has no interest in the particular information involved in the 'global' resolution of their differences."
- S&S not a party and "not an agent"
- No improper payment and **no collusion**
- "The real possibility here is for S&S and the public To be irreparably harmed if the book was enjoined."
- "[A]lready previewed by millions."



Thank you!

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