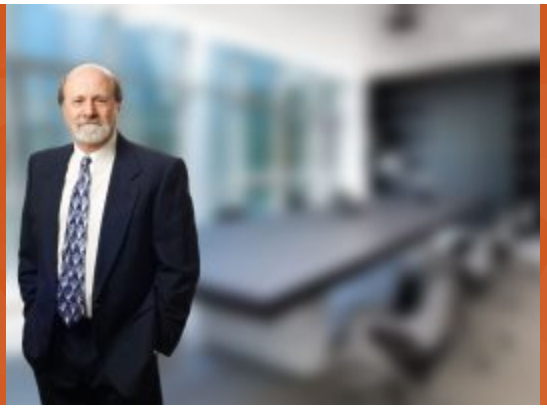
Common Publishing Legal Issues and How To Avoid Them

By:Howard G. Zaharoff
January 05, 2005



This article appears in Inside the Minds: Winning Legal Strategies for Publishing (Aspatore Books 2005)

Businesses of every type — from software and e-commerce companies, to biotech and life science ventures, to production and publishing businesses — have their own unique histories that derive from their founders' visions and personalities, historical and geographical factors, market challenges and the like. Still, companies in particular fields often experience common business and legal challenges. This may be particularly true of publishing companies, given the discrete areas of the law, particularly copyright and defamation, that apply to publishing companies and few others.

The following pages describe the legal issues facing most book publishers, provide ways to deal with common concerns, and offer case studies.

Common Legal Issues Facing Publishers

Although publishing ventures rely especially on copyright and defamation law, many other bodies of law apply, often with their own unique publishing spin. What follows is a list of the legal subjects and challenges regularly confronting publishers.

Copyright Challenges

The most valuable assets of most book publishers are the copyrighted contents of their books. It is copyright law, after all, that provides the framework that enables publishers to control content, which in turn enables them to make money by selling books and licensing subsidiary rights, such as serial, book club, foreign translation, adaptation (e.g., into drama, film, television, and multimedia), and merchandising (e.g., calendars, toys, and lunchboxes). Thus, a key legal challenge for publishers is to learn how to understand, exploit, and avoid infringing copyrights. For most publishers, the following are the key copyright issues.

1. *Author Grants.* The first step in the publishing process is to properly obtain rights from authors. This can be done in either of two ways. Most trade publishers become exclusive *licensees* of all (or a broad array of) the copyrights created by their authors. Most academic and professional publishers, on the other hand, prefer to be *assignees* of these copyrights, thereby acquiring a complete ownership interest. Despite these differences, virtually all publishers recognize the authors' right to recover their copyrights when their books go out of print and the publisher ceases to exploit these rights. Further, many publishers will allow authors to retain certain subsidiary rights, such as film/television, dramatic, and electronic rights.

Action Item: Implement (in cooperation with your legal team) good contracting practices so you can control the rights you need for profitability. (See further discussion below in Part I.B.1.)

2. *Copyright Procedures.* The second step for publishers is to protect the copyrights they control. This means using proper *copyright notices* on published works (including the international

copyright symbol ©, date of publication, and name of copyright owner) and, at least for significant works, copyright *registration* in the name of the owner. Copyright notices remind the world that the work is copyrighted and deny infringers the ability to argue that they infringed innocently. Copyright registration is a prerequisite to suing for infringement of works first published in the United States (or created by United States nationals) and provides other benefits, including the right to recover statutory damages and attorney fees for infringements occurring after registration (or after publication, provided the work is registered within three months of publication).

Action Item: Implement proper procedures, including notices and registration (where appropriate), to protect your valuable copyrights.

3. *Copyright Licenses.* A third related measure is to be precise and cautious in granting licenses to third persons. Not only must the publisher be sure it owns or controls the rights it licenses, but it must take care to draft clearly and grant narrowly so it never grants to a licensee more rights than intended.

Action Item: Be sure your professionals grant licenses only under written license agreements that clearly and precisely describe the rights granted, identify the licensee and address the license term, termination rules, and other standard issues. (See further discussion in I.B.2 below.)

4. *Protecting Against Infringement.* A fourth copyright measure is to implement procedures and train personnel so as to promote proper use and non-infringement of the rights of others. This includes both (i) "due diligence" inquiries of authors and, where appropriate, independent investigation of competing works and identified background sources, particularly where the manuscript contains substantial references or quotes from third-party materials, or where the topic is highly popular, and (ii) comprehensive and protective warranties and representations from authors that confirm there are no problems.

Though authors often balk at having to warrant that their works do not violate third-party rights, and at being required to indemnify publishers for breach, publishers need such "tough love" provisions to force authors to take these issues seriously. In general, once authors appreciate that they will be responsible for infringements (as well as defamation, privacy violations, and similar problems), they become more willing to cooperate with publishers in identifying potential issues and helping solve them in advance. In particular, publishers need assurance that authors have not incorporated third-party materials protected by copyright unless permission was obtained or the borrowing is a fair use. Understanding "fair use" is a challenge for all publishers, but has particular significance for publishers producing (i) parodies, commentary, and criticism, or (ii) books in which chapters begin with quotes or (shudder!) song lyrics.

5. *Internet and Electronic Uses.* One can't leave the topic of copyrights in publishing without noting the issues created by new electronic means of reproduction and distribution. The law has become more predictable over the last few years, largely resulting from some noteworthy cases, particularly *The New York Times v. Tasini*, 533 U.S. 483 (2001) (holding that reuse of freelancers' articles in text-only electronic databases is not authorized by the Copyright Act and therefore constitutes copyright infringement) and *Random House v. Rosetta Books*, 150 F. Supp.2d 613 (S.D.N.Y. 2001) (holding that the right to publish a work "in book form" does not convey the right to publish an electronic book). However, many uncharted territories remain. Perhaps the most important advice on this issue is that unless the contract is clear and specific, a publisher cannot assume it has the right to publish a book over the Internet, in e-book form, as a multimedia work, or otherwise electronically.

Action Item: Before making any online or other electronic use of a work, have your lawyers review your contract with the author to be certain you have the requisite rights; if not, develop a plan for obtaining these rights from the author.

Action Item: Have your lawyers review and, if appropriate, revise your standard contracts to assure you the control you need over your authors' electronic and multimedia rights.

Contract Challenges

A second set of legal challenges arises from the realm of contracts and licensing law. Several of

these have already been mentioned, but let us review them as a related set.

1. *Publishing Contracts*. First, as indicated above, a publisher's number-one priority is to be sure its contracts with authors are clear, comprehensive, and reasonable.

Regarding clarity and comprehensiveness, contracts with authors must clearly and comprehensively delineate the rights meant to be taken; assure the publisher rights to approve the final manuscript, edit the work, and select appropriate titles and covers (often in consultation with the author); specify submission deadlines; identify author warranties and liabilities (as discussed in Part I.A.4 above); permit the publisher to have the work revised and updated periodically if it is a work that requires currency; clearly state the publisher's own editorial and publication responsibilities (generally requiring it to publish the book within twelve to eighteen months of acceptance); and include appropriate option and non-competition requirements.

Regarding reasonableness: Being fair in your treatment of authors is a smart business practice that not only promotes good will with authors and agents, but also reduces the need for you and your editors to spend time defending and negotiating unreasonable clauses and improves the likelihood of your contract being upheld in court if challenged.

One specific issue of fairness that often arises concerns the rights acquired from authors (something I'm sensitive to, because I also work with authors). Savvy authors and their representatives, both lawyers and agents, can get very frustrated when publishers demand more rights than they can effectively exploit, particularly film and television rights. Therefore, if you have no intention or ability to market certain rights, at least consider whether it is fair to demand those from the author and potentially share in revenues you may do little or nothing to generate.

2. *Licensing Agreements*. Publishers can derive substantial revenues from subsidiary rights. If licensing is done incorrectly, however, the publisher can also shoot itself in the foot. To avoid problems, publishers and their lawyers should develop precise and well-tailored contracts that clearly define the rights granted and that do not, through inept drafting, permit the licensee to exercise rights it hasn't paid for, or worse, create a competitor.

3. *Distributor/Reseller Arrangements*. In dealing with their channels of distribution, publishers must appreciate how exclusive arrangements affect other opportunities: In general, publishers should avoid granting exclusives unless the license is terminable at will on short notice or incorporates minimum sales and revenue requirements. In addition, publishers should consider the interplay between the discounts it gives to distributors and the royalties it pays to authors. Indeed, if you promise huge discounts to distributors, you may need to reduce the royalty amount or percentage payable to your authors, or you could dramatically decrease your own returns.

Defamation, Privacy, and Publicity Issues

Another set of challenges to publishers comes from the shifting boundaries of the laws of privacy, publicity, and libel. Publishers can be sued for publishing false and defamatory statements and, sometimes, even just embarrassing private facts about individuals; and in our highly proprietary and litigious age, more and more references to individuals, living or deceased, bring claims of defamation, breach of privacy, or violation of publicity rights.

Primarily, these issues face publishers of nonfiction. However, they occasionally reach out and strike publishers of romans a clef and other fiction that mimics reality.

1. *Defamation Challenges*. A "defamation" is generally a false statement of fact about a living individual (though it may apply to deceased individuals in certain jurisdictions and, occasionally, to corporate entities) that holds the person up to ridicule or scorn. To guard against such problems, publishers need publishing contracts that require authors to take these issues

seriously. Often, their own lawyers should perform a due diligence review of the work. The main goal, especially when reporting on individuals who aren't public figures (since the law allows more leeway when discussing public figures), is to be able to demonstrate the truth of what's stated or at least show reasonable grounds for believing the statements are true.

2. *Privacy Rights.* A related issue concerns individuals' rights of privacy. Privacy is usually more of a challenge to publishers of newspapers and magazines, in which up-to-the-minute reporting may propel the disclosure of facts that should not be made public, including medical, financial, or other highly personal information. But really all publishers of nonfiction must be wary of disclosing personal information of a sensitive or embarrassing nature. (And this is in the United States, where the rules are relatively liberal; beware of disclosing personal information about foreigners or about Americans in works published outside the United States.) Where any such information is about to be published, consult with your lawyers to be sure you aren't at risk of violating a criminal or civil statute here or abroad.

3. *Publicity Rights.* Closely related is the right of publicity. (Technically, this is a subset of the "right of privacy" which, in legal terms, incorporates four related rights: publicity, intrusion, privacy, and false light.) Generally, the right of publicity prevents the commercial exploitation of the value of an individual's name and likeness. This right not only protects celebrities and others whose names and appearances have real commercial value, but also prevents the use of anyone's name or likeness in advertising or trade without their permission.

Action Item: Be sure your editors and other personnel are familiar with the above issues—defamation, privacy, and publicity—so they can spot potential problems in manuscripts under review.

Negligent Publication

An issue unique to books that provide instructions, directions, how-to information, self-help (especially medical), and other guidance is a claim of *negligent publication*. Although far less common than suits for infringement and defamation, many publishers have been surprised by claims that they are liable because people were injured following advice published in their books.

Although the First Amendment guaranty of freedom of the press makes it difficult for injured readers to hold publishers liable for their losses, such cases have been brought and occasionally won. Perhaps the most notorious was the1992 *Soldier of Fortune* case (more of an "unreasonable risk" case than an "ordinary negligence" case), in which the family of a man murdered by a hired assassin obtained a $4 million verdict against *Soldier of Fortune* magazine for publishing the advertisement by which the assassin was hired. Less dramatic cases include: Fodor's Travel Publications sued, unsuccessfully, for not warning readers of the dangerous surf conditions on a Hawaiian beach; G.P. Putnam's sued, unsuccessfully, for misidentification of a poisonous mushroom in its *The Encyclopedia of Mushrooms*, which caused two plaintiffs to become severely ill; and Rand McNally sued, this time successfully, for publishing a science textbook that contained an experiment that seriously injured a student.

Publishers of how-to and guidebooks have several strategies for dealing with these issues.

First, confirm that the author has the right expertise and credentials to qualify him or her to write the book. Also, determine how the author compiled the advice: Did she conduct her own trials and experiments? Did she consult with recognized authorities? Be sure you are confident that this author can be trusted to provide proper advice.

Second, be sure your publishing contract requires the author to be responsible for the safety and accuracy of the contents (and to indemnify the publisher where errors cause harm). Recommend that the author recheck the riskiest advice, especially if he, she, or you harbor any doubts.

Third, consider whether serious injury or health problems could arise from incorrect or unsafe content: If yes, *conduct at least a partial check for safety and accuracy on your own*. As with many things, from negligence to defamation, *due care from the outset is the best defense.*

Fourth, as a matter of good practice, but especially where risks can't be eliminated (for example, you can't guaranty that a person beginning an exercise program described in your book won't pull a muscle or suffer a heart attack), include conspicuous *warnings* that inform the reader of inherent risks and *disclaimers* that deny your responsibility and require readers to be responsible for the results of their actions (See Part II.D below). If the notice is not just a scary warning, but truly smart advice ("check with your physician before beginning this or any other exercise regimen"), you can prevent problems from even occurring…the best defense of all.

Finally, investigate whether insurance is available to cover against injury that arises from faulty advice or instructions. Shifting a substantial part of the risk to a financially solvent third party (which the author often is not) is a good way to protect yourself against catastrophic loss.

Case Studies

The author of this chapter has dealt with many of the above issues when issue-spotting and problem-solving for his publishing industry clients. The following case studies will bring many of the above issues to life, while illustrating ways they can be handled in the real world.

Copyright Infringement

Defensive. After publishing an entertainment guide, a publishing client ("Publisher A") received a letter alleging copyright infringement from the attorney for the author of a prior work on the same topic. The letter included a detailed checklist purporting to illustrate many instances of verbatim copying and obvious paraphrases. The letter demanded a cessation of publication, an accounting of sales, and the payment of substantial damages.

Upon preliminary review, it appeared that many of the allegations related to similarities in topics covered and organization of subjects, and that few involved verbatim copying of more than two- or three-word phrases.

To respond to this claim and demand, we moved along multiple paths.

First, we examined the publishing contract to see what representations and warranties the author had made concerning originality and non-infringement and what liabilities, indemnities, or other responsibilities the contract imposed on the author for violating these reps and warranties. I determined that, as with most book publishing contracts, the author had guaranteed that there was no infringement and had agreed that, if a claim of infringement was made, the publisher had the option of withholding royalty payments until the matter was settled. (Many publishers, including Publisher A, wouldn't do this for every claim; but since this claim seemed fairly serious, Publisher A decided to withhold a portion of the author's royalties to offset damages or settlement amounts it might have to pay. Although technically the contract would also have allowed Publisher A to use royalties to offset its legal defense costs, like many publishers it decided to treat those as a cost of doing business not to be imposed on the author—unless perhaps it was proven that the author had deliberately and fraudulently infringed the claimant's copyright.)

Second, I reminded Publisher A that it needed to comply with the notification requirements of the contract, to be certain that the author could not evade its indemnities on the grounds of improper notice. Therefore, despite the author having been informed of the claim by phone and letter, the publisher provided formal written notice.

Third, we reviewed Publisher A's insurance policies and provided notice of the claim to its insurer. The insurer was kept on the mail distribution list throughout negotiations, reviewed and approved all settlement offers, and ultimately paid a portion of the claim.

Fourth, I recommended that a detailed comparison be made, not only between the allegedly infringing and infringed books, but also of other books on the same topic. Because copyright

does not protect *scenes a faire* — that is, standard, commonplace, or necessary elements (like a gunfight or cattle drive in a western)—I hoped to find that many, if not all, of the similarities resulted from topical choices, turns of phrase, and particular advice common to many books in this field. Although my investigation supported this analysis, a few of the similarities remained hard to explain as either stock features or pure coincidence.

Fifth, in part because of this last conclusion, and in part because "substantial similarity" (a condition of infringement) and "scenes a faire" and "fair use" (important defenses) are such murky concepts that one almost always bears some risk of losing a copyright case, I recommended a three-part settlement strategy: (1) Continue to argue that the alleged similarities involved non-copyrighted ideas, topics, guidance, and phrases, (2) offer a reasonable settlement, and (3) ultimately, be prepared to offer the minimum statutory damages amount ($20,000 at the time) to take advantage of the position adopted by many courts that only a "successful" plaintiff is entitled to reimbursement for its legal fees. (This is a complicated technical point: Copyright law allows the recovery of both statutory damages and attorneys' fees for infringements of registered copyrights; but if a plaintiff wins less at trial than the amount offered by the defendant in settlement, many courts view the defendant as the prevailing party and will not award attorneys' fees to the plaintiff.)

Finally, as negotiations dragged on, I recommended that litigation counsel be consulted, particularly regarding the possibility of bringing a preemptive lawsuit in a jurisdiction that would be advantageous to Publisher A and less convenient to the claimant. In fact, litigation did not prove necessary, and we were finally able to settle the case at an amount in excess of the statutory minimum, but less than the client perceived would be at risk if it went to trial (the risk being attributable primarily to the hard-to-explain similarities).

Copyright Infringement

Offensive. A client, "Publisher B," discovered that portions of a successful children's book it published had appeared without permission in adapted form in a song collection produced by a third party. The solution proposed included several steps.

First, we needed to confirm—or implement—copyright registration. As noted above (see Part I.A.2), a work must be registered to bring suit for infringement (which we hoped would not be required), and better remedies are available for infringement of a copyrighted work. (Even better damage remedies are available for *willful infringement* of a registered work, of which we believed we had evidence.) Fortunately, the work was registered well before the infringement took place.

Second, we needed to collect sales data and comparable licensing data both to establish a value for rights to the work and to attempt to assess, at least for internal strategizing, what Publisher B might have charged for a license to such use of the work.

Third, we conducted a limited Internet search to see whether other parties had reproduced the work online and so may have been the source of the infringing work. This was directed mainly to the question of willfulness. Although we did find copies of the work displayed online without Publisher B's permission, these unauthorized reproductions properly identified the author and her claim of copyright; therefore, we believed that willfulness remained a live issue.

Fourth, I produced a demand letter to the several parties involved alleging unauthorized adaptation and reproduction of the work and infringement of Publisher B's rights, stressing willfulness and demanding cessation of the infringement and payment of damages and attorneys' fees. The letter produced an almost immediate response.

Fifth, a series of negotiations produced a satisfactory result: damages computed on a high but non-punitive basis; reimbursement of Publisher B's attorneys fees; a license to the producer for continued publication on reasonable terms (higher than a standard licensing negotiation would

have produced, but reasonable under the circumstances); attribution and copyright notices added to inventory and new printings; and, fortunately, preservation of the relationship for future dealings. (The parties are already discussing possible future collaborations based on Publisher B's works.)

Contract Clinic

In this case, I represented an individual with an unusual life story to tell. A small press had approached her and proposed finding a professional to ghostwrite her autobiography. She was interested in telling her story via a quality book; but the proposed publishing contract required the grant of film and television rights to the publisher. When the publisher refused to relinquish those rights, we became concerned that the publisher was more interested in exploiting the movie potential of her life than producing a good book. Negotiations halted.

Rather than watch the project die, I proposed a compromise whereby the publisher was granted movie rights, provided that if it hadn't made substantial efforts to exploit these rights within three years of publication, the author could terminate the grant. In addition, if the publisher did sell those rights, it had to use its best efforts to have the individual retained by the producer as a consultant on the production. This compromise enabled the project to proceed.

Negligent Publication

One client, "Publisher C," publishes a series of popular guides, and was preparing to expand the series with a book about handling common dangers. Upon reviewing the book, I was concerned that for many of the topics covered, incorrect instructions could result in significant injury. Publisher C was aware of the risks and prepared to accept them.

Fortunately, I'm a lawyer, not a publisher. (If all publishers were lawyers, many interesting books would never see the light of day.) I advised Publisher C that as long as it took reasonable care and had reason to believe the author had done so as well, it was unlikely it would be found liable, even if any of the guidance turned out to be mistaken. In addition, I reviewed the warning and disclaimer they proposed to include at the beginning of the book. Believing that its language made the book's advice seem too safe, I offered revisions intended to clarify the risks involved and the importance of readers taking due care when following the instructions.

Conclusion

As the above makes clear, in the real-world process of accepting, editing, publishing, licensing, and defending their products, book publishers face a host of legal issues, perhaps the most critical involving copyrights, contracts, defamation, privacy, and publicity laws. Other legal issues also arise, from negligence (and the related concept of "incitement") to trademarks and antitrust (neither of which were discussed in this chapter).

The best means of handling these issues is for the publisher, and its editors, advisors, and other personnel, to be familiar enough with them that procedures can be instituted from the outset to minimize the occurrence of problems and promote prompt resolution when they arise. Lawyers who know these laws and who appreciate the business climate in which publishers operate can be extremely helpful in both designing and implementing such measures, and in creatively resolving legal problems that slip through the net.

For more information on these publishing issues, please contact the author Howard G. Zaharoff.