



# Making Book Rights, Right

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## Abstract

In 2017, the Book Industry Study Group (BISG), a U.S.-based trade association dedicated to improving the efficiency and effectiveness of the book industry supply chain, published *Publishing Rights: An Untapped Opportunity*. The white paper outlined six findings from an industry survey. Since then, BISG’s rights committee extended that initial research by updating a draft taxonomy for rights transactions. The new taxonomy defines rights data, transactions requests, transactions licenses, and royalty data. The taxonomy is being tested now in a set of pilot agreements between trading partners. Benefits of the proposed taxonomy are expected to include lower transaction costs, fewer errors in rights tracking and sale, and improved turnaround times for rights inquiries. Information about the work may be obtained by writing to [info@bisg.org](mailto:info@bisg.org).

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At its core, book publishing is a rights business. To be sure, manufacturing, distribution, and retail and library sales are all critical parts of book publishing. But the publishing process starts with someone who has rights to a work conveying some portion of those rights to another party. Those agreements usually are followed by payments that recognize the value of negotiated rights agreements.

Authors, agents, and publishers are deeply involved in creating, interpreting, and managing the financial and operational aspects of rights and royalties. The business is complex, and practices have generally been home-grown. Attempts to create a standard format for reporting royalties based on rights agreements date back more than three decades, with only moderate progress obtained over that time.

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Contributing to the confusion: sometimes people use different terms to describe the same things. The opposite is also seen, with different things having common or similar names. These challenges affect the management of both inbound, purchased rights and outbound, sold rights. Difficulty tracking and managing rights affects reporting and paying royalties in a timely manner. A lack of standards increases transaction costs, slows response times, and can lead to avoidable errors.

Developing a standard way to talk about rights, royalties, and permissions has been a Book Industry Study Group (BISG) priority for more than a decade. At BISG, we feel that addressing rights complexity starts with an agreed-upon taxonomy—a standard way to talk about rights. Since 2018, our Rights Committee, a group of BISG members who volunteer their time to discuss and address challenges affecting rights across the industry, have been working to update an earlier taxonomy and map it to the systems that rights solutions providers offer.

BISG's Rights Committee develops, maintains and advocates for industry-wide best practices designed to support the standardized electronic transmission of a defined set of rights information between trading partners, now and in the future. Chaired by Kris Kliemann of Kliemann & Company, the Rights Committee meets regularly to:

- Identify the most important problems facing the publishing industry in rights
- Identify areas of consensus where standards would be valuable.
- Pilot a rights taxonomy across multiple parts of the book publishing industry.

Work on the taxonomy has been both iterative and driven by consensus. Members of the Rights Committee and the taxonomy working group, a subset of the committee, worked to create a draft taxonomy that was lightweight, and that reflected aspects of rights and royalties that are common across trading partners. The taxonomy is built on the work of standards already in place, such as code lists employed in EDItEUR's ONIX for Books.

At the same time, the proposed taxonomy does use terms in a way that is standard for the transactions it is built to describe. To confirm the utility of the new taxonomy, members of the working group reached out to solutions providers working in this space, including Klopotek N.A., Virtuales, knk Software, Ingenta, Firebrand Technologies, and others to map the language used in the vendors' software to the proposed language in the taxonomy. Gaps or discrepancies found as a result of these mapping efforts have resulted in updated versions of the proposed taxonomy.

## Four Buckets of Rights Data

In thinking through how to talk about rights in a standard way, the committee used four buckets: rights data; transaction requests; transaction licenses; and royalty data.

"Rights data" captures details such as work and selection identifiers, types of rights (acquired or for granting), and rights type details that include "textbook", "proprietary edition", "condensation", "adaptation", and more. It also contains fields for allowed usages such as exclusivity terms, format, territory, and language.

In many cases, the definitions can rely on metadata that publishers typically supply using ONIX for Books, the worldwide metadata standard maintained by EDItEUR.

“Transaction requests” captures requestor details, as well as information about the licensee, payer, signatory, and rightsholder. While the entities in these categories can overlap, often enough they do not. The rights type requested and rights terms are captured for each transaction, using the detail and definitions laid out for “rights data”.

Detail provided under “transaction licenses” outline the core components of what is eventually negotiated and granted, resulting in a contract, including fee type and detail, due dates, and any currency requirements. It also defines licensed formats and any usage limits that might apply, as defined under “transactions requests”.

Finally, “royalty data” moves past a standard reporting format. Instead, it defines the information required in five areas: statement (reporting period, royalty period, payee, and more); rules (type of sale, royalty rates, escalation type, and more); sales information that underpins royalty reconciliations; other income applicable to the license; and a summary of the contract performance at a specific point in time (advance amount, unearned advance, closing balance, and life to date sales statistics).

## Why Do We Need a Standard?

It is reasonable to ask: “Why do we need this work for rights?” The current framework for rights transactions, while customized to many different parts of the industry, has been used with some success for several decades. Replacing that set of individual-company-specific standards with a single taxonomy will take work and will likely require investments.

In proposing a shared rights taxonomy, we see three important benefits:

- We think it will save time, reducing the work required to describe, document, and deliver on rights transactions, thus potentially increasing number of rights transactions and rights revenue
- We think it will increase understanding throughout the industry of the many components of a rights transaction, improving the abilities of both licensors and licensees to create the agreements they want and need to create the products they are proposing (with fewer surprises)
- We think it will help create more reliable machine-to-machine communication, speeding the processing and interpretation of rights and royalties data and payments

In each of these arguments, we say “we think” because we’re just starting to plan and conduct pilot tests of the draft taxonomy. The tests are an important step, because they will hopefully confirm the benefits. The pilot tests also provide an opportunity to refine the taxonomy, capturing additional rights information that may not have been identified in the initial drafts.

## What Happens Next?

As noted above, the Rights Committee, led by Kris Kliemann, has been working since late 2019 to confirm how rights solutions providers' definitions map to the draft taxonomy. The committee's immediate past chair, Tricia McCraney (Virtu-sales), anticipated what we've found: vendors who have responded typically support much of the proposed taxonomy.

That is good news for the pilot tests, as it indicates that IT-related development work will be less onerous than predicted. It's also good news for the industry, as it shows the prevalence of the *concepts* for rights transactions and royalty data and indicates that the adoption of a common vocabulary and rights taxonomy is likely closer than might have been thought.

In the balance of 2020, we expect to test several types of rights use cases, including primary acquisition of rights and sub-licensing: publisher to author/agent, publisher to publisher; sub-agent to publisher; and perhaps sub-agent to primary agent. Results will be collected and likely anonymized, with a report to the industry in early 2021 (pandemic allowing). From there, we'll look to expand use of the taxonomy, with more to come on that when we have data in hand.

Those interested in getting involved in this work can write to the BISG office at [info@bisg.org](mailto:info@bisg.org). Opportunities to test various use cases for the taxonomy are of particular interest, as are efforts to map current practice to the proposed taxonomy.

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