

June 15, 1992

Mr. Henry Heileson
FOLIO Corporation

Dear Henry:

I appreciate your hearing me out on the range of licensing questions I raised with you last week.

Having had the chance to reflect on what you told me about the versions of views available to "publishers" and the terms on which they are licensed, I think I may be able to put my questions for you in a more concrete and therefore more helpful form than I could when we spoke.

The newly formed Legal Information Institute of Cornell Law School will create and distribute computer-based materials aimed at legal education and limited segments of the profession. Like earlier print publishing activities of law schools, it will take work generated at the school in support of the school's educational program and distribute it more broadly. We do not imagine ourselves competing with the large commercial publishers but filling a niche that they are not.

Mapping our activities for the first year against different FOLIO platforms, I come up with three types of "publication" that poses distinct issues.

I. Publication type #1 -- Course specific publication within the Cornell Law School.

For the courses I teach and several taught by others we will want to offer a course-specific package to teacher and students. The standard package would include: a course outline, supplementary materials of various kinds (statutes, regulations, recent cases), and in my case a public version of e-mail questions and replies on troubling course topics. The package would be organized in a set of cross-linked course infobases accessible to all students registered for the course through the school's LAN. Since some students are still computer shy, there will need to be parallel print distribution of any assigned material (but not of all supplementary material in the infobases). Since linking between primary materials such as statutes and class notes and e-mail exchanges added over time by the teacher to the infobase cluster is an important part of this package and the capacity to add week-old decisions of the

Supreme Court a related attraction, the LAN version of the course materials cannot static. It will have a starting collection but will grow and evolve through the term.

Students who have DOS machines should have the ability to copy the LAN version of course infobases to disk and take them home. In our institutional culture it would be acceptable to charge any student choosing this route the incremental cost of licensing the software so long as that stayed in the range of previews or vip license fees you quoted (\$2.50/\$3.50). What would not be acceptable would be an arrangement that imposed that charge each time a student drew out a new or changed infobase. Personal views has the functionality that I imagine some percentage of students will want but as it is priced the student will have to imagine its value as applying to more than a single course. Until more students have grown familiar with views not many will make choice.

What I would hope we could work out would be an arrangement that allowing distribution of VIP at \$3.50 per disk (perhaps on disk with the initial course materials) and also allowing those who have acquired the software to use it to access all infobases downloaded from the course cluster during the term. That would require that the course materials created and distributed in infobase form through the course be viewed in licensing terms as a single publication (one \$3.50 transaction) and that the hand-shake VIP does with its infobases be set up so that additions to course infobases during the term don't cause them to draw the "incompatible infobase" message. I would also hope that you would view law students as future lawyers and adopt aggressive pricing of the personal views package so that the student (or faculty member) who wanted to add layers of linked material to infobases created by others could do so.

II. Publication type #2 -- Course specific publication distributed to other institutions (teachers and students).

Some of the course related material built for courses taught here we will want to distribute for use at other law schools. In addition to distribution across the Internet which we are pursuing we expect to distribute on disk at a price that recovers production and handling costs and also generates a small revenue stream enabling development new material (in other words this will be a clean not-for-profit educational activity with no gains for individual authors). Such distributions do not raise the problem of the changing infobases described above for us, but some of the law teachers adopting these materials may want that flexibility.

At the moment, I believe the basic VIP license terms as you described them would be acceptable so long as the law students or faculty members acquiring infobases from the Institute could, if they wished, opt for personal views at an attractive price through us or CALI. At the moment, I see it as critical that we be able

to deliver the material for a course (e.g., intellectual property statutes and topical outline for an intellectual property course plus VIP) at a total price of no more than \$15 per student.

III. Publication type #3 -- Lawyer-focused materials developed in our legal aid clinic.

Handbooks and manuals developed in our teaching clinic in the areas of public benefits and medicaid are currently distributed in print to legal services offices and other public and non-profit entities through New York. We shall be exploring subscriber interest in a FOLIO version with a sample to be distributed this summer. Here we may be talking about subscription prices that trigger potential royalties above the \$2.50/\$3.50 level -- depending on the base against which your license applies the percentage royalty.

Would you be able to send me details on how the percentage royalty is calculated and detailed information on the two "publisher" platforms so that we can be learning more about our choices while you are exploring the licensing issues I have raised?

Sincerely,

Peter W. Martin
Jane M.G. Foster Professor of Law