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July 27, 2017

The Hon. Loretta A. Preska  
United States Senior District Judge  
United States Courthouse  
500 Pearl Street, Room 220  
New York, NY 10007-1312

**Re: Defendants' Request for Pre-Motion Conference in *Muench Photography Inc. v. McGraw-Hill Global Educ. Holdings, LLC*, S.D.N.Y. Case No. 12-cv-06595 (LAP)**

Dear Judge Preska:

We represent Defendants McGraw-Hill Global Holdings, LLC and McGraw-Hill School Education Holdings, LLC (collectively, "McGraw-Hill") in the above-captioned action.

We write, pursuant to Your Honor's Individual Practices 2.A and this Court's July 9, 2018 order (Dkt. No. 93) to request a pre-motion conference on Defendants' anticipated motion for summary judgment with respect to all 24 copyright infringement claims listed in Plaintiff Muench Photography's Exhibit 1 to the Second Amended Complaint ("SAC") (Dkt. No. 38, Oct. 17, 2018). Based on this Court's prior order on McGraw-Hill's motion to dismiss the First Amended Complaint, (*see* Dkt. No. 36, entered Oct. 9, 2012), which held that Plaintiff was barred from asserting infringement claims on photos where this Court previously had found the underlying copyright registrations insufficient as a matter of law, the vast majority of the case now comprises straightforward breach of contract claims. Plaintiff, however, continues to press 24 copyright infringement claims as delineated in Rows 1, 17, 18, 33, 52, 62, 81, 135, 156, 157, 161, 166, 177, 186, 200, 201, 205, 238, 299, 316, 318, 322, 324, 348 of Ex. 1 to the SAC.

McGraw Hill intends to seek a summary judgment finding that all of Plaintiff's remaining copyright claims are barred by the covenant/condition doctrine because each of these 24 remaining claims sound in contract rather than copyright. Moreover, even if the Court decides to sustain any of Plaintiff's copyright claims despite the application of New York law with regard to the interpretation of contractual covenants, all of the infringement claims still fail because the preferred pricing agreements and invoices entered into between McGraw-Hill and Corbis Corp., the stock photo agency which represented all of Muench's photos in this case,



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establish the incontrovertible fact that Corbis had authorized – that is, granted consent to – McGraw-Hill for its uses of the Corbis-represented photos.

### **1. Plaintiff's Copyright Claims Are Barred Under the Covenant/Condition Doctrine**

The Second Circuit has accepted the well-recognized doctrine that “a copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement.” *Graham v. James*, 144 F.3d 229, 236-37 (2d Cir. 1998). Under the New York law applicable to the Corbis invoices and preferred pricing agreements at issue in this case, the resolution of whether Plaintiff's Corbis-based copyright claims here sound in copyright, as opposed to contract, depends on whether the terms which Plaintiff alleges McGraw-Hill exceeded are deemed to be conditions precedent to the exercise of the rights granted by those agreements between McGraw-Hill and Corbis, or merely covenants of performance controlling McGraw-Hill's conduct with respect to the photos under those agreements. *Graham*, 144 F.3d at 236-37 (holding that a licensee's breach of a covenant in a copyright license does not rescind the authorizations in that license to use the copyrighted work, but rather provides the licensor with a cause of action for breach of contract). Earlier this year, another court in this District affirmed this very principle in *Sohm v. Scholastic*, 16-CV-7098 (JPO), 2018 WL 1605214 (S.D.N.Y. Mar. 29, 2018), a case on all fours with the Corbis/McGraw-Hill contractual relationship here. In *Sohm*, Judge Oetken held that the payment terms in substantively identical pricing agreements between Scholastic and Corbis constituted contractual covenants, as opposed to conditions precedent to the grant of permission for use of the plaintiff's photos, and as a result, the plaintiff's claims for copyright infringement arising from the Corbis invoices were barred because they sounded in contract. *See id.* at \*13-14.

McGraw-Hill's relationship with Corbis, which included not just the pleaded invoices but a series of preferred pricing agreements, just as in *Sohm*, makes clear that the copyright claims rest entirely on alleged violations of covenants in McGraw-Hill's contracts with Corbis, rather than failures to meet conditions precedent. As such, these 24 remaining infringement claims cannot be sustained under the covenant/condition doctrine.

### **2. Plaintiff's Claims Also Fail Because Any Overuse Was Anticipated by the Preferred Pricing Agreements**

Each of Plaintiff's claims of overuse here depend on assertions that McGraw-Hill exceeded the print run and similar parameters of the invoices that Corbis issued to McGraw-Hill for payment. However, these contentions of alleged overuse ignore the fact that the preferred pricing agreements between Corbis and McGraw-Hill, as well as McGraw-Hill's decades-old contractual dealings with Corbis, establish that McGraw-Hill always had permission to use Corbis' photos. Under the



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structure of the then-ongoing business relationship between McGraw-Hill and Corbis, McGraw-Hill always had authorization from Corbis to use Corbis' photos. The question of payment, which was the reason for Corbis' issuance of the invoices, was always resolved after Corbis actually provided McGraw-Hill with the actual photos and Corbis issued such invoices based on McGraw-Hill's pre-publication estimates of its anticipated use. Thus, consent always preceded payment.

In this context, the evidence shows, without any credible dispute that might be ventured by plaintiff, that Corbis and McGraw-Hill shared a mutual understanding concerning the Corbis invoices, in that the invoices alone were not the sole basis of McGraw-Hill's permission to use Corbis' photos, and that all of McGraw-Hill's transactions on the photos were in fact subject to Corbis' preferred pricing agreements with McGraw-Hill.<sup>1</sup> These successive pricing agreements, which were unbroken in duration from 2000 through the time period covered by all of the remaining copyright claims, established tiered fees for various potential uses of the photos, including all of the alleged overuses at issue here. In this regard, the fee paid by McGraw-Hill in a given invoice for a given photo meant that McGraw-Hill had fully compensated Corbis (and thus Corbis' photographers, including in this instance, David Muench) for the full panoply of all of the various uses that were set out in detail in the applicable pricing agreement, such as for example, electronic use, or worldwide distribution, or distribution for the life of the edition in which the photo appeared. In addition, to the extent any of McGraw-Hill's use of a photo exceeded the price paid on a particular invoice, such as, for example, printing more copies than had initially been estimated at the time the invoice was requested, the applicable pricing agreement also provided a mechanism to calculate any incremental additional fee that might be owed.

In this context, then, McGraw-Hill's use of Corbis' photos was never without Corbis' consent (*i.e.*, permission) as a matter of copyright rights because Corbis had provided a preexisting contractual mechanism for payment of McGraw-Hill's uses. Thus, Plaintiff's copyright infringement claims must fail for the additional reason that all of the alleged overuses were the subject of Corbis' consent, even if there might be a basis for a contractual claim for additional contractual payments based on the Corbis pricing agreements.

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<sup>1</sup> Indeed, this Court itself has already noted that "there is no dispute that valid contracts, Pricing Agreements, were formed between Defendant and Corbis, concerning Defendant's use of the Photographs." *See* Memo. & Order, at 6 (Dkt. No. 57, Aug. 15, 2013). The Court later noted in this Order that the contractual relations between McGraw-Hill and Corbis, and in particular, the Corbis pricing agreements, "lead this Court to doubt whether Plaintiff can recover successfully under both theories" of contract and copyright because of the apparent presence of consent from Corbis for McGraw-Hill's uses of Corbis' photos under the pricing agreements. *Id.* at 11.



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Respectfully submitted,

Christopher P. Beall

cc: All Counsel of record (via ECF)