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**AUTHORS VS. AUDIBLE: A FIGHT FOR THEIR RIGHTS**

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**ABSTRACT**

*In 2019, multiple book publishers sued Audible, Inc., the world's largest audiobook distributor and Amazon subsidiary for copyright infringement. The lawsuit centers on Audible's latest feature: Audible Captions. The Captions feature displays spoken words in real time using speech-to-text technology enabling the listener to visually follow the narration. The publishers argue that the visual text is an infringing derivative work. Audible argues that the parties' licensing agreement bars the suit and, regardless, Captions is a fair use. The parties announced a settlement in January 2020, but did not state whether Captions would be launched commercially. Regardless, this Note proposes that the Captions feature creates infringing works under 17 U.S.C § 106 that are not protected as fair use under 17 U.S.C. § 107.*

**INTRODUCTION**

Today, a single device can store movies, television shows, books, podcasts, games, news, and more.<sup>1</sup> The rise in smartphone usage has caused a growth in a previously underutilized section of the entertainment industry: audiobooks.<sup>2</sup> The American Foundation for the Blind procured the first "audiobooks" on vinyl

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<sup>1</sup> See Jennifer Maloney, *The Stars Align for Audiobooks: Thanks to the Ubiquity of Smartphones and Changes in Consumer Behavior, Audiobooks Have Become the Fastest-Growing Format in the Publishing Industry; In Response, Publishers Are Dramatically Expanding Their Offerings*, WALL ST. J., July 22, 2016, at D1.

<sup>2</sup> *Id.*

records in 1932.<sup>3</sup> Development in the industry continued slowly until new technology, such as cassette tapes and compact discs, spurred growth in the 1960s and 1980s, respectively. Today, thanks in large part to smartphones, digital audiobooks are the fastest growing format in the publishing industry.<sup>4</sup> In July 2019, The Association of American Publishers reported a 17.5 percent increase in total revenue for downloaded audiobooks compared to July 2018.<sup>5</sup> In comparison, hardback, paperback, and eBooks only saw a 4.7%, 4.3%, and 0.4% increase in revenue, respectively.

As of 2018, at least 50 percent of Americans listen to audiobooks.<sup>6</sup> Incidental to the rise in their popularity, more people have begun listening to audiobooks in their cars rather than in their homes.<sup>7</sup> Additionally, some note that audiobook popularity has grown with “the multitasking nature of consumers.”<sup>8</sup> People listen to audiobooks while exercising, doing household chores, commuting, or working.<sup>9</sup> The increasing number of actors recruited to narrate stories has also contributed to the rise in audiobook popularity.<sup>10</sup> A-list celebrities including Reese Witherspoon, James Franco, Meryl Streep, Nick Offerman, and Scarlett Johansson, have been “cast” for audiobook recordings. While the aforementioned actors read for classic works, such as “The Adventures of Tom Sawyer” or “Slaughterhouse-Five,” many celebrities-turned-authors are reading their own memoirs. This list includes Trevor Noah, Amy Poehler, Tina Fey, and Shonda Rimes.<sup>11</sup> The Audio Publishers Association (“APA”) has

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<sup>3</sup> Alison Thoet, *A short history of the audiobook, 20 years after the first portable digital audio device*, PBS NEWS (Nov. 22, 2017), <https://www.pbs.org/newshour/arts/a-short-history-of-the-audiobook-20-years-after-the-first-portable-digital-audio-device>.

<sup>4</sup> Maloney, *supra* note 1.

<sup>5</sup> *StatShot: Publisher Revenue at \$1.9 Billion for July 2019, Up 5.9% as Compared to July 2018*, ASS’N OF AM. PUBLISHERS (Oct. 1, 2019), <https://newsroom.publishers.org/statshot-publisher-revenue-at-19-billion-for-july-2019-up-59-as-compared-to-july-2018/>.

<sup>6</sup> See Press Release, Michele Cobb, Executive Director, Audio Publishers Assoc., Consumer Survey Results (Apr. 24, 2019), <https://www.audiopub.org/uploads/pdf/Consumer-Survey-Press-Release-2019-FINAL.pdf>.

<sup>7</sup> *Id.*

<sup>8</sup> Maloney, *supra* note 1.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

not determined an exact correlation between celebrity narrations and audiobook usage but notes that “[p]ublishers report seeing a positive impact or they wouldn’t repeat it.”<sup>12</sup>

The audiobook boom has led to increased industry competition. Audible Inc. (“Audible”) is the world’s largest seller and producer of audiobooks.<sup>13</sup> As part of the company’s attempt to differentiate itself from competitors, Audible developed “speech-to-text” technology that created live captions to accompany audiobook narrations.<sup>14</sup> The company now faces litigation because of this frontline technology.

On August 23, 2019, seven publishing houses (“Publishers”) sued Audible for copyright infringement in the United States District Court for the Southern District of New York. The Publishers alleged Audible’s new feature, Audible Captions (“Captions”), infringed the copyright of their authors’ works because it displays words on a screen during audiobook narration.<sup>15</sup> Audible insisted the feature was quintessential fair use.<sup>16</sup> Moreover, Audible argued their licensing agreement barred the licensor from suing for infringement.<sup>17</sup> However, the Publishers believed the new feature was outside the scope of the licensing agreement and, therefore, infringed on their copyrighted works.<sup>18</sup> The Publishers sought to enjoin Audible from releasing the new feature.<sup>19</sup>

In January 2020, the parties entered into a settlement agreement.<sup>20</sup> While the full settlement agreement is not yet

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<sup>12</sup> *Id.*

<sup>13</sup> AUDIBLE, <https://www.audible.com/about/our-company/> (last visited April 23, 2020)

<sup>14</sup> Andrew Albanese & Jim Milliot, *In Captions Settlement, Audible Will Not Use AAP Member Content Without Permission*, PUBLISHERS WEEKLY (Feb. 7, 2020), <https://www.publishersweekly.com/pw/by-topic/digital/copyright/article/82370-in-final-settlement-audible-agrees-to-limit-its-captions-program.html> [hereinafter “Albanese & Milliot”].

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *See generally* Defendant’s Motion to Dismiss, *Chronicle Books, LLC v. Audible, Inc.*, No. 1:19-cv-07913 (S.D.N.Y. 2019).

<sup>18</sup> *See id.*

<sup>19</sup> Albanese & Milliot, *supra* note 14.

<sup>20</sup> *Id.*

available, some details have been made public.<sup>21</sup> Audible is “permanently restrained, enjoined, and prohibited” from using Captions for any of the Publishers’ works.<sup>22</sup> However, the agreement does not prevent Audible from generating captions for text in the public domain.<sup>23</sup>

This note discusses the merits of the case between the Publishers and Audible. Part I explains the modern framework of the U.S. Copyright system, emphasizing the role technology has played in the formation of copyright law. Next, Part II lays out the Publishers’ copyright claims against Audible and provides a summary of Audible’s potential defenses. Finally, Part III analyzes the merits of the infringement claims against Audible and predicts the likely outcome of a fully litigated case.

## I. COPYRIGHT LAW IN THE UNITED STATES

### A. HISTORY OF COPYRIGHT LAW IN THE UNITED STATES

Copyright law is rooted in the Constitution, specifically, in Article I, Section 8 “to promote the progress of science and useful arts.”<sup>24</sup> Congress has the power to secure “for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”<sup>25</sup> From its inception, “copyright law has developed in response to significant changes in technology.”<sup>26</sup> For example, the earliest forms of legal protection for an author’s creative work arose in connection with the invention of the printing press.<sup>27</sup> Ever since, many of the amendments Congress has made to copyright law were made in response to a continuously developing technological landscape.<sup>28</sup>

Since the enactment of the first U.S. copyright laws, Congress and the courts have faced the challenge of adapting copyright protections in the wake of steadily progressing technologies. The past century has seen copyright issues arise in

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<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 430 (1984).

<sup>28</sup> *Id.* at 431.

response to photographs, motion pictures, television, video games, online search technology, and more. However, the question remains the same: How does copyright law continue to serve its purpose despite the ever expanding access the public has to copyrighted work through technology? A copyright is a grant of limited monopoly privilege over a work to that seeks to encourage the creative activity of authors without discouraging innovation.<sup>29</sup> Copyright serves the greater purpose of bestowing the public with access to creative works and promoting the dissemination of knowledge.<sup>30</sup>

Today, the Copyright Act of 1976 (“Act”), as amended, governs copyright law.<sup>31</sup> The Act greatly expanded the scope of copyright protection. The Act protects any work of authorship fixed in a tangible medium of expression.<sup>32</sup> Protection begins at fixation and, for known authors, spans for the life of the author plus 70 years.<sup>33</sup>

## B. OBTAINING AND OWNING A COPYRIGHT

### 1. *OBTAINING A COPYRIGHT*

The Act consists of fourteen chapters, the first of which defines the general subject matter of copyright and its limitations.<sup>34</sup> The statutory language lays out three separate requirements for a work to qualify for copyright protection: (1) a work of authorship; (2) that is original; and (3) fixed in a tangible medium.<sup>35</sup> The statute defines works of authorship to include literary works, musical works, dramatic works, pantomimes and choreographic works, pictorial, graphic, and sculptural works, motion pictures, sound recordings, and architectural works.<sup>36</sup>

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<sup>29</sup> *Id.* at 429.

<sup>30</sup> *Id.*

<sup>31</sup> *See id.*

<sup>32</sup> *See id.*

<sup>33</sup> Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended at 17 U.S.C. §§ 101-1101). The act originally granted protection for life plus 50 years but was amended in 1998 to life plus 70 years. *See id.*

<sup>34</sup> *See id.*

<sup>35</sup> *Id.* § 102.

<sup>36</sup> *Id.*

Although the statute imposes an originality requirement on a work of authorship, it fails to define “originality.”<sup>37</sup> However, Supreme Court case law establishes two distinct requirements for an original work. First, the work must be an independent creation of the author.<sup>38</sup> Second, the work must be minimally creative.<sup>39</sup>

Lastly, the statute requires a work to be “fixed” to receive copyright protection.<sup>40</sup> A fixation requirement is necessary because it would be difficult to prove creation or infringement without fixation. Unlike originality, the statute defines the fixed requirement as “[a] work [that] is ‘fixed’ in a tangible medium of expression when its embodiment in a copy . . . is sufficiently stable to permit it be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”<sup>41</sup> However, a lack of statutory guidance regarding the meaning of the phrases “sufficiently stable” and “transitory duration” within the definition for “fixed” has led to judicially created definitions. For example, the United States Court of Appeals for Second Circuit has held audiovisual work in a video game is fixed because of “the repetitive sequence of a substantial portion of the sights and sounds” despite differences during each game play.<sup>42</sup>

## 2. OWNERSHIP OF A COPYRIGHT

In general, the author of the copyrighted material is the owner of the copyright. However, the Act has carved out exceptions to this generalization. One such exception lies within the work-made-for-hire doctrine. If an employee creates work for an employer, the employer is the legal author and, therefore, owns the copyright.<sup>43</sup> Another exception lies with works that have more than one author. If more than one author creates a single work, both authors jointly own the copyright. The Copyright Act defines joint works as works “prepared by two or more authors with the intention that their contributions be merged into inseparable or

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<sup>37</sup> *See id.* § 101.

<sup>38</sup> *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991).

<sup>39</sup> *Id.*

<sup>40</sup> 17 U.S.C. § 102.

<sup>41</sup> *Id.* § 101.

<sup>42</sup> *Stern Elecs., Inc. v. Kaufman*, 669 F.2d 852, 854 (2d Cir. 1982).

<sup>43</sup> 17 U.S.C. § 101.

interdependent parts of a unitary whole.”<sup>44</sup> Each author owns an equal part of the copyright whether their contributions were equal.

Copyright ownership rights are transferable. Section 201(d)(2) of the Act permits a copyright owner to transfer any or all of six exclusive rights to a third party and still retain ownership of the other rights.<sup>45</sup> Thus, copyright interests are divisible. A copyright owner may transfer their ownership rights through a license or an assignment. An assignment is a transfer of all rights in the work. A license is a transfer of anything less than the entire copyright and can limit the scope, duration and exclusive right of the transferred copyright interest. Section 204 requires exclusive transfers of copyright interests to be in writing, while it does not require the same for non-exclusive licenses.<sup>46</sup> However, the written contract often creates problems of interpretation when ambiguities arise.

Most notably, disputes arise with new technologies. New-use problems have continuously perplexed courts.<sup>47</sup> A new-use problem is whether licensees can capitalize on licensed works through new markets that technological advances created by technologies that arose after the licensing agreement.<sup>48</sup> Courts are not in accord on the answer to this question. In *Boosey & Hawkes Music Publr. v. Walt Disney Co.*, the Second Circuit contemplated whether a motion picture license covers distribution in video format.<sup>49</sup> Under the principles of contract law, the court held that the license included the right to distribute in video format because the terms of the license were more reasonably read to include the right than to exclude it.<sup>50</sup> Notably, the court reasoned an interpretation of a new-use license must contemplate “the foreseeability of new channels of distribution at the time of contracting” and the burden is placed on the grantor to exclude such possibilities.<sup>51</sup> While the court recognized their conclusion

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<sup>44</sup> *Id.*

<sup>45</sup> 17 U.S.C. § 20.

<sup>46</sup> *Effects Assocs. v. Cohen*, 908 F.2d 555, 558 (9th Cir. 1990).

<sup>47</sup> *Boosey & Hawkes Music Publr., Ltd. v. Walt Disney Co.*, 145 F.3d 481,486 (2d Cir. 1998).

<sup>48</sup> *Id.*

<sup>49</sup> *Id.* at 485–86.

<sup>50</sup> *Id.* at 487.

<sup>51</sup> *Id.* at 486; *see also* *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150, 155 (2d Cir. 1968) (holding that when a license includes

deprived the author-licensor of profits from unforeseen channels of distribution, it found this result more palatable than depriving a contracting party of rights reasonably found in the contract.<sup>52</sup>

However, a court in the same circuit reached the opposite conclusion when a similar issue presented itself in 2001. In *Random House v. Rosetta Books*, the question was whether a contract granting the plaintiffs the right to “print, publish and sell the work[s] in book form” encompassed the right to sell eBooks.<sup>53</sup> The court held that it did not.<sup>54</sup> As such, the defendants were infringing the plaintiffs’ rights because the licensing agreements did not grant digital or electronic rights.<sup>55</sup> Again, the court came to this conclusion using principles of contract interpretation.<sup>56</sup> Years prior, in *Cohen v. Paramount Pictures Corp.*, the United States Court of Appeals for the Ninth Circuit came to a similar conclusion, reasoning “the holder of the license should not now ‘reap the entire windfall’ associated with the new medium.”<sup>57</sup> Here, the court argued granting the licensee rights to the works in a new medium would frustrate the purpose behind copyright incentivizing the production of new creative works.<sup>58</sup>

### C. EXCLUSIVE RIGHTS & INFRINGEMENT

The Copyright Act lays out the six exclusive rights of a copyright owner in 17 U.S.C. § 106. The rights allow an author or owner of a copyright to exclude others from using the work in certain ways.<sup>59</sup> Further, the exclusive rights permit the owner to do or to authorize others to make use of the work in those ways.<sup>60</sup> These rights are (1) to reproduce the copyrighted work in copies,

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a grant of rights that is reasonably read to cover a new use, at least where the new use was foreseeable at the time of contracting).

<sup>52</sup> *Boosey & Hawkes*, 145 F.3d at 487.

<sup>53</sup> *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613, 614 (S.D.N.Y. 2001).

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* at 24.

<sup>57</sup> *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 852 (9th Cir. 1988) (holding that the license did not give the right to use a musical composition in videocassette sold to the public).

<sup>58</sup> *Id.* at 855.

<sup>59</sup> *See* 17 U.S.C. § 106.

<sup>60</sup> *Stern Elecs., Inc. v. Kaufman*, 669 F.2d 852, 852 (2d Cir. 1982).



(2) to prepare derivative works based upon the copyrighted works, (3) to distribute copies to the public by sale or other transfer, (4) to perform the copyrighted work publicly, and (5) to display the copyrighted work publicly.<sup>61</sup> The Digital Performance Right in Sound Recordings Act of 1995 added the sixth right, the right to perform copyrighted sound recordings publicly by means of a digital audio transmission, to 17 U.S.C. § 106.<sup>62</sup> The limitations on these exclusive rights are set forth in 17 U.S.C. § 107 through § 122. Each exclusive right is independent and may transfer individually without affecting the other rights.

Infringement occurs if there is a violation of any one of the exclusive rights.<sup>63</sup> A claim for infringement requires two elements: (1) ownership of a valid copyright and (2) copying of constituent elements of the work that are original.<sup>64</sup>

### 1. *TO REPRODUCE THE WORK*

The right of reproduction is the most obvious grant of copyright protection. It allows the owner to exclude others from making copies of his or her work. 17 U.S.C. § 106 (1) grants the owner the right “to reproduce the copyrighted work in copies.”<sup>65</sup> Two elements are required to establish infringement on the right of reproduction: (a) that defendant copied from plaintiff’s copyrighted work and (b) that the copying went too far as to constitute improper appropriation.<sup>66</sup>

First, copying assumes the creation of a tangible copy. The Act defines “copies” as “material objects . . . in which a work is *fixed* by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.”<sup>67</sup> A work is “fixed” in a tangible medium when it is “sufficiently permanent . . . to be perceived . . . for a period of

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<sup>61</sup> 17 U.S.C. § 106.

<sup>62</sup> *Id.*

<sup>63</sup> 17 U.S.C. § 501.

<sup>64</sup> *Feist Publ’n, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991).

<sup>65</sup> 17 U.S.C. § 106.

<sup>66</sup> *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946).

<sup>67</sup> 17 U.S.C. § 101 (emphasis added).

more than transitory duration.”<sup>68</sup> Thus, two requirements surfaced: (1) embodiment and (2) duration.<sup>69</sup> If these two requirements are not met, the work is not “fixed” in a medium and, thus, not a copy.<sup>70</sup> Without a copy, the right to reproduction is not infringed.

Historically, adversaries rarely disputed fixation in the context of the right of reproduction. As literary works existed only in tangible form, such as a book or newspaper, a copy was necessarily fixed. Technology has changed how we create, share, and store our creative works. As a result, establishing when a work is sufficiently fixed as to create a copy is more difficult. Is a temporary digital copy fixed? The Ninth Circuit considered this question in *MAI Sys. Corp. v. Peak Computer, Inc.*<sup>71</sup> Peak loaded MAI’s copyrighted software onto a computer’s RAM to maintain its customer’s computers.<sup>72</sup> The court held “that the loading of software into the RAM create[d] a copy under the Copyright Act.”<sup>73</sup> The court reasoned the temporary copy could be “perceived, reproduced or otherwise communicated” because Peak was able to view the system errors and diagnose the problem when the software was loaded onto the RAM,<sup>74</sup> thus, satisfying the Act’s embodiment requirement. The court did not discuss the duration requirement in this case.<sup>75</sup>

However, the Second Circuit has also evaluated the duration requirement. In *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, content providers alleged a cable company’s remote storage digital recorder system infringed their right to reproduce their protected works.<sup>76</sup> The system worked by routing a stream of data through a complex system including a buffer.<sup>77</sup> At issue was whether buffering the data from a copyrighted work

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<sup>68</sup> *Id.*

<sup>69</sup> *Cartoon Network LLP v. CSC Holdings, Inc.*, 536 F.3d 121, 127 (2d Cir. 2008).

<sup>70</sup> *Id.*

<sup>71</sup> *MAI Sys. Corp. v. Peak Comput., Inc.*, 991 F.2d 511, 511 (9th Cir. 1993).

<sup>72</sup> *Id.* at 518

<sup>73</sup> *Id.*

<sup>74</sup> *Id.*

<sup>75</sup> *Cartoon Network LLP v. CSC Holdings, Inc.*, 536 F.3d 121, 127 (2d Cir. 2008) (noting that the MAI system did not discuss or analyze “transitory duration”).

<sup>76</sup> *Id.* at 123.

<sup>77</sup> *Id.* at 124–25.

reproduced a copy of the work. The court held the RS-DVR system did not infringe the right to reproduce.<sup>78</sup> Although the court found the works were embodied in the buffer, the data remained there only for a “transitory” period. Before overwriting the data, the buffer held it for no more than 1.2 seconds.<sup>79</sup> As such, the system did not create copies because it failed the duration requirement.<sup>80</sup>

Once the court determines a copy exists, it must determine if copying actually occurred. Either direct evidence, like an admission, or circumstantial evidence can prove copying.<sup>81</sup> Circumstantial evidence is usually evidence of similarities between the works combined with evidence of the infringing party’s access to the protected works.<sup>82</sup> After copying is established, the issue of improper appropriation arises.<sup>83</sup> Improper appropriation is when an ordinary observer would find the works substantially similar.<sup>84</sup>

## 2. TO PREPARE DERIVATIVE WORKS

While the right to reproduce copyrighted works may be the most obvious, the right to prepare derivative works may be the most valuable.

Protection for derivative works originates from the 1870 Copyright Act (“1870 Act”).<sup>85</sup> In the 1870 Act, Congress created protection for translations and dramatizations in response to the U.S. Supreme Court’s decision in *Stowe v. Thomas*.<sup>86</sup> At issue in *Stowe v. Thomas* was whether a German translation of Harriet Beecher Stowe’s book, *Uncle Tom’s Cabin*, violated copyright law.<sup>87</sup> Decided in 1853, the Court held the translation was not a violation

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<sup>78</sup> *Id.* at 140.

<sup>79</sup> *Id.* at 125.

<sup>80</sup> *Id.*

<sup>81</sup> *Arnstein v. Porter*, 154 F.2d 464, at 468 (2d Cir. 1946).

<sup>82</sup> *Id.*

<sup>83</sup> *Id.*

<sup>84</sup> *Id.*

<sup>85</sup> See JANE C. GINSBURG & ROBERT A. GORMAN, COPYRIGHT LAW 148 (Foundation Press, 2012) [hereinafter “GINSBURG”].

<sup>86</sup> *Stowe v. Thomas*, 23 F. Cas. 201, 201–04 (C.C.E.D. Pa. 1853).

<sup>87</sup> *Id.*

of copyright law because it only took the novel's idea.<sup>88</sup> In the opinion, the Court quickly set aside the notion that a translation constitutes a transcript or copy of the book. The Court reasoned an author's only exclusive property in her work is not her conceptions or inventions, but her right to reproduce exact copies and profit therefrom.<sup>89</sup> The Court notes that an author, as the inventor of the ideas and the expression, is the exclusive possessor of her work prior to publication. However, the Court goes on to suggest publication necessarily surrenders the author's "thoughts, sentiments, knowledge or discoveries to the world."<sup>90</sup> The Court also emphasized the substantial intellectual effort a translator contributes in preparing the derivative work as reasoning for the decision.<sup>91</sup> Ultimately, Congress overruled this decision with the enactment of the 1870 Act, establishing the first rights in some types of derivative works.<sup>92</sup>

The 1976 Act further solidified protection for derivative works. Section 106(2), also referred to as the "adaptation right," gives the owner exclusive rights "to prepare derivative works based upon the copyrighted work."<sup>93</sup> Section 101 defines a "derivative work" as:

a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work."<sup>94</sup>

Granting authors or owners the exclusive right to prepare derivative work is both economically and morally justifiable. Economically speaking, the right to prepare derivative works is

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<sup>88</sup> *Id.* at 208.

<sup>89</sup> *Id.* at 207.

<sup>90</sup> *Id.* at 206.

<sup>91</sup> *Id.* at 207.

<sup>92</sup> GINSBURG, *supra* note 85, at 148

<sup>93</sup> 17 U.S.C. §106(2).

<sup>94</sup> *Id.* § 101.

valuable. This value is derived from the ability to license.<sup>95</sup> For example, an author of a book could allow a third party to create a movie, artwork, theater performance, audiobook, sequel, or translation, by way of a license. Thus, the financial incentive to create a new work is great because of the profit available in licensing the rights to derivative works.<sup>96</sup> Moreover, derivative works may so similarly resemble the original work that they may substitute or replace the original work in the marketplace.<sup>97</sup> Having rights over derivative work allows authors to maintain control of their original work in the market. Moral justifications also exist for the adaptation right also exist. Following a natural rights theory of copyright, which provides that an individual who has created a product should be entitled to full property rights in the product, the adaptation right protects an author's full interest in his or her work.<sup>98</sup> The adaptation right allows an author to retain control over the integrity and public perception of his or her work.<sup>99</sup>

As with other areas of copyright, technology is creating new challenges that affect the scope of protection provided by 17 U.S.C. § 106(2). In the past, a derivative work was not required to be fixed in tangible medium.<sup>100</sup> However, the Ninth Circuit parted from that line of reasoning in *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*<sup>101</sup>

In *Lewis Galoob*, Nintendo, the copyright owner, appealed the district court's holding that the alleged infringer's device, Game Genie, did not violate copyrights.<sup>102</sup> The Game Genie allowed a video game player to alter features of a Nintendo game temporarily.<sup>103</sup> It did not alter stored data.<sup>104</sup> The Ninth

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<sup>95</sup> GINSBURG, *supra* note 85, at 150.

<sup>96</sup> Lydia P. Loren, *The Changing Nature of Derivative Works in the Face of New Technologies*, 4 J. SMALL & EMERGING BUS. L. 57, 59 (2000); *see also* Kelly M. Slavitt, *Fixation of Derivative Works in a Tangible Medium: Technology Forces a Reexamination*, 46 IDEA 37, 98 (2005).

<sup>97</sup> Slavitt, *supra* note 96 at 47.

<sup>98</sup> *Id.*

<sup>99</sup> *Id.*

<sup>100</sup> *Id.* at 53.

<sup>101</sup> 964 F.2d 965, 967 (9th Cir. 1992).

<sup>102</sup> *Id.*

<sup>103</sup> *Id.*

<sup>104</sup> *Id.*

Circuit held the displays created by the Game Genie were not derivative works.<sup>105</sup> The court reasoned the game alterations did not “incorporate a portion of a copyrighted work in some concrete or permanent form.”<sup>106</sup> Moreover, the court concluded the Game Genie enhanced, rather than incorporated, the copyrighted Nintendo game.<sup>107</sup> The court in *Lewis Galoob* recognized the balance between copyright protection and innovation, noting “stretching that definition [of derivative works] further would chill innovation and fail to protect society’s competing interest in the free flow of ideas, information and commerce.”<sup>108</sup>

### 3. TO DISTRIBUTE COPIES OF THE WORK

A copyright owner has the exclusive right to distribute their work to the public.<sup>109</sup> Courts have discussed what it means to “distribute” the work, recognizing the Act’s lack of definition for “distribute”.<sup>110</sup> However, the Act indirectly defines distribution in its definition of “publication”:

[T]he distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.<sup>111</sup>

Courts are divided on how to interpret this definition. For example, New York courts find that the definition of “distribute” is synonymous with the definition of “publication”<sup>112</sup> On the other

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<sup>105</sup> *Id.* at 968.

<sup>106</sup> *Id.*

<sup>107</sup> *Id.*

<sup>108</sup> *Id.* at 969. (citing *Sony Corp. of America v. Universal Studios, Inc.*, 464 U.S. 417, 429 (1984)).

<sup>109</sup> 17 U.S.C. § 106(3).

<sup>110</sup> *See Elektra Entm’t Grp., Inc. v. Barker*, 551 F. Supp. 2d 234, 240 (S.D.N.Y. 2008); *London-Sire Records, Inc. v. Doe 1*, 542 F. Supp. 2d 153, 168 (D. Mass. 2008).

<sup>111</sup> 17 U.S.C. § 101.

<sup>112</sup> *Elektra*, 551 F. Supp. 2d at 244.

hand, Massachusetts courts hold that “publication” and “distribution” are not identical.<sup>113</sup>

Regardless of how a court defines “distribution,” introduction of technology into this space brought into question whether to limit the right to distribute to physical, tangible objects. In *London-Sire Records v. Doe 1*, the plaintiff record companies brought suit against forty anonymous defendants alleging their use of peer-to-peer software to download and distribute music infringed the plaintiffs’ exclusive right to reproduction and distribution.<sup>114</sup> The defendants argued the distribution right was limited to physical objects and electronic file-sharing was outside the scope of the right.<sup>115</sup> The court concluded that “[a]n electronic file transfer is plainly within the sort of transaction that 17 U.S.C. § 106(3) was intended to reach.”<sup>116</sup>

The court reached this conclusion by examining whether an electronic file is a material object and whether the transmission of an electronic file is a distribution within the meaning of the statute.<sup>117</sup> First, the court found materiality referred to “a medium in which a copyrighted work can be ‘fixed,’” rather than “a tangible object with a certain heft.”<sup>118</sup> This definition distinguished between the original work and the numerous material objects in which it can be embodied.<sup>119</sup> Next, the court looked at the scope of the distribution right. The defendants argued an electronic transfer did not divest the sending computer of its file.<sup>120</sup> Thus, the transaction was outside the scope of distribution because there was no transfer of ownership as described in 17 U.S.C. 106(3).<sup>121</sup> The court was unpersuaded, and reasoned that 17 U.S.C. § 106(3) is about creating ownership in someone else rather than the distributor’s ability to retain ownership.<sup>122</sup>

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<sup>113</sup> *London-Sire Records*, 542 F. Supp. 2d at 169.

<sup>114</sup> *Id.* at 159.

<sup>115</sup> *Id.* at 169.

<sup>116</sup> *Id.* at 173.

<sup>117</sup> *Id.* at 171-73.

<sup>118</sup> *Id.* at 171.

<sup>119</sup> *Id.* at 170.

<sup>120</sup> *See id.* at 172

<sup>121</sup> *Id.*

<sup>122</sup> *Id.* at 174.

#### 4. *TO PERFORM AND DISPLAY THE WORK PUBLICLY*

17 U.S.C. § 106(4), (5) give a copyright owner the right to perform and display the work publicly. The Act defines “to perform” as “to recite, render, play, dance, or act [a work] by means of any device.”<sup>123</sup> Further, it defines “publicly” as “a place open to the public or at any place where a substantial number of persons . . . is gathered.”<sup>124</sup> To perform a work publicly also includes:

[T]o transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.<sup>125</sup>

Also known as the Transmit Clause, the Supreme Court expounded upon this language in *ABC, Inc. v. Aereo Inc.* Aereo used a system of servers, transcoders and antennas to offer subscribers broadcast television over the internet.<sup>126</sup> Each subscriber streamed data from a separate and individualized antenna.<sup>127</sup> Plaintiffs owned the copyrighted works that made up most of the streamed programming.<sup>128</sup> Plaintiffs argued Aereo’s service infringed their right to perform works publicly.<sup>129</sup> The Court’s inquiry was twofold. First, did Aereo “perform”? And, if so, did Aereo do so “publicly”?<sup>130</sup>

First, the Court concluded Aereo was not just an equipment supplier and Aereo did, in fact, perform.<sup>131</sup> The Court reasoned Aereo’s services were similar to services that cable companies provided.<sup>132</sup> The Court resolved that Congress’ intent was “to bring the activities of cable systems within the scope of

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<sup>123</sup> 17 U.S.C § 101.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

<sup>126</sup> *ABC, Inc. v. Aereo, Inc.*, 573 U.S. 431, 436–37 (2014).

<sup>127</sup> *Id.*

<sup>128</sup> *Id.*

<sup>129</sup> *Id.* at 437.

<sup>130</sup> *Id.*

<sup>131</sup> *Id.* at 442.

<sup>132</sup> *Id.* at 439.



the Copyright Act,” and, thus, could not exclude Aereo’s system.<sup>133</sup>

Next, the Court considered whether Aereo performed publicly. Arguing against a finding of public performance, Aereo emphasized the individualized nature of each transmission.<sup>134</sup> No two subscribers received the same transmission.<sup>135</sup> Unpersuaded, the Court held Aereo transmitted a performance of the copyrighted works to the public.<sup>136</sup> The Court found little difference between transmitting via personal copies or the same copy. If multiple people received the same program, then Aereo performed the work publicly.<sup>137</sup> The Court concluded that Aereo’s subscribers were considered “the public” within the meaning of the Act.<sup>138</sup> Moreover, the Court noted “the public need not be situated together, spatially or temporally.”<sup>139</sup> Thus, the fact that subscribers received programs in various locations did not defeat a finding of public performance.<sup>140</sup>

#### D. DEFENSES

An alleged copyright infringer has several options to defend their unauthorized copying. First, the alleged infringer can argue the implicated copyright does not, or should not, exist because it fails to comply with statutory requirements. An alleged infringer can also overcome an infringement claim by offering evidence either that their work was independently created or their work lacks substantial similarity to the copyrighted work. Additionally, several statutory limitations to the use of copyrighted works that can serve as defenses. One of the most asserted defenses is fair use.

##### 1. *FAIR USE*

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<sup>133</sup> *Id.* at 444.

<sup>134</sup> *Id.* at 445–46.

<sup>135</sup> *Id.* at 446.

<sup>136</sup> *See id.* at 448.

<sup>137</sup> *Id.*

<sup>138</sup> *Id.*

<sup>139</sup> *Id.*

<sup>140</sup> *Id.*

The notion some unauthorized copying may be permissible when it “promote[s] the Progress of Science and useful Arts” has been around for hundreds of years.<sup>141</sup> However, the doctrine of fair use was not statutorily recognized until the 1976 Copyright Act.<sup>142</sup> Fair use is an affirmative defense to a copyright infringement claim.<sup>143</sup> The burden to prove the use is on the alleged infringer. The fair use doctrine is a flexible standard that requires courts to weight four factors.<sup>144</sup> These factors are (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 copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyright work.<sup>145</sup>

Determination of fair use is a highly factual analysis that aims to define the boundary limit of the author’s exclusive rights in order to best serve the overall objectives of copyright law to expand public learning while protecting the incentives of authors to create for the public good.<sup>146</sup> While courts consider all the factors in totality, historically, they have given the most weight to the first and fourth factors.<sup>147</sup>

The first factor examines two elements: the broader purpose and character of the work and the commercial nature of the use.<sup>148</sup> Courts have found the first factor favors works with transformative uses over works that supplant the purpose of the original; the more transformative the use, the less significant the commercial nature of the use.<sup>149</sup> Thus, the first factor calls for a balancing of interests.<sup>150</sup>

The second factor, nature of the copyrighted work, does not typically necessitate a large discussion in court opinions. However, courts have recognized that when the nature of a

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<sup>141</sup> *Id.*

<sup>142</sup> *Authors Guild v. Google, Inc.*, 804 F.3d 202, 212 (2d Cir. 2015).

<sup>143</sup> *See id.*

<sup>144</sup> *Campbell v. Acuff–Rose Music, Inc.*, 510 U.S. 569, 575 (1994) (citing 17 U.S.C. § 107).

<sup>145</sup> 17 U.S.C. § 107.

<sup>146</sup> *Authors Guild*, 804 F.3d at 213–14.

<sup>147</sup> *Id.*

<sup>148</sup> 17 U.S.C. § 107(1).

<sup>149</sup> *Campbell*, 510 U.S. at 578–79.

<sup>150</sup> *Id.* at 584.

copyrighted work is “closer to the core of intended copyright protection,” copying is less likely to be fair use.<sup>151</sup>

The third factor takes “the amount and substantiality” of the copying into consideration.<sup>152</sup> Essentially, it looks at whether the copying is reasonable in relation to the purpose for the copying.<sup>153</sup> This inquiry necessarily blends with the first and fourth factors.<sup>154</sup>

The fourth statutory factor is “the effect of the use upon the potential market for or value of the copyrighted work.”<sup>155</sup> In addition to harm on the market for the original, Courts must consider harm to the potential market for derivative works.<sup>156</sup> Finally, a complete fair use analysis weighs the statutory factors together, in light of the purpose of copyright.<sup>157</sup>

Fair use issues often arise in connection with new technology. Years before the seminal case, the invention of the home video recorder and the ability to “time-shift” copyrighted programming was a point of contention that turned into litigation before the Supreme Court.<sup>158</sup> Despite the opposition warning “that the VCR is stripping . . . those markets clean out of [their] profit potential,” and of “devastation in [the] marketplace,” the Court found fair use.<sup>159</sup> Innovation is often met with the same rhetoric. Photocopiers, cassette tapes, digital music, and the DVR each saw opposition from copyright holders.<sup>160</sup> Ultimately, the opposed technologies did not have the devastating effect that rightsholders cautioned. Instead, these technologies opened new markets for monetization.<sup>161</sup> Recent fair use cases continue to balance the purpose of copyright against the benefits of new technology. For example, in 2015, the Second Circuit found fair use when Google

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<sup>151</sup> *Id.* at 586.

<sup>152</sup> 17 U.S.C. § 107(3).

<sup>153</sup> *Campbell*, 510 U.S. at 586.

<sup>154</sup> *Id.* at 587–88.

<sup>155</sup> 17 U.S.C. § 107(4).

<sup>156</sup> *Campbell*, 510 U.S. at 590.

<sup>157</sup> *Id.* at 578.

<sup>158</sup> Nate Anderson, *100 years of Big Content fearing technology-in its own words*, ARS TECHNICA (Oct. 11, 2009), <http://arstechnica.com/tech-policy/news/2009/10/100-years-of-big-content-fearing-technologyin-its-own-words.ars>.

<sup>159</sup> *Id.*

<sup>160</sup> *Id.*

<sup>161</sup> *Id.* at 2.

digitally scanned complete copies of millions of books to provide an online search function.<sup>162</sup>

## II. PUBLISHING HOUSE LAWSUIT AGAINST AUDIBLE, INC.

### A. HISTORY OF THE LAWSUIT AGAINST AUDIBLE, INC.

Audible developed the Audible Captions feature in response to feedback received in their 2017 “Project Listen Up” with Newark public high schools.<sup>163</sup> Students and educators expressed interest in being able to follow along with the text while listening to the audiobook to improve understanding.<sup>164</sup> In July 2019, Audible formally announced its intention to release the newly developed Audible Captions feature.<sup>165</sup> The plaintiff Publishers immediately sent cease and desist letters informing Audible that the feature constituted copyright infringement.<sup>166</sup> Despite Publishers’ objections, Audible continued its plans to release the new feature.<sup>167</sup> Audible also refused Publishers’ requests to limit the captions to public domain works or to include an opt-out option.<sup>168</sup> Thus, the Publishers filed suit in August 2019, seeking to enjoin Audible from releasing the Captions feature. Audible was planning to release Captions on September 10, 2019. Audible has not released Captions as of this writing.

The plaintiff Publishers were seven major publishing companies in the United States with well-established markets including the following: Chronicle, publishing approximately 300 titles per year; Hachette, a publishing company made up of multiple brands; HarperCollins, publishing approximately 10,000 new books a year; Macmillan, operating eight publishing divisions in the U.S.; PRH, publishing 15,000 new titles annually and selling close to 800 million works annually; Scholastic, the

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<sup>162</sup> See Authors Guild v. Google, Inc., 804 F.3d 202, 207–08 (2d Cir. 2015).

<sup>163</sup> Defendant’s Memorandum of Law at 12, Chronicle Books, LLC v. Audible, Inc., No. 1:19-cv-07913-VEC (S.D.N.Y. filed Aug. 23, 2019).

<sup>164</sup> *Id.*

<sup>165</sup> Complaint at 11, Chronicle Books, LLC v. Audible, Inc., No. 1:19-cv-07913-VEC (S.D.N.Y. 2019) [hereinafter “Complaint”].

<sup>166</sup> *Id.*

<sup>167</sup> *Id.*

<sup>168</sup> Albanese & Milliot, *supra* note 14.

world's largest publisher and distributor of children's books; and S&S, publishing 2000 titles annually.<sup>169</sup>

Publishers filed the complaint along with a motion for preliminary injunction on August 23, 2019.<sup>170</sup> On August 28, 2019, the parties filed a joint stipulation agreeing Audible would refrain from releasing Captions until the court ruled on the Publishers' motion for preliminary injunction.<sup>171</sup> Additionally, the parties stipulated to Audible's response deadline, and oral arguments were set for September 25, 2019.<sup>172</sup> Audible replied with a motion to dismiss arguing, *inter alia*, Audible Captions was fair use.<sup>173</sup> The court deferred ruling on the preliminary injunction at the oral arguments.<sup>174</sup> The court found no imminent harm to the publishers if Audible continued to delay the launch of the new feature.<sup>175</sup> On January 13, 2020 the parties reached an agreement and the case was dismissed.<sup>176</sup> As of this writing, the full details of the agreement have not been released.

However, a substantial portion of the agreement is public. Audible agreed to refrain from releasing Captions for the Publishers' copyrighted works and to obtain permission before moving forward with Captions for the Publishers' works.<sup>177</sup> Moreover, Audible agreed to pay the Publishers an undisclosed

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<sup>169</sup> Complaint, *supra* note 165, at 7.

<sup>170</sup> Porter Anderson, *US Publishers' Lawsuit of Amazon's Audible: 'Captions' Delayed*, PUBLISHING PERSPECTIVES (Aug. 30, 2019), <https://publishingperspectives.com/2019/08/american-publishers-lawsuit-amazon-audible-captions-rollout-delayed/>

<sup>171</sup> Stipulation Letter, Chronicle Books, LLC v. Audible, Inc., No. 1:19-cv-07913 (S.D.N.Y. filed Aug. 23, 2019).

<sup>172</sup> *See id.*

<sup>173</sup> Defendant's Motion to Dismiss, Chronicle Books, LLC v. Audible, Inc., No. 1:19-cv-07913 (S.D.N.Y. 2019). In addition to a fair use defense, defendants argued that the existing licensing agreements between the parties barred the plaintiff's claims. *Id.*

<sup>174</sup> Transcript of Oral Argument at 70, Chronicle Books, LLC v. Audible, Inc., No. 1:19-cv-07913 (S.D.N.Y. filed Aug. 23, 2019) [hereinafter "Transcript"].

<sup>175</sup> *Id.* at 65–66.

<sup>176</sup> Letter to Judge Valerie E. Caproni, Chronicle Books, LLC v. Audible, Inc., (No. 1:19-cv-07913 (S.D.N.Y. filed Jan. 13, 2020).

<sup>177</sup> Settlement Agreement at 6, Chronicle Books, LLC v. Audible, Inc., No. 1:19-cv-07913 (S.D.N.Y. 2020); *see also* Albanese & Milliot, *supra* note 14.

amount.<sup>178</sup> Though the parties have settled, this paper discusses the likely outcome of a fully litigated case. Additionally, this paper questions whether the likely outcome best serves the purposes of copyright law.

## B. PUBLISHERS ALLEGE INFRINGEMENT OF COPYRIGHTED WORKS

### 1. AUDIBLE'S INFRINGEMENT AND COMMERCIAL EXPLOITATION OF COPYRIGHTED WORKS

The copyright status of the works is not in dispute. Moreover, the Publishers either own or license exclusive rights to the works.<sup>179</sup> Audible admits that it licenses the audiobook rights from the Publishers.<sup>180</sup> However, the Publishers alleged “the right to perform or distribute an audiobook [did] not automatically include the right to perform or distribute the book’s text, and vice-versa.”<sup>181</sup> As such, the Captions feature infringes on the Publishers’ copyrighted works. Ostensibly, the text Captions produces was a reproduction of Publishers’ copyrighted text and a derivative work of the licensed audiobook.<sup>182</sup> The Publishers alleged Audible distributed, performed, and displayed the copyrighted text through Captions in violation of the Publishers’ exclusive rights.<sup>183</sup>

Audible attempted to veil the innovative feature as an educational tool which would enhance a user’s understanding of the text.<sup>184</sup> The Publishers suggested the educational purpose masked Audible’s attempt to exploit an existing market, thereby

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<sup>178</sup> Andrew Albanese, *Settlement Terms Revealed (Mostly) in Audible Captions Litigation; Judge Signs Off*, PUBLISHERS WEEKLY (Mar. 5, 2020), <https://www.publishersweekly.com/pw/by-topic/digital/copyright/article/82598-settlement-terms-revealed-mostly-in-audible-captions-litigation.html>.

<sup>179</sup> Complaint, *supra* note 165, at 7.

<sup>180</sup> Reply Memorandum of Law at 12, *Chronicle Books, LLC v. Audible, Inc.*, No. 1:19-cv-07913 (S.D.N.Y. 2019) [hereinafter “Reply Memorandum”].

<sup>181</sup> Complaint, *supra* note 165, at 10.

<sup>182</sup> *Id.* at 12.

<sup>183</sup> *See generally id.*

<sup>184</sup> *Id.* at 21.

gaining commercial advantage over competitors without paying the customary fee for doing so.<sup>185</sup>

## 2. *THE HARM TO PUBLISHERS*

The Publishers alleged that Captions would harm their protected works in several ways. First, the text would have directly competed with the existing market for the publishers works, including cross-format services.<sup>186</sup> Audible currently offers “Immersion Reading” which allows users to both listen to the audiobook while simultaneously reading the text.<sup>187</sup> This feature is remarkably similar to the proposed Captions; however, Immersion Reading requires the user to purchase both the audiobook and the eBook.<sup>188</sup> The Publishers alleged that since Captions was offering a similar product for free, the program would likely undermine the existing cross-format market.<sup>189</sup>

Second, the Captions feature cheapens the value of any potential license granted by the Publishers, thus, devaluing the Publishers’ works.<sup>190</sup> If Audible copied for free what other companies would normally pay a fee to have, then the program could diminish the Publishers ability to license the work to other companies.<sup>191</sup> The Publishers claim that Captions eliminates the market for exclusive licenses of the works.<sup>192</sup> Further, they argued that the harm was not theoretical because of the already existing market for cross-format licensing.<sup>193</sup>

Third, Publishers argued they would lose control over “the quality, presentation, and distribution choices for the Works.”<sup>194</sup> The loss of control could have resulted in harm to the reputation of both the author and the publisher.<sup>195</sup> Each work that any one of the Publishers produces is carefully curated “so that a

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<sup>185</sup> *Id.* at 22.

<sup>186</sup> *Id.* at 18.

<sup>187</sup> *Id.*

<sup>188</sup> *Id.*

<sup>189</sup> *Id.* at 19.

<sup>190</sup> Transcript, *supra* note 174, at 17–18.

<sup>191</sup> *Id.*

<sup>192</sup> *Id.*

<sup>193</sup> *Id.*

<sup>194</sup> Complaint, *supra* note 165, at 20.

<sup>195</sup> *Id.*

rich variety of titles are readily available for readers.”<sup>196</sup> The Publishers invest heavily in discovering works and creating the works’ presentation for distribution to the market.<sup>197</sup> By generating text through Captions, Audible has taken for itself the works’ display. Additionally, the speech-to-text technology produces the text with an error rate as high as six percent.<sup>198</sup> This could cause an end-user to conflate errors made by Captions with errors made by authors or publishers. This conflation could potentially harm the author’s carefully curated reputation and could result in the loss of that reader. Theoretical loss of readers and harm to an author’s reputation are difficult damages to measure. Calculation for compensation is not easy with this type of harm.<sup>199</sup>

Fourth, the Publishers made a public policy argument. Copyright law serves to incentivize creation of works and dissemination of knowledge. Incentive to create works is largely based on an economic reward. The Publishers argued that there should be a “symbiotic relationship” between companies like Audible and those that provide companies like Audible works to share so that those works are presented in the way that their creator intended.<sup>200</sup> Moreover, the Publishers emphasized the moral rights argument for copyright. Copyright ensures owners receive fair compensation for their labor.<sup>201</sup>

### C. AUDIBLE, INC. RESPONDS DEFENSIVELY

Notably, Audible relied solely on defenses rather than asserting non-infringement. This suggests Audible believed that Captions did, in fact, infringe on the Publishers’ work. Although copyright ownership was not disputed, Audible suggested their existing licensing agreements provided rights to the works.<sup>202</sup> Audible asserted that Captions merely aided the listening experience of the user, thereby expanding upon their existing right

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<sup>196</sup> *Id.* at 8.

<sup>197</sup> Reply Memorandum, *supra* note 180, at 9.

<sup>198</sup> Complaint, *supra* note 165, at 21.

<sup>199</sup> Transcript, *supra* note 174, at 23.

<sup>200</sup> *Id.*

<sup>201</sup> See *Authors Guild v. Google, Inc.*, 804 F.3d 202, at 212 (2d Cir. 2015).

<sup>202</sup> Defendant’s Memorandum of Law, *supra* note 163, at 14.



to the work.<sup>203</sup> Secondly, Audible argued even if Captions exceeded the scope of their agreements, the use of the text was fair use.<sup>204</sup> Audible emphasized the educational benefit of the product while minimizing the commercial benefit in attempt to establish fair use.

### 1. *LICENSING AGREEMENT BARS THE INFRINGEMENT CLAIM*

Audible insisted the Publishers did not have a copyright infringement claim against them because of the existing licensing agreements between the parties.<sup>205</sup> The Publishers had previously authorized Audible to use their content in exchange for royalty payments.<sup>206</sup> While Audible alleged the speech-to-text technology used for Captions was within the scope of the agreement, the Publishers disputed this assertion.<sup>207</sup>

As neither party provided the licensing agreements, the merits of the claim are hard to reconcile. If Audible was exceeding the scope of the license, the law permits a licensor to sue its licensee for copyright infringement.<sup>208</sup> However, if found to include rights to the disputed text, the existence of the licensing agreements would have proven fatal to the Publishers' claims. As the lawful owner of a copyright interest, a licensee cannot be liable for copyright infringement.<sup>209</sup> Instead, a disgruntled licensor may seek relief for breach of contractual obligations.<sup>210</sup>

Regardless of the language in the alleged licensing agreement, Audible contended the Publishers' failure to produce the licensing agreements warranted dismissal regardless of the language in the licensing agreement.<sup>211</sup> Audible's argument was three-fold. First, where a license governs, the plaintiff alleging

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<sup>203</sup> *Id.* at 9.

<sup>204</sup> *Id.* at 1–2.

<sup>205</sup> *Id.* at 13–14.

<sup>206</sup> *Id.* at 11.

<sup>207</sup> *Id.* at 16.

<sup>208</sup> *Id.* at 15 (citing *Graham v. James*, 144 F.3d 229, 236–37 (2d Cir. 1998)).

<sup>209</sup> *U.S. Naval Inst. v. Charter Communs., Inc.*, 936 F.2d 692, 695 (2d Cir. 1991).

<sup>210</sup> *Id.*

<sup>211</sup> Reply Memorandum, *supra* note 180, at 12–13.

infringement has the burden of proving unauthorized copying.<sup>212</sup> Second, the existence of a license is undisputed.<sup>213</sup> Third, the plaintiff could not have argued Audible exceeded the scope of the license without producing the license terms.<sup>214</sup> Since the terms of the license were not plead and the licensing agreements were not submitted, the court could not have evaluated whether Captions exceeded the scope of the license. Thus, Audible maintained the case warranted dismissal because the Publishers had not met their burden of proof.

## 2. CAPTIONS AS A FAIR USE

If the licensing agreements did not bar the claims, Audible asserted the Captions feature was fair use of the copyrighted works.<sup>215</sup> Audible believed each of the fair use factors weighed in their favor.<sup>216</sup> As to the first factor, “purpose and character,” Audible claimed Captions purpose was to enhance the audio experience for the user.<sup>217</sup> Captions would increase a user’s comprehension of the work, thus, providing an elevated audio experience.<sup>218</sup> Audible emphasized the educational potential and benefits Captions could provide those “with reading challenges, who are hard of hearing, or are learning English.”<sup>219</sup> Additionally, the company suggested the commercial benefit did not adversely affect the finding of fair use under the first factor largely because the user and Audible have already paid for the work.<sup>220</sup> Audible went on to acknowledge the second factor, however, it was quickly dismissed as irrelevant because “the fair use analysis hinges on the other three factors.”<sup>221</sup>

The third factor looks at the quantity of work used in relation to the entire work.<sup>222</sup> Audible analogized their situation to

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<sup>212</sup> *Id.* 2–3.

<sup>213</sup> *Id.* at 11.

<sup>214</sup> *Id.* at 15.

<sup>215</sup> *Id.* at 18–19.

<sup>216</sup> *Id.*

<sup>217</sup> *Id.*

<sup>218</sup> *Id.*

<sup>219</sup> *Id.* at 23.

<sup>220</sup> *Id.* at 25–26.

<sup>221</sup> *Id.* at 26 (quoting *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87, 98 (2d Cir. 2014)).

<sup>222</sup> *Id.* at 27.

the situation in *Google Books*, where the court found fair use despite complete unchanged copying.<sup>223</sup> Rather than outright admitting to the use of entire copyrighted works, Audible highlighted the ways Captions failed to create a substitute for the original work; small portions were doled out in a transient manner and the user could not access the full text.<sup>224</sup>

The same reasoning works into the fourth factor, the effect of the use on the market for or value of the protected work.<sup>225</sup> If Captions failed to create a substitute for the original work, then there was no market effect. While the Publishers suggested they would lose out on potential licensing revenues because of Captions, Audible rejected the existence of a market for speech-to-text generated captions.<sup>226</sup> Audible stated the public already has free access to the technology used to create Captions.<sup>227</sup> Thus, the notion the Publishers could have received additional licensing fees for something already freely existing was without merit and the fourth factor of fair use weighed in their favor.

### III. CAPTIONS INFRINGEMENT IS NOT FAIR USE

#### A. AUDIBLE IS LIKELY INFRINGING PUBLISHERS COPYRIGHT

Before discussing the merits of the 2019 case, it should be noted that ten years earlier some of the same parties were in a similar dispute. However, the opposite technology was at issue. In 2009, Amazon<sup>228</sup> came under fire for releasing their Kindle 2 with a text-to-speech feature.<sup>229</sup> Publishers and the Authors Guild

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<sup>223</sup> *Id.* at 27.

<sup>224</sup> *Id.* at 28–29.

<sup>225</sup> *Id.*

<sup>226</sup> *Id.*

<sup>227</sup> *Id.*

<sup>228</sup> Audible, Inc. is a subsidiary of Amazon.com, Inc. AMAZON, <https://www.amazon.com/gp/help/customer/display.html?nodeId=202162230> (last visited April 23, 2020).

<sup>229</sup> Judy Mottl, *Authors Want Amazon Kindle to Stop Talking*, INTERNETNEWS.COM (Feb. 13, 2009), <http://www.internetnews.com/mobility/article.php/3802826/Authors+Want+Amazon+Kindle+to+Stop+Talking.html>; see also Jeremy B. Francis, *The Kindle Controversy: An Economic Analysis of How the Amazon Kindle's Text-to-Speech Feature*

united against Amazon alleging the feature created unauthorized audiobooks.<sup>230</sup> Despite the rightsholders' concerns, Amazon maintained the text-to-speech technology did not create a copy, derivative, or performance of the work.<sup>231</sup> Moreover, they denied the text that the speech generated through the text was intended to, or would, serve as a substitute for professionally narrated audiobooks.<sup>232</sup> Compellingly, some in the copyright community supported Amazon expressing their belief copyright law had become unduly burdensome to innovators.<sup>233</sup> However, Amazon ultimately allowed the rightsholders to opt-out of this feature and avoided a lawsuit, thus, appeasing the publishing community.<sup>234</sup>

Now, Audible has not so readily backed down. In support of Captions, Audible did not argue non-infringement as their parent company did in 2009.<sup>235</sup> Instead, the company relied on the shield of their licensing agreement and the fair use defense.

Despite the lack of non-infringement discussion in the pleadings, this case brings up several interesting infringement questions. This section considers the strength of the Publishers' infringement claims in a fully litigated case. The first question is whether Captions created either a reproduction of the protected work or a derivative work. Next, this Note analyzes whether there was a public performance or public distribution of the work. Finally, assuming infringement, this Note looks at the strength of Audible's defenses, concluding Captions is likely not fair use. The analysis highlights copyright's purpose and how copyright protection intersects with new technology.

## 1. CAPTIONS ARE "FIXED"

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*Violates Copyright Law*, 13 VAND. J. ENT. & TECH. L. 407 (2011) (discussing potential copyright issues posed by Kindle 2 text-to-speech technology).

<sup>230</sup> Francis, *supra* note 229, at 409.

<sup>231</sup> *Id.* at 412–13; *see also* Press Release, Amazon.com, Statement from Amazon.com Regarding Kindle 2's Experimental Text-to-Speech Feature (Feb. 27, 2009), <http://www.businesswire.com/news/home/20090227005816/en/Statement-Amazon.com-Kindle-2%E2%80%99s-Experimental-Text-to-Speech-Feature>.

<sup>232</sup> Francis, *supra* note 229, at 412–13.

<sup>233</sup> *Id.*

<sup>234</sup> *Id.*

<sup>235</sup> Amazon Press Release, *supra* note 231.

Infringement on the right to reproduction requires actual copying of the protected work and improper appropriation.<sup>236</sup> In this case, copying is uncontestable. Moreover, the copying is difficult to differentiate from improper appropriation. The text Audible Captions produced was identical to the text of the protected work, absent the admitted six percent error rate. Ironically, Audible likely hoped to achieve greater similarity than 94 percent.<sup>237</sup>

Although Captions seem to be a reproduction of the work, copying assumes the creation of a tangible copy. Audible could attempt to argue that the Captions feature does not create a tangible copy because the fleeting text is not “fixed” as required to create a copy. To create a copy the work must be embodied in a tangible medium for more than a transitory period.<sup>238</sup> Audible is unlikely to convince the court Captions does not embody the work. A work is embodied when it is sufficiently permanent to permit it to be perceived.<sup>239</sup> If a listener could not perceive Captions, the feature would serve no purpose. Thus, Audible should focus on arguing a lack of the duration requirement.

This argument is not without precedent. In *Cartoon Network*, the Second Circuit found data from copyrighted work embodied when held in a buffer, however, only for a transitory period.<sup>240</sup> And as such, the court found no reproduction of the work.<sup>241</sup> Similar to the buffered data in *Cartoon Network*, which was overwritten as it was processed, Captions generated words only remain on the screen momentarily before the audio progresses and subsequent words appear.<sup>242</sup> The text is temporary. However, substantial differences distinguish Audible Captions from the non-infringing DVR System in *Cartoon Network*. First, the data in the DVR System remained in the buffer for only 1.2

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<sup>236</sup> *Cartoon Network LLP v. CSC Holdings, Inc.*, 536 F.3d 121, 127 (2d Cir. 2008).

<sup>237</sup> See *Top publishers sue Audible over planned captioning feature*, WTOP NEWS (Aug. 23, 2019), <https://wtop.com/entertainment/2019/08/top-publishers-sue-audible-for-copyright-infringement/>.

<sup>238</sup> *Cartoon Network LLP*, 536 F.3d at 127.

<sup>239</sup> 17 U.S.C. § 101.

<sup>240</sup> *Cartoon Network LLP*, 536 F.3d at 130.

<sup>241</sup> *Id.*

<sup>242</sup> Defendant’s Memorandum of Law, *supra* note 163, at 1.

seconds.<sup>243</sup> Captions' text remains on the screen for a longer period. Moreover, if a listener pauses the audio, the words halt.<sup>244</sup> Once paused, the listener can interact with the text to find definitions, translations, or additional information.<sup>245</sup>

Even if the court found the text lasted for a mere "transitory period," the listener's device stores a file containing the transcription. The file contains encrypted data and the user cannot access it, but this is of little help. The Act indicates that copies are "material objects . . . from which a work can be perceived . . . either directly, or *with the aid of a machine or device.*"<sup>246</sup> Like *Mai Systems*, which found software on a computer's RAM could create a copy, the listener's device perceives the encrypted file to display the text.<sup>247</sup> Even more fatal to Audible's argument is the fact that a server caches the file for ninety days.<sup>248</sup> If another user chooses to generate captions for the same audiobook, the cached file is then sent to that user.<sup>249</sup> These facts likely compel a court to find Captions generated text sufficiently fixed and, thereby, a copy of the protected works. As a result, Audible infringes on the exclusive right of reproduction.

Audible could have taken precautions to avoid reproduction of the Publishers' works. They could have chosen to generate new text for each user to avoid storing the encrypted file. If a file had to be stored locally, the software could have been created to re-write the file as the text is "streamed" to the user. These methods would take more computer processing power and be more inefficient, but Audible would have a stronger argument for non-infringement. Instead, Audible opted for a more efficient software that exposed them to copyright infringement.

## 2. CAPTIONS ARE NOT DERIVATIVE WORKS

The next inquiry would be whether Captions created a derivative work. The Copyright Act provides examples of derivative works such as a motion picture, abridgement, sound

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<sup>243</sup> *Cartoon Network LLP*, 536 F.3d at 125.

<sup>244</sup> Defendant's Memorandum of Law, *supra* note 163, at 7.

<sup>245</sup> *Id.*

<sup>246</sup> 17 U.S.C. § 101 (emphasis added).

<sup>247</sup> *MAI Sys. Corp. v Peak Computer, Inc.* 991 F.2d 511, 518 (9th Cir. 1993).

<sup>248</sup> Defendant's Memorandum of Law, *supra* note 163, at 6.

<sup>249</sup> *Id.*

recording, or translation based upon one or more preexisting works.<sup>250</sup> As such, an audiobook is clearly a derivative work of literal text. The Publishers argued Captions' display of text is a recasting of an audiobook into an eBook.<sup>251</sup> The Merriam-Webster Online Dictionary defines an e-Book as "a book composed in or converted to digital format for display on a computer screen or handheld device."<sup>252</sup> Audible argued Captions was not a book, but more like subtitles.<sup>253</sup> It is unclear whether captions can be considered an e-Book. The Publishers line of reasoning assumes closed captioning of a film or television show creates an e-Book. This seems non-sensical.

Unlike a reproduction, a derivative work does not have to be fixed. However, in an unprecedented opinion, the Ninth Circuit found "a derivative work must incorporate a protected work in some concrete or permanent form."<sup>254</sup> So the question becomes whether Captions incorporates the protected work in some concrete or permanent form. The Publishers insisted Captions was a quintessential derivative work.

Since the Act's definition of derivative work does not answer this question, a court would need to turn to case law. There is no indication whether the Second Circuit would adopt the Ninth Circuit's "concrete and permanent test" laid out in *Lewis Galoob* but, the *Lewis Galoob* case provides an interesting analysis framework for the parties' arguments. If adopted, Audible could have the stronger argument.

In *Lewis Galoob*, the Ninth Circuit found that Game Genie, a device for altering Nintendo games, was not a derivative work.<sup>255</sup> The fact the Game Genie only enhanced the audiovisual display rather than incorporated Nintendo's game "in some concrete or permanent form" was central to the decision.<sup>256</sup>

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<sup>250</sup> See 17 U.S.C. § 106.

<sup>251</sup> Transcript, *supra* note 174, at 11.

<sup>252</sup> *e-book*, MERRIAM WEBSTER ONLINE, <http://www.merriam-webster.com/dictionary/ebook> (last visited April 23, 2020).

<sup>253</sup> Edward Pollitt, *Amazon Is Being Sued By Book Publishers For Trying To Add Subtitles To Audiobooks*, B&T (Aug. 26, 2019), <https://www.bandt.com.au/amazon-audible-sued-publishers/>.

<sup>254</sup> *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965, 968–69 (9th Cir. 1992).

<sup>255</sup> *Id.* at 965.

<sup>256</sup> *Id.* at 968–69.

Moreover, Game Genie could not produce an audiovisual display; it required the Nintendo System and game cartridge to produce the display.<sup>257</sup> The court found it important the product enhanced, but not replaced, the copyrighted works.<sup>258</sup>

Like Game Genie, Audible Captions enhances rather than replaces the protected works. The captions help a listener comprehend the audiobook. For example, if the audiobook narrator has an accent or uses an unfamiliar word, the listener can see the spelling or look up the definition to clarify their understanding. This useful tool enhances the user's listening experience.

Furthermore, Captions does not incorporate the copyrighted work in "a concrete or permanent form." This is a different requirement than "fixed" for the purposes of reproduction. As with the Game Genie, Captions requires the input of the copyrighted material. The function of Captions is useless until the user has access to the underlying audiobook. A listener cannot read Captions like an eBook, or separated in any way from the narration. The copyrighted work is only incorporated when a user is listening to an audiobook. The text cannot stand alone. Thus, it does not replace the copyrighted work. For these reasons Captions likely does not create a derivative work under the Ninth Circuit "concrete and permanent" test.

### 3. CAPTIONS ARE PUBLICLY DISTRIBUTED AND PERFORMED

Audible is likely distributing copyrighted works to the public through Captions. The court has found unauthorized electronic file transfers to infringe the distribution right.<sup>259</sup> Unless permitted by fair use or the licensing agreement, the copyright owners have not authorized Audible to distribute an electronic file of the text to its users. Audible violates the distribution right by sending the encrypted file to a user's device.

Additionally, Captions likely constitutes a public performance of the work. The Copyright Act directly supports this conclusion: "to perform a work means to . . . render it, either directly or by means of any device."<sup>260</sup> The streaming text is a

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<sup>257</sup> *Id.*

<sup>258</sup> *Id.* at 969.

<sup>259</sup> *See, e.g.,* London-Sire Records, Inc. v. Doe 1, 542 F. Supp. 2d 153, 173 (D. Mass. 2008).

<sup>260</sup> 17 U.S.C. § 101.



rendition of the copyrighted work. A listener generally consumes an audiobook individually. However, the text “performed” in synchronization with the narration would be a public performance. A work is performed publicly if it is transmitted to the public.<sup>261</sup> Audible planned to offer Captions to the public. Moreover, multiple people might enable Captions for the same work, they may even share the same encrypted file. Once the program has generated text for the first time, the file is cached so the work can be sent to any user who chooses to activate Captions for that work. It does not matter whether the viewers are situated together “spatially or temporarily.”<sup>262</sup>

## B. EXAMINING AUDIBLE’S DEFENSE

As discussed above, Audible Captions likely infringes upon several of the Publishers’ exclusive rights. Audible attempted to defend the infringement by alleging the license agreements permitted such use. Additionally, Audible claimed fair use. The strongest and most frequently used defense in copyright infringement cases is fair use. Under existing law, Audible’s use of the copyrighted works is likely not fair use. The statutory factors would most likely weigh in favor of the Publishers. However, it is unclear if this finding is best suited considering the purposes of copyright law. This section discusses the strengths and weaknesses of Audible’s two defenses.

### 1. *LICENSING AGREEMENT AS A SHIELD*

The suit at hand is between Audible and seven Publishers, each with a vast collection of works. As follows, the licensing agreements are unique, at least, to each party, if not each protected work. Interpreting the licensing agreements would prove a substantial task for the finder of fact. The merits of the claim are difficult to discern without access to the licensing agreements. However, speculation of the results is possible.

If the language granting Audible the right to the work has a narrow construction, Captions would likely be outside the scope of the agreement. For example, the agreement could grant Audible authority only to sell, distribute, or perform audio recordings of

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<sup>261</sup> *See id.*

<sup>262</sup> *ABC, Inc. v. Aereo, Inc.*, 573 U.S. 431, 436–37 (2014).

the licensed work. Another possibility is that the licensing agreement is a general grant of authority. For example, perhaps the agreement grants Audible authority “to use, reproduce, display, market, sell and distribute the Audiobook throughout the Territory in all formats now known or hereafter invented from the date you accept this agreement . . . .”<sup>263</sup> If the licensing agreement is construed in this manner, Audible would likely be allowed to reproduce the text through Captions.

Interestingly, courts turn to the principles of contract interpretation rather than copyright law when interpreting licensing agreements.<sup>264</sup> The court has suggested the burden to prove a deviation from the most reasonable reading is on the party supporting the deviation.<sup>265</sup> The party supporting the deviation is unknown, as the language of the agreement is not available. Here, the sophistication of the parties and the fact Audible has now settled, lead to the assumption the licensing agreements were probably narrow. Thus, Captions would likely not be within the scope of the licensing agreements.

## 2. *WEIGHT IS AGAINST FAIR USE*

Under existing law, each factor most likely weighs in favor of the Publishers. However, this may not be the best outcome to serve the purposes of copyright law. Thus, perhaps modern copyright jurisprudence should aim to become more in line with these purposes. This section addresses each side’s argument factor by factor in comparison to the *Google Books* case.<sup>266</sup> In *Google Books*, Google made digital copies of the plaintiff’s books to create a search function which allowed a user to search for a specific term and view snippets of texts from works that contained their searched-for term.<sup>267</sup>

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<sup>263</sup> ACX, *Audiobook License and Distribution Agreement*, ACX, (last visited April 23, 2020) (June 1, 2017) <https://www.acx.com/help/audiobook-license-and-distribution-agreement/201481900> (listing examples of an audiobook licensing agreements).

<sup>264</sup> See Complaint, *supra* note 165, at 4–5.

<sup>265</sup> *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613, 619 (S.D.N.Y. 2001).

<sup>266</sup> See *Authors Guild v. Google, Inc.*, 804 F.3d 202, 202 (2d Cir. 2015).

<sup>267</sup> *Id.* at 207.

a) *Purpose and Character*

The first factor is the “purpose and character” of the use.<sup>268</sup> The Publishers said there is no difference between the purpose of the original work and the purpose of Captions; both are to read a literary work.<sup>269</sup> The Publishers also emphasized a lack of transformative use. They argued Captions did not (1) shed new light on the work’s text, (2) comment on or criticize the text, (3) help find authorized versions of the text, or (4) make access easier for the entitled user.<sup>270</sup> Thus, rather than adding something more to the protected works, Captions purpose supplanted the original work. Moreover, the fact Audible Captions would be available to all paying users shows it had a commercial benefit.<sup>271</sup> In sum, the Publishers asserted factor one goes against fair use because of the commercial nature and lack of transformative use.

On the other hand, Audible argued the “purpose and character” of Captions use was utility-expanding and the commercial benefit did not affect the fair use. First, the utility-expanding purpose was to deliver content the user had already paid for in a more convenient and usable form.<sup>272</sup> They pointed to the profound benefit of connecting listeners to the content, aiding learning, and providing significant information about text.<sup>273</sup> Audible did not believe Captions provides a competing purpose to the original as the snippets of text did not create a book for the user to read.<sup>274</sup> The purpose was “to improve a listener’s ability to understand the work she has purchased.”<sup>275</sup> Audible did not dispute the existence of a commercial benefit.<sup>276</sup> However, the company maintained it did not alter the analysis.<sup>277</sup>

The two elements of consideration, transformative use and commercial benefit, would serve as guidance for the court’s analysis within the first factor. In *Google Books*, Google’s purpose

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<sup>268</sup> 17 U.S.C. § 107.

<sup>269</sup> Transcript, *supra* note 174, at 4.

<sup>270</sup> *Id.* at 8.

<sup>271</sup> *Id.* at 11.

<sup>272</sup> *See* Complaint, *supra* note 165, at 1.

<sup>273</sup> *Id.* at 23.

<sup>274</sup> *Id.* at 21.

<sup>275</sup> *Id.*

<sup>276</sup> *Id.* at 24.

<sup>277</sup> *Id.*

for copying the works was to allow a searcher to identify works of interest and provide information about the work without threatening the rightsholders interest.<sup>278</sup> Google took many precautions to ensure the digital copy did not provide a substitute for the original.<sup>279</sup> The court found the purpose highly transformative.<sup>280</sup> Google created a database of material for electronic searches previously unavailable to humankind. The court emphasized the transformative purpose claim derived from providing otherwise unavailable information about the original work to others.<sup>281</sup> Because of the useful purpose, the commercial motivation did not concern the court.<sup>282</sup>

Audible attempted to equate Captions' "transformative purpose" with *Google Books*. Captions would have been a useful tool for aiding a listener's comprehension of the audiobook. However, it is not a tool previously unavailable to the public like the search function in *Google Books*. A listener could already choose to follow along simultaneously with the narration of the audiobook if she had purchased both the audiobook and the e-Book.<sup>283</sup> Moreover, Captions may have provided a transformative and useful purpose to the *audiobook*, but this purpose was lacking in regard to the underlying literary work.

#### b) *Nature of the Work*

The second factor of fair use is rarely a substantial portion of analysis.<sup>284</sup> A finding of fair use does not turn on the nature of the work. However, it adds weight against the finding of fair use if the work is more deserving of copyright protection, i.e. a fictional or unpublished work.<sup>285</sup> Copying of factual work or a work that has already been disseminated to the public is more likely to be fair use.<sup>286</sup>

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<sup>278</sup> *Authors Guild v. Google, Inc.*, 804 F.3d 202, 214–19 (2d Cir. 2015).

<sup>279</sup> *Id.* at 210.

<sup>280</sup> *Id.*

<sup>281</sup> *Id.* at 215.

<sup>282</sup> *Id.* at 210.

<sup>283</sup> Complaint, *supra* note 165, at 11.

<sup>284</sup> *Authors Guild*, 804 F.3d at 220.

<sup>285</sup> *Id.*

<sup>286</sup> *Id.*

The Publishers asserted the second factor weighed in their favor because a large portion of their audiobooks are fictional works that are more creative by nature and deserve greater protection, emphasizing the importance of protecting authors rights.<sup>287</sup> Audible pointed out that it already licenses the published works, both fictional and non-fictional, from the Publishers.<sup>288</sup> In addition, Audible asserts the second factor is only relevant because it combines with the analysis of the first factor.<sup>289</sup> The court in *Google Books* noted the second factor is not considered in isolation, instead the second factor considers the “nature” of the copyrighted work “to permit assessment of whether the secondary work uses the original in a ‘transformative’ manner . . . .”<sup>290</sup> As discussed above, Captions likely lacks a “transformative purpose.” This becomes more obvious when the secondary use is compared to the “nature” of the original.<sup>291</sup> Moreover, the court expressed that even if the works at issue are literary works. The secondary use, Captions, could also be seen as literary work. In addition, Audible sought to provide Captions for their entire library, so it would copy both fictional and factual works.<sup>292</sup> This diminishes the Publishers’ argument. For these reasons, the second factor likely weighs against fair use.

c) *Amount and Substantiality of the Portion Used*

The Publishers believed the third factor weighs against fair use because Captions used a protected work in its entirety.<sup>293</sup> They argued it did not matter if Captions replicated the work in bits and pieces because it eventually distributed the entire work.<sup>294</sup> Alternatively, Audible contends that it uses no more of the work than was necessary to fulfill Caption’s purpose.<sup>295</sup> Although they conceded the purpose requires use of the entire work, their

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<sup>287</sup> See Transcript, *supra* note 174, at 4.

<sup>288</sup> See Complaint, *supra* note 165, at 1.

<sup>289</sup> See Transcript, *supra* note 174, at 4.

<sup>290</sup> *Authors Guild*, 804 F.3d at 220.

<sup>291</sup> *Id.*

<sup>292</sup> *Id.*

<sup>293</sup> See Transcript, *supra* note 174, at 13.

<sup>294</sup> *Id.*

<sup>295</sup> See Complaint, *supra* note 165, at 1.

argument highlighted the measures taken to prevent Captions from offering a substitute for the original works.<sup>296</sup>

Similar to Audible, Google's purpose required an unauthorized digital copy of the entire work. Google took steps to minimize the public's access to the entire work.<sup>297</sup> These included blacklisting 22 percent of a book's text and revealing only one snippet view per page for each search term, among other things.<sup>298</sup> Thus, the court found the amount and substantiality used was reasonable in relation to the purpose for copying. However, the court noted situations which could lead to a different conclusion:

[T]he larger the quantity of the copyrighted text the searcher can see and the more control the searcher can exercise over what part of the text she sees, the greater the likelihood that those revelations could serve her as an effective, free substitute for the purchase of the plaintiff's book, or if a searcher could view a coherent block of a book, rather than fragmented or scattered snippets.<sup>299</sup> Both of these descriptions seem to effectuate what Captions offered. The listener could see snippets of the books in a coherent manner and she could exercise control over what part of the text she saw. Thus, the outcome of the third factor would turn on a few key decisions.

First, the court must decide if a listener could see a large quantity of the work. On one hand, Captions only displays, an average, of fifteen words at a time. A relatively low quantity in relation to the work as a whole. On the other hand, the words displayed continuously change with the audio so, Captions could have exposed a listener to entire chapters in one sitting. As opposed to Google, which displayed the text in fragmented, incoherent snippets, Captions provided small portions of the work in cohesive order.

Next, the court must consider the amount of control a user is able to exert over the material. The Google searcher had limited control over the portion of text they saw depending on the search term used.<sup>300</sup> A user could not use searches as a means of piecing together the entire work.<sup>301</sup> Whereas, an Audible listener can pause, rewind, and interact with the Captions provided text. They

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<sup>296</sup> See Transcript, *supra* note 174, at 15.

<sup>297</sup> See *Authors Guild*, 804 F.3d at 222.

<sup>298</sup> *Id.*

<sup>299</sup> *Id.*

<sup>300</sup> *Id.*

<sup>301</sup> *Id.*

can control the text displayed by listening to different parts of the audiobook. Nevertheless, the reader has limited control compared to the control she would have over an eBook or physical book. Audible Captions undoubtedly grants greater access to the protected works than Google books. However, an Audible user already paid to access the entire underlying work, at least in audio format and a Google searcher had no right to access the underlying work.

Ultimately, the court's third factor decision comes down to whether the secondary use provides enough of the work, in both quantity and quality, that it serves as free substitute for the original. Additionally, the court could by-pass the difficult analysis described above by deciding the encrypted file stored on the listener's device, and a remote server for 90 days, encompasses the entire work. As such, the third factor tips in the Publishers' favor.

#### d) *Effect on the Market*

The Publishers alleged the copying harmed the market in four ways: (1) Captions directly competed with the existing market, including cross-format services, replacing publishers as providers of their text; (2) Captions devalued the work by cheapening actual and potential licenses for the work; (3) treating the text of work as a free-add to the audiobook decreased the value of the text; and (4) Audible took for itself the right to an existing market.<sup>302</sup> Audible refuted these allegations on the premise that Captions was not a book, nor a replacement for one.<sup>303</sup> Moreover, Audible dismissed the possibility of potential licensing revenues because the speech-to-text technology is a free, publicly available tool.<sup>304</sup> Even assuming some financial impact on the market, Audible believed public benefit outweighed speculative impact on book sales.<sup>305</sup>

In *Google Books*, the court recognized that the fourth factor inherently intertwines with the first factor.<sup>306</sup> Essentially, the more transformative the purpose of the secondary use the less

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<sup>302</sup> Transcript, *supra* note 174, at 13–18.

<sup>303</sup> See Complaint, *supra* note 165, at 1.

<sup>304</sup> *Id.* at 29–30.

<sup>305</sup> *Id.* at 30.

<sup>306</sup> *Authors Guild*, 804 F.3d at 222

likely it would be to harm the market for the original. As such, the court in *Google Books* was willing to accept the loss of some sales.<sup>307</sup> However, the court acknowledged even when the secondary use is transformative, “such copying may nonetheless harm the value of the copyrighted original if done in a manner that results in widespread revelation of sufficiently significant portions of the original as to make available a significantly competing substitute.”<sup>308</sup>

Unlike the snippet view in *Google Books*, Captions would reveal significant portions of the original text. And, as previously discussed, Captions did not have a highly transformative purpose like the search function in *Google Books*. Thus, the court would likely scrutinize even a small effect on the potential market.

The most obvious market effected by Captions would be the existing cross-format services market. Audible already offers Immersion Reading and WhisperSync.<sup>309</sup> Immersion Reading allows a user to simultaneously listen and read, if the user has purchased both the audiobook and the eBook.<sup>310</sup> Immersion Reading provides the user with more control and access to the text than Captions, however the utility is the same.<sup>311</sup> WhisperSync allows a user to switch between formats.<sup>312</sup> Immersion Reading and WhisperSync make up a small portion of Audible customers.<sup>313</sup> Both existing cross-format services serve a similar purpose to the proposed Captions function. Thus, Captions would be a likely substitute for the original work; it could have had a large impact on the cross-format service market, despite the relatively small market size. For the foregoing reasons, the court is likely to find the fourth factor weighs in favor of the Publishers.

#### e) *Considering the Purpose of Copyright – An Argument for Fair Use*

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<sup>307</sup> *Id.* at 224.

<sup>308</sup> *Id.*

<sup>309</sup> *Keep the story going*, AMAZON, <https://www.amazon.com/gp/feature.html?ie=UTF8&docId=1000827761> (last visited April 23, 2020).

<sup>310</sup> Complaint, *supra* note 165, at 5–6.

<sup>311</sup> AMAZON, *supra* note 309.

<sup>312</sup> *Id.*

<sup>313</sup> Defendant’s Memorandum of Law, *supra* note 163, at 10 (stating that in 2019 Immersion reading only made up 2.5% of customers).



As shown above, a strict analysis under current law would likely lead to finding Captions is not a fair use. However, this outcome may not be best considering the purpose behind copyright law. The court in *Google Books* eloquently stated “[t]he ultimate goal of copyright is to expand public knowledge and understanding, which copyright seeks to achieve by giving potential creators exclusive control over copying of their works, thus giving them a financial incentive to create.”<sup>314</sup> Finding Captions to be fair use may be better policy for several reasons. First, there would likely be little harm to the financial incentive of creation. Second, Captions serve the goal of copyright: expanding knowledge and understanding.

Although Captions may cause some harm to the cross-format services market,<sup>315</sup> the diminutive impact on the market would likely not disincentive authors to create. A large market for audiobooks, books, and eBooks would still exist even if three percent of users stop purchasing the work in two formats. In fact, adding Captions to audiobooks may even create financial incentive. The cost for an audiobook is sometimes double the cost of the e-book.<sup>316</sup> The Publishers were concerned Captions would disrupt the e-book market<sup>317</sup>, but if Captions did convert some eBook readers to audiobook listeners the author could be better off financially.

Moreover, Audible created Captions to promote learning.<sup>318</sup> Captions had the potential to be a useful tool for many, but especially people with learning disabilities, hearing loss, second-language learners, and children.<sup>319</sup> A reader likely only enables Captions because the ability to follow along with the narration increases their understanding of the work. If the reader did not find Captions beneficial, they would not enable the feature. The foremost aim of copyright is to incentivize creative work for

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<sup>314</sup> See *Authors Guild*, 804 F.3d at 212.

<sup>315</sup> See discussion *supra* Section III.B.2.d.

<sup>316</sup> Piotr Kowalczyk, *Audiobook Prices Compared to eBooks And Print Books*, EBOOK FRIENDLY (July 3, 2018) <https://ebookfriendly.com/audiobooks-price-comparison-ebooks-print-books/#:~:text=>.

<sup>317</sup> See discussion *supra* Section III.B.2.c.

<sup>318</sup> Defendant’s Memorandum of Law, *supra* note 163, at 8.

<sup>319</sup> *Id.* at 9.

the public benefit. So, Captions promotes learning without disincentivizing creation. However, the four-factor analysis of Captions work finds against fair use.<sup>320</sup> Perhaps a better policy would be to find Captions as fair use.

## CONCLUSION

Technology continues to challenge copyright law. Audible's proposed Captions feature is no exception. While Audible sought to gain a competitive edge in the audiobook industry, they did so at the copyright holders' expense. The text generated by Captions certainly infringed on several of the Publishers' exclusive rights. Audible attempted to justify their infringement as quintessential fair use, yet under existing law the most likely outcome of a fair use analysis would not fall in Audible's favor. This may be the most equitable outcome. However, at the core Captions strove to promote learning and understanding by connecting listeners to the material. Promoting the progress of science and knowledge for public benefit is the ultimate goal of copyright law. Perhaps a better outcome would be to allow a feature like Captions as fair use.

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<sup>320</sup> See discussion *supra* Section III.B.2.