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## TABLE OF CONTENTS

### ARTICLES

FAIR USE FOR FREE, OR PERMITTED-BUT-PAID? .....	1383
<i>Jane C. Ginsburg</i>	
ALL OF THIS HAS HAPPENED BEFORE AND ALL OF THIS WILL HAPPEN	
AGAIN: INNOVATION IN COPYRIGHT LICENSING .....	1447
<i>Rebecca Tushnet</i>	
COPYRIGHTABLE SUBJECT MATTER IN THE “NEXT GREAT COPYRIGHT	
ACT” .....	1489
<i>R. Anthony Reese</i>	
LEGISLATING DIGITAL EXHAUSTION.....	1535
<i>Aaron Perzanowski &amp; Jason Schultz</i>	
COPYRIGHT REFORM PRINCIPLES FOR LIBRARIES, ARCHIVES, AND	
OTHER MEMORY INSTITUTIONS .....	1559
<i>David R. Hansen</i>	
COPYRIGHT’S PRIVATE ORDERING AND THE “NEXT GREAT COPYRIGHT	
ACT” .....	1595
<i>Jennifer E. Rothman</i>	

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# FAIR USE FOR FREE, OR PERMITTED-BUT-PAID?

*Jane C. Ginsburg<sup>†</sup>*

## ABSTRACT

The U.S. Supreme Court in *Sony Corporation of America v. Universal City Studios* fended a fork in the fair use road. The Court there upset the longstanding expectation that uses would rarely, if ever, be fair when the whole of a work was copied. In the aftermath of that decision, lower courts have rendered a plethora of decisions deeming the copying of an entire work (even with no additional authorship contribution) a fair use, and therefore “free” in both senses of the word. A perceived social benefit or some market failure appears to motivate these decisions. This is because fair use is an on/off switch: either the challenged use is an infringement of copyright or it is a fair use, which section 107 declares “is not an infringement of copyright.” As a result, either the copyright owner can stop the use, or the user not only is dispensed from obtaining permission, but also owes no compensation for the use. I contend that fair use for free should be available only where a second author copies in the creation of a new work (instances which I will call productive uses). By contrast, when the entire work is copied for essentially distributive purposes, courts and legislatures should sometimes allow the use, but subject it to an obligation to compensate authors and rights holders. This is not a radical idea: the United States is in fact an outlier in the broader international landscape of copyright exceptions. Many countries have permitted-but-paid regimes for various uses, including those by libraries, educational institutions, and technologies. Indeed, the United States has some as well, particularly respecting new technological modes of dissemination. For many authors and other members of the creative communities, while their works stoke the engines of others’ enterprises, the Internet age has proffered more rags than riches. Creators should be compensated for the non-creative reuse of their works.

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† Morton L. Janklow Professor of Literary and Artistic Property Law, Columbia Law School. Many thanks for research assistance to Trey Brewer, Arjun Jaikumar, and Olena Ripnick, all Columbia Law School class of 2014. Thanks also for observations and criticisms to June Besek, Jack Browning, Irene Calboli, David Carson, Jacqueline Charlesworth, Susy Frankel, Wendy J. Gordon, Brad Greenberg, Lital Helman, Bert Lazerow, Yafit Lev-Aretz, Jessica Litman, Tony Reese, Pamela Samuelson, Paul Spera, Eva Subotnik, and Edouard Treppoz, and to Shyamkrishna Balganesh, Christopher Yoo, and the participants in the University of Pennsylvania copyright colloquium; to Jennifer Rothman and Jay Dougherty and the participants in the Loyola Law School faculty workshop, and to my colleagues at the Columbia Law School faculty workshop. Much gratitude to Barton Beebe for sharing his database of fair use cases. This article benefited from the support of the Philippe P. Dauman Faculty Research Fund.

**TABLE OF CONTENTS**

<b>I.</b>	<b>INTRODUCTION .....</b>	<b>1385</b>
<b>II.</b>	<b>THE EVOLUTION OF REDISTRIBUTION FAIR USE .....</b>	<b>1389</b>
A.	SOCIAL-SUBSIDY FAIR USE .....	1392
1.	<i>Nonprofit Educational Uses .....</i>	1392
B.	MARKET-FAILURE/NEW-MARKET FAIR USE .....	1402
1.	<i>Private Copying.....</i>	1403
2.	<i>Mass Digitization.....</i>	1407
<b>III.</b>	<b>COMPARATIVE LAW: EUROPEAN UNION, CANADA, AUSTRALIA, AND NEW ZEALAND.....</b>	<b>1414</b>
A.	LICENSE IT OR LOSE IT .....	1415
B.	USE PERMITTED; REMUNERATION REQUIRED.....	1416
1.	<i>Private Parties Set Remuneration Rate.....</i>	1417
2.	<i>Government Requires License from Collecting Society—Extended Collective Licensing .....</i>	1423
C.	FRENCH LAW ON “UNAVAILABLE BOOKS” .....	1425
D.	ORPHAN WORKS .....	1430
1.	<i>European Union.....</i>	1430
2.	<i>Canada.....</i>	1431
<b>IV.</b>	<b>PROPOSAL FOR U.S. COPYRIGHT REFORM: LEGISLATION IN AID OF PRIVATE ORDERING .....</b>	<b>1432</b>
A.	TO WHAT EXTENT DO WE ALREADY HAVE PERMITTED-BUT- PAID? .....	1432
1.	<i>Extant Compulsory-License Regimes .....</i>	1432
2.	<i>The Effect of eBay: Will Failed Fair Use Defenses Yield Only Monetary Remedies (De Facto Permitted-But-Paid)?.....</i>	1434
B.	HOW MUCH CAN ONE ACHIEVE BY PRIVATE ORDERING WITHOUT LEGISLATION? IS COURT-ORDERED “LICENSE IT OR LOSE IT” AN ANSWER? .....	1436
C.	LEGISLATION TO ENABLE PRIVATE ORDERING? .....	1436
1.	<i>H.R. 3219: “Free Market Royalty Act” .....</i>	1438
2.	<i>Baseball Arbitration: Institutional Constraints .....</i>	1441
3.	<i>How Baseball Arbitration Could Apply to Permitted-But-Paid .....</i>	1443
<b>V.</b>	<b>CONCLUSION .....</b>	<b>1445</b>

## I. INTRODUCTION

Fair use is an on/off switch: either the challenged use is an infringement of copyright or it is a fair use, which section 107 declares “is not an infringement of copyright.”<sup>1</sup> As a result, either the copyright owner can stop the use<sup>2</sup> or the user is not only dispensed from obtaining permission, but also owes no compensation for the use. The unpaid nature of fair use introduces pressures that may distort analysis, particularly of the “transformative” character of the use,<sup>3</sup> and of potential market harm. Faced with a use, notably in the context of new technologies, that a court perceives to be socially beneficial, a court may overemphasize its “transformativeness,” and correspondingly underestimate the market consequences, in order to prevent the copyright owner from frustrating the social benefit.<sup>4</sup> Distortions can appear in the other direction as well: a court sensitive to the economic consequences of the unpaid use may feel obliged to downplay the public interest fostered by the use.<sup>5</sup> Statutory licenses or privately negotiated accords within a statutory framework can alleviate the tension by ensuring that uses the legislator perceives to be in the public interest proceed free of the copyright owner’s veto, but with compensation—in other words: permitted-but-paid.<sup>6</sup>

---

1. 17 U.S.C. § 107 (2012) (“[T]he fair use of a copyrighted work . . . is not an infringement of copyright.”).

2. But see suggestions, in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 n.10 (1994) and *Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988), *aff’d sub nom. Stewart v. Abend*, 495 U.S. 207 (1990), that the appropriate remedy may be monetary—in effect, judicially imposed compulsory licenses; the defendants in those cases, however, produced new works of authorship—they did not merely redistribute the underlying work; my analysis addresses distributive rather than creative uses.

3. Recent fair use caselaw suggests that once the use is deemed “transformative” it becomes presumptively “fair.” *See infra* notes 66–83 and accompanying text (discussing domination of “transformative” finding in fair use analysis).

4. *E.g.*, *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003); *Perfect 10, Inc. v. Yandex N.V.*, No. C 12–01521 WHA, 2013 WL 1899851 (N.D. Cal. May 7, 2013) (all decisions involving search engines’ storage, indexation, and reproduction of photographic images); *Authors Guild, Inc. v. Hathitrust*, 755 F.3d 87 (2d Cir. 2014) (discussed *infra*).

5. *Perfect 10, Inc. v. Google, Inc.*, 416 F. Supp. 2d 828 (C.D. Cal. 2006) (search engine’s thumbnail images substitute for market for downloading reduced-sized images to cellphones, market harm factor favors plaintiffs; fair use defense rejected despite benefit conferred by search engines), *abrogated by Amazon*, 508 F.3d 1146.

6. That some uses should be legally permitted, but should also be compensated, may be an idea whose time is coming in the United States. *See Doug Lichtman, Fair Use Middle Ground*, MEDIA INSTITUTE (Aug. 11, 2014), <http://www.mediainstitute.org/IPI/2014/081114.php>.

That legislatures should sometimes allow the use, but subject it to an obligation to compensate authors and rights holders, is not a radical idea: the United States is in fact an outlier in the broader international landscape of copyright exceptions. The copyright laws of European Union (“EU”) member states, and Canada, Australia, and New Zealand, do not include an all-purpose fair use defense; but all these states have enacted a panoply of copyright exceptions, particularly for library, educational, and technology uses, many of which require remuneration.<sup>7</sup> (The United States also has several specific copyright exceptions, for library, educational, and certain other nonprofit uses, but they do not usually require remuneration.<sup>8</sup>) Thus, while our fair use doctrine confronts courts with an all-or-nothing choice, other countries have charted middle courses between barring the use and permitting its unremunerated pursuit.

In contending that some uses previously ruled “fair” should not remain unpaid, this Article argues that the copyright law should distinguish new distributions from new works, and should confine (free) “fair use” to the latter.<sup>9</sup> This Article proposes that many distribution uses formerly deemed “fair” be “permitted-but-paid,” and be subject to a statutory framework for license negotiations, with compulsory licensing as a backstop. Permitted-but-paid uses may be divided into two classes: subsidy (socially worthy redistributions) and market failure (transaction costs are too high to warrant a licensing solution; or a new mode of dissemination—an infant industry—is threatened by copyright-owner recalcitrance). Because the inclusion of a use within the market failure class turns largely on facts that may evolve, these uses’ classification as permitted-but-paid should be subject to a phase out; for example, a renewable sunset following a five-year review by the Copyright Office.<sup>10</sup>

Where the use confers a public benefit and the choice is all-or-nothing, a fair use outcome is virtually assured. But were permitted-but-paid an option,

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7. See discussion *infra* Section III.

8. See, e.g., 17 U.S.C. §§ 108 (library exceptions), 110(1)(2) (educational exceptions), 121 (people with disabilities).

9. In referring to fair uses that yield “new works,” I deliberately avoid the term “transformative,” which I believe has obscured analysis ever since courts began to attach that label to “uses” unmoored from “works.” My proposal does not necessarily entail payment for all distributive uses; as a practical matter, many of these are impliedly licensed or “tolerated.” See generally Tim Wu, *Tolerated Use*, 31 COLUM. J. L. & ARTS 617 (2008) (analyzing the intersection between “tolerated use” [casual, non-commercial infringement] and traditionally “fair” uses). By the same token, some distributive uses currently ruled “fair” might be left to be licensed in the free market.

10. Thanks to Lital Helman for inspiring this solution. Sunset provisions are not unknown in U.S. Copyright law; see, e.g., 17 U.S.C. §§ 119, 601 (2012).

we would not be lured by a dichotomy falsely pitting authors against a perceived social good. The licensing mechanism would allow both broader dissemination and provide payment to authors. One might rejoin that there is no need to license if the use is fair. But in that class of cases where the use is “fair” only because it supposedly cannot reasonably be licensed, then permitted-but-paid should replace fair use for free.

This Article does not propose any change to the analysis of fair use cases involving new creativity.<sup>11</sup> Analytical difficulties may abound there as well (for example, how much copying is too much; where lies the line between a fair use parody and an infringing derivative work), but they arise in the strongest normative universe for free use.<sup>12</sup> The situations I intend to address often come down to assessing whether a new use should be exempted from copyright liability in order to enable a new business model or to ensure relatively inexpensive dissemination in furtherance of socially worthy goals such as nonprofit education. The normative claims underlying redistributive uses are not based on authorship but rather on “information policy,” a notion which may cover both the interests of readers in receiving works of authorship<sup>13</sup> and of new distributors in purveying them.

I recognize that my categories present a variety of line-drawing challenges. First, some would dispute my initial distinction between new-authorship (true) fair use, and subsidy or market-failure “fair” use.<sup>14</sup> That dispute probably derives from different normative visions of the value of creating new expression as opposed to receiving or reiterating extant expression. As a result, I note the disagreement, but move on. Second, the subsidy and market-failure categories may overlap as excessive transaction costs may also characterize some of the kinds of uses I have characterized as subsidies, and social benefit may buttress the appeal of the transaction-costs justification for a permitted use. Nonetheless, I believe the categories are distinct, because there may be social policy reasons to continue to subsidize a

11. Although, were I reforming what I will call “true” fair use, I would make authorship attribution a factor in assessing fair use. Cf. Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as revised at Paris on July 24, 1971 and amended in 1979, S. Treaty Doc. No. 99-27 (1986) [hereinafter Berne Convention], arts. 10 and 10bis (requiring authorship attribution for certain quotation exceptions).

12. *But cf.* Hon. J. Alex Kozinski & Christopher Newman, *What’s So Fair About Fair Use? The 1999 Donald C. Brace Memorial Lecture*, 46 J. COPYRIGHT SOC’Y U.S.A. 513 (1998–1999) (urging that the derivative works right be replaced by compulsory licensing).

13. See, e.g., Wendy J. Gordon, *Fair Use Markets: On Weighing Potential License Fees*, 79 GEO. WASH. L. REV. 1814 (2011); Jessica Litman, *Readers’ Copyright*, 58 J. COPYRIGHT SOC’Y U.S.A. 325 (2011).

14. See, e.g., Wendy J. Gordon, *Fair Use as Market Failure*, 82 COLUM. L. REV. 1600 (1982); Rebecca Tushnet, *Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It*, 114 YALE L.J. 535 (2004).

use even if the transaction-costs problem could be overcome. Finally, there is another boundary issue: permitted-but-paid must be cabined so that it avoids the slippery slide into two opposite extremes. On the one hand, my proposal should not lead to turning all of copyright law into a “liability rule”; on the other, it should not promote the conclusion that any use that can be paid for should be compensated (if not controlled).

The Article proceeds as follows. It first examines the evolution of the two classes of new-distribution fair use cases. As examples of social subsidies, the Article considers the treatment of educational copying from the legislative history of the 1976 Copyright Act through *Cambridge University Press v. Becker* (the Georgia State online “reserves” controversy),<sup>15</sup> and then turns to library copying and the *HathiTrust* case.<sup>16</sup> Market-failure cases encompass a range of examples of mass use of copyright works, from private copying to mass digitization (e.g., Google Books) to search engines.

The next part of this Article looks to Europe, Australia, New Zealand, and Canada. These copyright regimes have typically provided compensation schemes for many of the non-creative uses surveyed here. The United Kingdom, Australia, and New Zealand have also established, or are considering instituting, “license it or lose it” systems to promote socially beneficial distributions of copyrighted works. Moreover, some European countries have addressed market-failure problems through “extended collective licensing” systems that merge features of statutory licenses and private ordering.

Finally, I consider how to implement permitted-but-paid in the United States. As an initial matter, I inquire whether, subsequent to the Supreme

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15. *Cambridge University Press v. Becker*, 863 F. Supp. 2d 1190 (N.D. Ga. 2012), *rev'd*, 769 F.3d 1232 (11th Cir. 2014). Author's note: as this issue was going to press, the Eleventh Circuit announced its decision reversing and remanding for fuller analysis of the fair use factors. For an analysis see Jane C. Ginsburg, *Electronic course reserves: From false clarity to true obscurity?* MEDIA INSTITUTE INTELLECTUAL PROPERTY ISSUES: IP VIEWPOINTS (October 31, 2014), <http://www.mediainstitute.org/IPI/2014/103114.php>.

Another type of non-creative use of entire works (not analyzed here) is evidentiary use, for example submission of copies of third-party works in court proceedings—see, e.g., *Scott v. WorldStarHipHop, Inc.*, No. 10 CIV 9538, 2011 WL 5082410 (S.D.N.Y. Oct. 25, 2011); *Shell v. City of Radford, Virginia*, 351 F. Supp. 2d 510, 513 (W.D. Va. 2005)—or as evidence of prior art in patent applications—see *American Institute of Physics v. Schwegman, Lundberg & Woessner, P.A.*, Civ. No. 12-528, 2013 WL 1395867 (D. Minn. Apr. 8, 2013). See also Wendy J. Gordon, *Reality as Artifact: From Feist to Fair Use*, 55 LAW AND CONTEMP. PROBS. 93 (1992) (arguing that this kind of use is use of copyrighted expression as “fact” and therefore should be an uncompensated fair use).

16. *Authors Guild, Inc. v. HathiTrust*, No. 12-4547-cv, 2014 WL 2576342 (2d Cir. June 10, 2014), *aff'g* 902 F. Supp. 2d 445 (S.D.N.Y. 2012).

Court's decision in *eBay v. MercExchange*,<sup>17</sup> the tightened conditions for issuing preliminary and permanent injunctions are resulting in a *de facto* permitted-but-paid regime. If the usual panoply of copyright remedies nonetheless largely remains available, can the shadow of injunctive relief stimulate private ordering? Can judges provide the impetus to private ordering by making fair use the backstop to a "license it or lose it" regime? Or is legislation needed to enable private ordering, for example, by lessening antitrust constraints? If legislation is a necessary adjunct to private ordering, who will set the backdrop royalty rates, and how will the rates be determined? I suggest that the Copyright Royalty Board might assume that task of rate setting if the parties cannot agree, but the Board should apply the method of last best offer arbitration (sometimes referred to as "baseball arbitration") to arrive at the rate.

## II. THE EVOLUTION OF REDISTRIBUTION FAIR USE

U.S. copyright law has long recognized fair use as an exception favoring new creativity.<sup>18</sup> Justice Story's 1841 decision in *Folsom v. Marsh*,<sup>19</sup> to which many assign the doctrine's ancestor attribution,<sup>20</sup> refined the British rule of "fair abridgement"<sup>21</sup> to emphasize the authorship contributions of the alleged infringer, as well as their impact on the market for the copied work. Justice Story distinguished between "real, substantial condensation of the materials,

17. *eBay v. MercExchange*, 547 U.S. 388 (2006).

18. The doctrinal roots of the fair use exception for new creativity can be traced back to the 1841 Supreme Court opinion in *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4901), discussed *infra* notes 19–22 and accompanying text. "New creativity fair use" cases still outnumber "new distribution fair use" cases on today's dockets. For an illustrative but far from exhaustive list of modern "new creativity fair use" cases, see, for example, *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) (commercial parody of Roy Orbison's song "Oh, Pretty Woman" by 2 Live Crew rap group); *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013) (appropriation art); *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006) (reduced size reproductions of seven posters in biography of the band the Grateful Dead); *Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006) (appropriation art); *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998) (parody of Vanity Fair cover photograph).

19. *Folsom v. Marsh* 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4901).

20. See, e.g., *Campbell*, 510 U.S. at 575. See generally R. Anthony Reese, *The Story of Folsom v. Marsh: Distinguishing Between Infringing and Legitimate Uses*, in INTELLECTUAL PROPERTY STORIES 259 (Jane C. Ginsburg & Rochelle Cooper Dreyfuss eds., 2006).

21. Epitomized in decisions such as *Gyles v. Wilcox*, (1740) 26 Eng. Rep. 489 (Ch.), and *Sayre v. Moore*, (1785) 102 Eng. Rep. 139 (K.B.). On the role of "fair abridgement" in promoting new creativity, see, e.g., ISABELLA ALEXANDER, COPYRIGHT AND THE PUBLIC INTEREST IN THE NINETEENTH CENTURY 170–72 (2010). On fair abridgement as a precursor to fair use, see, e.g., Matthew Sag, *The Prehistory of Fair Use*, 76 BROOK. L. REV. 1371 (2011).

and intellectual labor and judgment bestowed thereon” and “merely the facile use of the scissors; or extracts of the essential parts, constituting the chief value of the original work.”<sup>22</sup> The ensuing century-and-a-half of fair use cases almost exclusively debated the nature of the second author’s additions or alterations, pitted against the first author or copyright owner’s prospects for exploiting the work.<sup>23</sup> The caselaw thus calibrated the basic moving parts of the traditional fair use doctrine: authorship, public benefit, economic impact. The progress of learning<sup>24</sup> advances when the law allows follow-on authors to bestow their intellectual labor and judgment in reworking selections from a prior work, without prejudicing the profits or prospects of that work.

New distribution fair uses are different. They do not directly produce new works. (I recognize that new distribution uses may enrich the end user’s knowledge and reflections in ways that ultimately inform some subsequent creative endeavor,<sup>25</sup> but the same might be said of everything, from works of authorship to cups of coffee, that becomes an input in a prospective author’s creative process.) What motivations, therefore, underlie non-authorship-based exceptions? The caselaw and legislative history of the 1976 Copyright Act indicate two broad impetuses. First, the category I have, perhaps provocatively, called “subsidy,”<sup>26</sup> in which copying for non-commercial distribution purposes (generally by educational institutions or libraries) receives a free pass (subject to a variety of limitations). (I recognize that some, particularly those who reject the characterization of copyright as a

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22. *Folsom*, 9 F. Cas. at 345. Although in that case Judge Story found the use of the work (George Washington’s letters) to be infringing, notably because the letters constituted over one-third of defendant’s work and “impart[ed] to it . . . its essential value,” he nonetheless praised the defendant’s objective of producing works for school libraries, and expressed the hope that the parties might come to an “amicable settlement.” *Id.* at 349. *Folsom v. Marsh* might thus be seen as a precursor to the social-subsidy variant of permitted-but-paid; thanks for this point to Eva Subotnick.

23. See, e.g., cases cited, *supra* note 18; see also *Columbia Broadcasting System, Inc. v. Loew’s, Inc.*, 356 U.S. 43 (1958); *Benny v. Loew’s Inc.*, 239 F.2d 532 (9th Cir. 1956); *Shapiro, Bernstein & Co. v. P.F. Collier & Son Co.*, 26 U.S.P.Q. 40 (S.D.N.Y. 1934). For an analysis of courts’ application of fair use under the 1909 Copyright Act, see Alan Latman, *Study No. 14: Fair Use of Copyrighted Works*, in 2 STUDIES ON COPYRIGHT: ARTHUR FISHER MEMORIAL EDITION 781, 783–93 (Copyright Soc’y of U.S.A. eds., 1963).

24. See U.S. CONST. art. I, § 8, cl. 8 (“Congress shall have power . . . to promote the progress of science . . . .”); *Rosemont Enter. v. Random House, Inc.*, 366 F.2d 303, 306–311 (1966) (applying fair use when enforcement of copyright, by rightowner who sought to suppress information, would frustrate the progress of science).

25. Thanks to Wendy J. Gordon for this observation.

26. But not as provocatively as, for example, Robert P. Merges, who has suggested that fair use across the board obliges authors to subsidize user-beneficiaries. See Robert P. Merges, *The End of Friction? Property Rights In The ‘Newtonian’ World Of On-line Commerce*, 12 BERKELEY TECH. L.J. 115, 115–16 (1997).

“property right” will similarly contest the proposition that fair use effectively requires authors to underwrite free uses in the public interest.) Second, and primarily in the case of distribution uses developed by new (generally commercial) market entrants, “market failure” may justify both those uses that are as a practical matter insusceptible to licensing, notably because of their volume, and (more controversially) those whose licensing may be possible but whose licensors are unreasonably intractable.<sup>27</sup> Perhaps unsurprisingly, courts do not generally announce the latter basis, since it both implies second-guessing business decisions and ascribes sinister motivations to the refusal to license. As a result, those who invoke this justification are often unsuccessful.<sup>28</sup> Nonetheless, I believe it underlies some fair use decisions, notably the Ninth Circuit’s recent holding in *DISH Networks*,<sup>29</sup> whose fair use analysis (like the cursory and result-oriented fair use analysis in the Supreme Court’s *Sony* decision<sup>30</sup> on which it relies) is otherwise unconvincing, at best.

The following discussion considers two kinds of new distribution fair uses: first, social-subsidy fair use, including nonprofit education and libraries; second, market-failure/new-market use, including private copying and mass digitization.

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27. A great deal has been written on market-failure fair use since Wendy J. Gordon’s seminal 1982 article in the Columbia Law Review. See Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600 (1982); see also Tom W. Bell, *Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright’s Fair Use Doctrine*, 76 N.C. L. REV. 557 (1998); Julie E. Cohen, *Lochner in Cyberspace: The New Economic Orthodoxy of Rights Management*, 97 MICH. L. REV. 462 (1998); David M. Driesen & Shubha Ghosh, *The Functions of Transaction Costs: Rethinking Transaction Cost Minimization in a World of Friction*, 47 ARIZ. L. REV. 61 (2005); Alan L. Durham, *Consumer Modification of Copyrighted Works*, 81 IND. L.J. 851 (2006); Edward Lee, *Technological Fair Use*, 83 S. CAL. L. REV. 797 (2010); Maureen A. O’Rourke, *Towards a Doctrine of Fair Use in Patent Law*, 100 COLUM. L. REV. 1177 (2000); Robert Merges, *The End of Friction*, *supra* note 26; Neil Weinstock Netanel, *Copyright and a Democratic Civil Society*, 106 YALE L.J. 283 (1996); Jennifer M. Urban, *How Fair Use Can Solve the Orphan Works Problem*, 27 BERKELEY TECH. L.J. 1379 (2012).

28. See, e.g., *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1017 (9th Cir. 2001) (rejecting defense that end-user filesharing was fair use; court observed that licensed downloads were in prospect); *UMG Recordings, Inc. v. MP3.Com, Inc.*, 92 F. Supp. 2d 349, 352 (S.D.N.Y. 2000) (rejecting defendant’s contention that MP3 storage product was fair use because plaintiff failed to show that licensing in this area was not “traditional, reasonable, or likely to be developed” (quoting *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 930 (2d Cir. 1994))). Cf. *Texaco*, 60 F.3d at 930–31 (rejecting market-failure argument on grounds that market failure no longer existed due to emerging licensing market).

29. *Fox Broad. Co. v. Dish Network L.L.C.*, 723, F.3d 1067 (9th Cir. 2013).

30. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

### A. SOCIAL-SUBSIDY FAIR USE

#### 1. Nonprofit Educational Uses

##### a) Photocopying and the 1976 Act

Section 107(1) identifies “nonprofit educational purposes” as a use whose “nature” and “purpose” favor a finding of fair use.<sup>31</sup> The preamble to section 107 lists among the uses which in general exemplify fair use (but which courts must in each case examine) “teaching (including multiple copies for classroom use).”<sup>32</sup> Thus, as the Supreme Court has recognized, the 1976 Act specifies one form of use that does not involve new creativity,<sup>33</sup> though the contours of this redistributive use remain undefined, and the inclusion of a use in the preamble does not confer a presumption of “fairness.” Educational photocopying was in fact one of the most contested issues during the legislative process leading up to the 1976 Act.<sup>34</sup> The “Agreement on Guidelines for Classroom Copying in Not-for-Profit Educational Institutions With Respect to Books and Periodicals”<sup>35</sup> (“Guidelines”) that emerged from this process offers some indication of Congress’s intention regarding the scope of fair use.

I do not wish to overemphasize the inferences to draw from the Guidelines, in part because they are highly contested,<sup>36</sup> and because by their own terms, they identify a minimum threshold, in effect a safe harbor, thus leaving open the possibility of more extensive permissible free use.<sup>37</sup> But

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31. 17 U.S.C. § 107(1) (2012).

32. *Id.* § 107(2).

33. See *Campbell v. Acuff-Rose*, 510 U.S. 569, 579 n.11 (1994) (“The obvious statutory exception to this focus on transformative uses is the straight reproduction of multiple copies for classroom distribution.”).

34. See, e.g., Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 887–88 (1987).

35. H.R. Rep. No. 94-1476, at 68–73 (1976).

36. Compare *Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381, 1390–91 (6th Cir. 1996) (Guidelines provide useful guidance), with *Cambridge Univ. Press v. Becker*, 863 F. Supp. 2d 1190, 1227–29 (N.D. Ga. 2012) (criticizing Guidelines’ legitimacy). For academic commentary critical of the Guidelines, see, e.g., Kenneth D. Crews, *The Law of Fair Use and the Illusion of Fair Use Guidelines*, 62 OHIO ST. L.J. 599 (2001); Gregory K. Klingsporn, *The Conference on Fair Use (CONFU) and the Future of Fair Use Guidelines*, 23 COLUM. J. L. & ARTS 101 (1999); Litman, *supra* note 34; Jennifer E. Rothman, *Best Intentions: Reconsidering Best Practices Statements In the Context of Fair Use and Copyright Law*, 57 J. COPYRIGHT SOC’Y U.S.A. 371 (2010); Carol M. Silberberg, Note, *Preserving Educational Fair Use in the Twenty-First Century*, 74 S. CAL. L. REV. 617 (2001).

37. H.R. Rep. No. 94-1476, at 68 (1976) (“[T]he following statement of guidelines is not intended to limit the types of copying permitted under the standards of fair use under judicial decision and which are stated in Section 107 of the Copyright Revision Bill. There

several features of the Guidelines suggest that they focus on the acts of individual teachers. For example, in addition to a “brevity” component, the Guidelines specify “spontaneity” (“the inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission”)<sup>38</sup>; they limit multiple copying to no more than nine instances during a term; and perhaps most significantly, with respect to the intended beneficiary, “the copying of the material is for only one course in the school in which the copies are made.”<sup>39</sup> One may, therefore, query whether systematic copying, particularly of substantial course materials,<sup>40</sup> by the educational institution, falls so far outside the Guidelines’ ambit as to exceed even the Guidelines’ undefined additional breathing space.

By the same token, the report of the Senate Judiciary Committee casts doubt on the application of fair use to institutional educational copying. The Committee surmised:

The fair use doctrine in the case of classroom copying would apply primarily to the situation of a teacher who, acting individually and at his own volition, makes one or more copies for temporary use by himself or his pupils in the classroom. A different result is indicated where the copying was done by the educational institution, school system, or larger unit or where copying was required or suggested by the school administration, either in special instances or as part of a general plan.<sup>41</sup>

Educational institutions, however, have not been the defendants in most of the cases involving educational copying. Although publishers sued New York University in the early 1980s over its systematic preparation of coursepacks, the case settled.<sup>42</sup> The other photocopying decisions involved

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may be instances in which copying which does not fall within the guidelines stated below may nonetheless be permitted under the criteria of fair use.”).

38. *Id.* at 69.

39. *Id.*

40. The Guidelines also state: “Copying shall not be used to create or to replace or substitute for anthologies, compilations or collective works.” *Id.* at 69.

41. S. Rep. No. 94-473, at 63 (1975).

42. The case, *Addison-Wesley Publishing Co. v. New York University*, No. 82 CIV 8333 (ADS), 1983 WL 1134 (S.D.N.Y. May 31, 1983), settled “on terms which included the incorporation of the Classroom Guidelines into the University’s official photocopying policies.” Bernard Zidar, Comment, *Fair Use and the Code of the Schoolyard: Can Copyshops Compile Coursepacks Consistent with Copyright?*, 46 EMORY L.J. 1363, 1377 (1997) (outlining history of *Addison* and other early photocopying cases).

commercial actors,<sup>43</sup> thus considerably attenuating the “public benefit” conferred by the unauthorized preparation of coursepacks. A decision rendered shortly after the enactment of the 1976 Act, *Encyclopedia Britannica v. Crooks*,<sup>44</sup> however, did involve educational copying (videotaping, not photocopying) by institutional defendants, but the facts of the case did not favor the application of fair use to institutional-level nonprofit educational copying. There, the producers of educational videos charged that defendant school districts, comprising over one hundred schools, videotaped television broadcasts of their works, built a library of these videotaped works, and made copies of these tapes for classroom use. Because educational institutions constituted the principal market for the plaintiffs’ works, the school districts’ systematic copying substituted for purchases of the programs. The economic impact exceeded reasonable fair use tolerance even for publicly beneficial goals.<sup>45</sup>

More recently, however, a district court has found fair use in a case involving institutional-level creation of “electronic reserves,” arguably the digital-era equivalent of photocopied coursepacks.<sup>46</sup>

#### b) Digital Copying

In *Cambridge University Press v. Becker*,<sup>47</sup> three academic publishers contended that Georgia State University systematically infringed their copyrights by adopting a policy that permitted faculty members to make excerpts from the plaintiffs’ works as electronic course reserves through the university library’s website. The university’s 2009 Copyright Policy allegedly “led to continuing abuse of the fair use privilege”<sup>48</sup> by “mak[ing] professors responsible for determining whether a particular use is a fair use”<sup>49</sup> and requiring the professor to complete a “fair use checklist” to do so.<sup>50</sup> The

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43. See, e.g., Princeton Univ. Press v. Mich. Document Servs., 99 F.3d 1381, 1389 (6th Cir. 1996); Am. Geophysical Union v. Texaco, Inc., 60 F.3d. 913, 922 (2d. Cir. 1994); Basic Books, Inc. v. Kinko’s Graphics Corp., 758 F. Supp. 1522, 1532 (S.D.N.Y. 1991).

44. *Encyclopedia Britannica v. Crooks*, 542 F. Supp. 1155–56, 1174 (W.D.N.Y. 1982).

45. *Id.* at 1174–79.

46. *Cambridge Univ. Press v. Becker*, 863 F. Supp. 2d 1190, 1201–02 (N.D. Ga. 2012).

47. *Id.* While I have classified coursepacks and electronic reserves as forms of reiterative copying, one might contend that the selection of excerpts to copy results in a kind of anthology, which might be considered not merely a new use but a new work; that there may be some authorship component to the selection of materials to copy does not compel such a recharacterization. The *Georgia State* court did not consider the copying at issue to be “transformative.” *Id.* at 1232 (“Taking into account the fact that this case involves only mirror-image, nontransformative uses . . .”).

48. *Id.* at 1203.

49. *Id.* at 1219.

50. *Id.*

plaintiffs identified seventy-five instances of alleged infringement during the three full semesters after the Copyright Policy was adopted. Faculty members had assigned the excerpts at issue as supplemental (but often required) reading in graduate or upper-level undergraduate courses in language or social science. The books from which the excerpts came were generally not textbooks, but rather single-author monographs or edited collections of multiple chapters by a variety of authors. The “great majority” of the excerpts at issue constituted “a chapter or less from a multi-chapter book.”<sup>51</sup> The average copied excerpt constituted about 10% of the book from which it was copied “(though some were considerably more and some were considerably less).”<sup>52</sup> Excerpts placed on electronic reserve were available by password only to students enrolled in the course, and only during the semester in which the student was enrolled, but students could create permanent retention copies by downloading or printing the reserve readings for their courses.

Following a bench trial, the court found most of the copying to be fair use. Evaluating “the purpose and the character of the use,” the court concluded that the first factor favored fair use, because the copying fulfilled the section 107 preamble-listed purposes of teaching students and for scholarship and was performed by a nonprofit educational institution “for strictly nonprofit educational purposes.”<sup>53</sup> The court distinguished the photocopy cases, whose defendants were for-profit entities. Pointing to the statute’s explicit inclusion of classroom copies, the court rejected the plaintiffs’ argument that the non-creative nature of the copying weighed against fair use. Applying the second factor, the court deemed the works primarily informational, hence more subject to fair use. The final two factors furnished the most significant, and debatable, aspects of the court’s analysis.

With respect to the third factor, the “amount and substantiality of the portion used, in relation to the copyrighted work as a whole,” the court attributed little significance to the Classroom Guidelines. Since the Guidelines’ safe harbor set the minimum standards of educational fair use, not the maximum, the court concluded that the outcome of this factor’s analysis did not turn on meeting the Guidelines requirements. Turning instead to the text of the third factor, the court addressed the question of what constituted “the copyrighted work as a whole,” in relation to which the amount and substantiality of the defendant’s copying should be evaluated. Although the publishers urged that each chapter of their copyrighted books

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51. *Id.* at 1233.

52. *Id.* at 1227.

53. *Id.* at 1224.

should be seen as a separate work, so that copying an entire chapter would constitute copying the entire work, the court ruled that the argument was not timely raised.<sup>54</sup> Moreover, conflating copyright ownership with the identification of the “work,” the court indicated that since the publishers had obtained copyright assignments from the authors of the separate contributions to edited volumes, those contributions should not be assessed separately for purposes of fair use analysis, lest the publishers “choke out nonprofit educational use of the chapter as a fair use.” The court “w[ould] not allow this to happen,”<sup>55</sup> and therefore analyzed the substantiality of the copying with respect to the book as a whole.<sup>56</sup>

Of course, an amount quantitatively insubstantial with respect to the book as a whole could be qualitatively substantial, and therefore weigh against fair use,<sup>57</sup> but the court determined that because the books were divided into distinct topics, the copied excerpts lacked “a dominant relationship to the substance of the work as a whole.”<sup>58</sup> It is not clear what this standard means, but it appears to make qualitative insubstantiality an inevitable consequence of addressing more than one topic per book. Moreover,

it is relevant that selection of a whole chapter of a book (either from a typical, single author chapter book or from an edited book) likely will serve a more valuable educational purpose than an excerpt containing a few isolated paragraphs. Professors want students to absorb ideas and useful, context-based information. This can be accomplished better through chapter assignments than through truncated paragraphs. However, the selected excerpt must fill a demonstrated, legitimate purpose in the course curriculum and must be narrowly tailored to accomplish that purpose.<sup>59</sup>

Thus, more copying is called for rather than less, especially since a court is unlikely to second-guess the instructor’s determination—by virtue of assigning the excerpt—that the excerpt “fills a legitimate purpose in the course curriculum . . . ”<sup>60</sup> The same consideration that the publishers

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54. *Id.* at 1231–32.

55. Cambridge Univ. Press v. Becker, 863 F. Supp. 2d 1190, 1234 (N.D. Ga. 2012).

56. By contrast, in *Texaco*, the court addressed not only the journal issue as a whole, but treated each article as a “work” for purposes of the analyses of substantiality and market impact. Am. Geophysical Union v. Texaco, Inc., 60 F.3d. at 926.

57. Harper & Row Publishers v. Nation Enters., 105 S. Ct. 2218, 2250–51 (1985) (finding that a small quantity of the work can constitute the “heart” of the work and weigh against fair use).

58. *Cambridge*, 863 F. Supp. 2d at 1233.

59. *Id.*

60. *Id.* at 1233, 1243.

signaled as evidence of the qualitative substantiality of the excerpt instead bolsters the defense that the institution took no more than appropriate to the pedagogical task.

In any event, the court's treatment of the fourth factor, the effect on the potential market for or value of the work, arguably rendered irrelevant its analysis of the amount and substantiality of the copying, apart from its determination that the copyrighted "works" at issue were the whole books in which the copied excerpts appeared. The court viewed the danger of market substitution as the principal concern under this factor, and set the substitution threshold at ten percent of the book as a whole. The court in effect created a bright-line presumption in favor of fair use if the defendant copied no more than ten percent of the pages of a book containing fewer than ten chapters, or up to but not more than one chapter of a book with ten or more chapters.<sup>61</sup>

Whatever the merits of the ten-percent free pass, the court's treatment of excerpts in excess of ten percent suggests a useful approach of broader potential application, as we will see in subsequent sections of this article. The court acknowledged the significance of the market for licensing excerpts (even if the full book supplies the reference point for the quantum of copying), and the deleterious impact on the value of the work were licensing fees to go unpaid. But the court concluded that "[f]or loss of potential license revenue to cut against fair use, the evidence must show that licenses for excerpts of the works at issue are easily accessible, reasonably priced, and that they offered excerpts in a format which is reasonably convenient for users."<sup>62</sup> Otherwise the unlicensed use would likely be ruled fair. For many of the works at issue, the court concluded that the record did not establish that licenses for digital copies of the works were available in 2009 when the defendants put the excerpts at issue on electronic reserve. Where "digital permissions were not shown to be available," the court ruled that the defendants' use "caused no actual or potential damage to the value of the books' copyrights."<sup>63</sup> Where digital permissions were available, by contrast, the court ruled that the fourth factor would weigh heavily against fair use.<sup>64</sup>

61. Author's note: the Eleventh Circuit reversed the imposition of a 10% presumption, ruling that it lacked statutory basis, and that all factors must be weighed together. *Cambridge Univ. Press v. Patton*, 769 F.3d 1232 (11th Cir. 2014).

62. *Cambridge*, 863 F. Supp. 2d at 1237.

63. *Id.* at 1238. Author's Note: the Eleventh Circuit held that the district court "did not err" in this aspect of its fourth factor analysis. *Cambridge Univ. Press v. Patton*, 769 F.3d 1232. 1281. (11th Cir. 2014)

64. The court accordingly found five instances of use it deemed not "fair." See also *Cambridge Univ. Press v. Becker*, No. 1:08-CV-1425-ODE, 2012 U.S. Dist. LEXIS 123154 (N.D. Ga. August 10, 2012) (relief for five instances of copyright infringement).

In other words, the court instituted a “license it or lose it” system. Or, more accurately, the court gave ten percent off the top to the educational institution (this is the social-welfare subsidy) and then imposed a solution akin to a compulsory license. Except that where compulsory licenses in copyright have traditionally been creatures of legislation, with government-set rates, here the court in effect compelled the copyright owners to license, lest the use be allowed for free, but left the rate-setting to the parties, subject, perhaps, to judicial verification that the licenses “are easily accessible [and] reasonably priced.”<sup>65</sup> We will return to “license it or lose it” when we address copyright exceptions for distribution uses in other countries, and in our proposals for U.S. copyright reform.

### c) Library Uses

Library uses present another instance of social-subsidy fair use. Unlike educational photocopying (whose partial “Guidelines” appear in an appendix to the report of the House Judiciary Committee), specified types of library copying received explicit statutory coverage in section 108 of the 1976 Act. Section 108, however, was drafted with such specificity that, despite some updating in 1998, it has failed to keep pace with digital technologies.<sup>66</sup> Section 108 nonetheless points to further flexibility by cautioning that “[n]othing in this section . . . in any way affects the rights of fair use as provided by section 107 . . .”<sup>67</sup>

*Authors Guild, Inc. v. HathiTrust*<sup>68</sup> tested the relationship between the two provisions. The Second Circuit announced a broad fair use privilege to create and store digital copies of entire books for purposes of “data mining” of full text and to enable access to the contents of books by the visually impaired. The Second Circuit rejected the authors’ contention that the constraints contained within section 108, notably disallowing “systematic” reproductions, limited the scope of fair use.<sup>69</sup> The court addressed the two uses separately. Looking at the output of data in response to search queries rather than the input of the full contents of books into the database, the court found the data-mining uses “quintessentially transformative . . . we

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65. *Cambridge*, 863 F. Supp. 2d at 1237.

66. See, e.g., LIBRARY OF CONGRESS, THE SECTION 108 STUDY GROUP REPORT, at i (2008) (“Due to the rapid pace of technological and social change, the law embodies some now-outmoded assumptions about technology, behavior, professional practices, and business models.”).

67. 17 U.S.C. § 108(f)(4) (2012).

68. *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87 (2d Cir. 2014), *aff’g* 902 F. Supp. 2d 445 (S.D.N.Y. 2012).

69. *Id.* at 94 n.4.

can discern little or no resemblance between the original text and the results of the H[athi]T[rust] D[igital] L[ibrary] full-text search.”<sup>70</sup> Not only did the data mining uses not generate any output of copyrightable expression, but the nature of the use corresponded to a purpose entirely different from those covered by more conventional uses: “There is no evidence that the Authors write with the purpose of enabling text searches of their books. Consequently, the full-text search function does not supersede[] the objects [or purposes] of the original creation.”<sup>71</sup> The second and third factors were quickly dispatched: the nature of the copied work was “not dispositive,” and the amount and substantiality of the copying corresponded to the purpose of the copying, which was to reproduce the full text of the books.<sup>72</sup>

The first-factor finding of “transformative use” essentially dictated the court’s analysis of the fourth factor, for “under Factor Four, any economic ‘harm’ caused by transformative uses does not count because such uses, by definition, do not serve as substitutes for the original work.”<sup>73</sup> The court has thus drawn the explicit conclusion suggested in earlier decisions in which it indicated that a “transformative use” fills a transformative market, which did not substitute for the work’s usual markets.<sup>74</sup> A “transformative use,” then, by definition exploits a non-traditional market. That the new market is one that copyright owners might come to develop apparently does not matter; the court gave short shrift to the authors’ contended economic harm from lost licensing opportunities.<sup>75</sup> This dismissal of prospective markets can be

70. *Id.* at 97.

71. *Id.* (quoting *Campbell v. Acuff-Rose*, 510 U.S. at 579) (internal quotation marks omitted).

72. *Id.* at 98–99. On fair use and data mining, see generally, Matthew Sag, *Orphan Works as Grist for the Data Mill*, 27 BERKELEY TECH. L.J. 1503 (2012) (non-expressive uses of copyrighted works do not infringe copyright).

73. *Id.* at 99.

74. See, e.g., *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 614–15 (2d Cir. 2006); *Castle Rock Entm’t, Inc. v. Carol Pub. Group, Inc.*, 150 F.3d 132, 146 n.11 (2d Cir. 1998). Cf. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1017 (9th Cir. 2001) (“lack of harm to an established market cannot deprive the copyright holder of the right to develop alternative markets for the works. *See L.A. Times v. Free Republic*, 2000 U.S. Dist. LEXIS 5669, 54 U.S.P.Q.2D (BNA) 1453, 1469–71 (C.D. Cal. 2000) (stating that online market for plaintiff newspapers’ articles was harmed because plaintiffs demonstrated that “[defendants] are attempting to exploit the market for viewing their articles online”)).

75. *HathiTrust*, 755 F.3d at 100:

This theory of market harm does not work under Factor Four, because the full-text search function does not serve as a substitute for the books that are being searched. [Citations omitted] Thus, it is irrelevant that the Libraries might be willing to purchase licenses in order to engage in this transformative use (if the use were deemed unfair). Lost licensing revenue

reconciled with the text of the fourth factor, which directs courts to consider “the effect of the use upon the *potential* market for or value of the copyrighted work,”<sup>76</sup> if one concludes that the to-be-developed market is normatively objectionable, as the Supreme Court had held in rejecting the concept of a licensing market for parodies.<sup>77</sup> The normative conclusion that there is no market for the contested use, however, may be more apt for productive uses that generate new works, particularly those critical of the copied work, than for uses that entail unaltered copying of the entire work. If the same conclusion pertains in the latter cases, the court has probably concluded that the use should be allowed in any event; attaching the “transformative” label to the use will determine the outcome of the market harm inquiry: if the market is “transformative,” there is no cognizable harm because impairment to a transformative, as opposed to a traditional, market doesn’t count. Thus, if the use is “transformative,” the four-factor statutory test effectively reduces to a single factor.

The Second Circuit assessed the transformativeness of the use differently with respect to the copying for access by the print-disabled. The district court had held that the visually impaired formed an audience distinct from the readers to whom the copyright owners marketed the books: “[P]rovision of access for them was not the intended use of the original work (enjoyment and use by sighted persons) and this use is transformative.”<sup>78</sup> Recognizing that this rationale comes perilously close to suggesting that anytime a third party develops a new audience for the work, distribution of the work to that audience is “transformative,” the Second Circuit reined in the enthusiasm of the district court: “This is a misapprehension; providing expanded access to the print disabled is not ‘transformative.’ . . . By making copyrighted works available in formats accessible to the disabled, the HDL enables a larger audience to read those works, but the underlying purpose of the HDL’s use is the same as the author’s original purpose.”<sup>79</sup> But, the court went on, “[w]hile a transformative use generally is more likely to qualify as fair use, transformative use is not absolutely necessary for a finding of fair use.”<sup>80</sup> Copying for the print disabled still qualified as a fair use because the amount of copying was commensurate to the task (factor three), and publishers do

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counts under factor four only when the use serves as a substitute for the original and the full text search use does not.

76. 17 U.S.C. § 107(40) (emphasis added).

77. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 591–92 (1994).

78. Authors Guild, Inc. v. HathiTrust, 902 F. Supp. 2d 445, 461 (2d Cir. 2012).

79. *HathiTrust*, 755 F.3d at 101.

80. *Id.* at 101–02, quoting *Swatch Grp. Mgmt. Servs. Ltd. v. Bloomberg L.P.*, 742 F.3d 17, 28 (2d Cir. 2014) (internal quotation marks omitted).

not make their works available in blind-friendly formats, so there is no cognizable market harm.<sup>81</sup>

A perceived social imperative may well underlie the court's rather cavalier treatment of the potential licensing markets with respect to both kinds of use. The district court, in concluding its fair use analysis, declared:

I cannot imagine a definition of fair use that would not encompass the transformative uses made by Defendants' M[ass] D[igitization] P[roject] and would require that I terminate this invaluable contribution to the progress of science and cultivation of the arts that at the same time effectuates the ideals espoused by the A[mericans with] D[isabilities] A[ct].<sup>82</sup>

The Second Circuit eschewed the lower court's rhetorical flourishes, but it surely perceived no lesser public benefit from the *HathiTrust* Digital Library than did the S.D.N.Y. One should nonetheless note the district court's assumption that were the fair use defense to fail, the libraries' socially beneficial initiatives would have to be "terminated." If the choice is all-or-nothing, a fair use outcome is assured. But, as the *Georgia State* ruling suggests, the *HathiTrust* district court may have embraced a false dichotomy. Admittedly, in *Georgia State*, a licensing mechanism, through the Copyright Clearance Center, already existed, but it was not adequate to the task at the time the electronic-reserves program began. The Georgia federal court's ruling surely will provide the impetus to improve the licensing program so that it does respond to the demand. *HathiTrust* does not even give licensing a chance.

One might rejoin that there is no need to license if the use is fair,<sup>83</sup> and that indeed appears to be the approach of the Second Circuit. In other words, *HathiTrust* appears to be a case in which the public benefit was so compelling (and the market harm so trivialized) that the use should be free of restraint and free of charge even if it could be licensed. But if the use is fair because it supposedly cannot be reasonably licensed, then nipping licensing in the bud deprives the author of compensation and gives the user an

81. "Transformativeness" thus appears to be a one-way ratchet: if the use is transformative, it is highly likely to be deemed "fair," but there is no negative inference: non-transformative uses may nonetheless be deemed "fair" as well.

82. *HathiTrust*, 902 F. Supp. 2d at 464.

83. See, e.g., Matthew Africa, *The Misuse of Licensing Evidence in Fair Use Analysis: New Technologies, New Markets, and the Courts*, 88 CALIF. L. REV. 1145, 1148–49 (2000); Gordon, *supra* note 13, at 1824–25. See generally Mark Lemley, *Should a Licensing Market Require Licensing?*, 70 LAW & CONTEMP. PROBS. 185 (2007). This objection, however, primarily arises in the context of new works rather than new distributions.

unwarranted free pass.<sup>84</sup> This brings us to the second class of distribution uses, characterized not by social benefit, but by “market failure.”

#### B. MARKET-FAILURE/NEW-MARKET FAIR USE

“Market failure” may mean many things to many courts and commentators. I am here using it in the sense proposed by Wendy J. Gordon as “market malfunction” rather than what she calls “inherent limitation,” which I understand to import a normative gloss: a market *could* function, but policy reasons make such markets undesirable.<sup>85</sup> When a large populace engages in a multitude of non-creative uses, particularly in the digital environment, the cost of seeking and paying for authorization may be prohibitive for each potential user, so that enforcement of the copyright might yield few sales and little advantage for the copyright owner. The public interest (here equated with that of the user) in the new form of distribution thus would be frustrated, with insufficient countervailing benefit to creators (were there such a benefit, it would serve the long-term interest of the public in ensuring that we “have a supply of good books”<sup>86</sup>). If “market failure” primarily concerns practical inability to develop a paying market, a variant on the theme of “market malfunction” is unwillingness to develop the market.

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84. There may, however, be other justifications, such as solicitude for the visually-impaired, to allow the use for free.

85. See Wendy J. Gordon, *Excuse and Justification in the Law of Fair Use: Transaction Costs Have Always Been Only Part of the Story*, 50 J. COPYRIGHT SOC’Y U.S.A. 149, 151–53 (2003). Campbell v. Acuff-Rose is a good example of an “inherent limitation”: when the Court announced there was “the law recognizes no derivative market for critical works, including parody,” it was making a normative, not an empirical, declaration. 510 U.S. 569, 592 (1993). The Second Circuit’s *HathiTrust* decision offers another example of “inherent limitation.” Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014).

86. 56 PARL. DEB., H.C. (3rd ser.) (1840) 346 (U.K.). Many commentators cite Macaulay’s characterization of copyright as an “exceedingly bad” “tax on readers for the purpose of giving a bounty to writers,” without acknowledging that in the same speech, Macaulay also said:

The advantages arising from a system of copyright are obvious. It is desirable that we should have a supply of good books; we cannot have such a supply unless men of letters are liberally remunerated; and the least objectionable way of remunerating them is by means of copyright. You cannot depend for literary instruction and amusement on the leisure of men occupied in the pursuits of active life. Such men may occasionally produce pieces of great merit. But you must not look to them for works which require deep meditation and long research. Such works you can expect only from persons who make literature the business of their lives. . . . Such men must be remunerated for their literary labour. And there are only two ways in which they can be remunerated. One of those ways is patronage [which Macaulay excoriated]; the other is copyright. *Id.* at 346–47.

While the exclusive rights copyright vests in authors normally entitle them to decide whether and how to exploit their works, courts have on occasion rejected infringement claims in order to allow the new market to emerge,<sup>87</sup> or in order to counter perceived copyright-owner abuse.<sup>88</sup> (The two variants, moreover, are not mutually exclusive, with the latter sometimes reinforcing the former.<sup>89</sup>) The examples I will consider are private copying and mass digitization. Mass digitization in turn covers “orphan works,” databases of copyrighted works, of which Google’s book-scanning program is the leading instance, and image search engines.

### *1. Private Copying*

As end users already, and will increasingly, enjoy copyrighted works of all kinds through licensed access-based models,<sup>90</sup> the market-failure problem of private copying may appear vestigial. “On demand” transmissions may replace both retention and “time-shifting” copies, for there is no need to “time shift” when one can receive the work at any time, and no need to possess a copy if the content is accessible at will. (Indeed, given the evolution of the hardcopy media in which works may be fixed, “cloud” accessibility may be preferable to having to update one’s collection, for example, from recordable tape to burnable CDs to memory chips on portable devices, and

87. See, e.g., *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003).

88. “Copyright trolling” occurs when the owners of copyrights (not the original authors of the copyrighted works) bring infringement claims with the sole goal of profiting through litigation, usually by forcing quick settlements. A notable example of a “troll” is Righthaven, LLC, which has brought numerous infringement claims in recent years. See, e.g., *Righthaven, LLC v. Va. Citizens Def. League, Inc.*, No. 2:10-CV-01683-GMN, 2011 WL 2550627 (D. Nev. June 23, 2011) (suing nonprofit group for posting article on website); *Righthaven, LLC v. Hoehn*, 792 F. Supp. 2d 1138, 1151 (D. Nev. 2011) (suing individual posting of copyrighted work in an online forum); *Righthaven, LCC v. Jama*, No. 2:10-CV-1322 JCM (LRL), 2011 WL 1541613 (D. Nev. Apr. 22, 2011) (suing nonprofit group as in *Va. Citizens Def. League*, with court noting that use of copyright by plaintiffs “has been shown to be nothing more than litigation-driven”). See also Brad A. Greenberg, *Copyright Trolls and Presumptively Fair Uses*, 85 U. COLO. L. REV. 53, 111–14 (2014) (suggesting bad faith should lead to a presumption of fair use).

89. According to a leading account of the business backstory to the Sony “Betamax case,” the studios were endeavoring to shut down the video tape recorder in favor of the playback-only video-disk technology that the studios had licensed. See JAMES LARDNER, *FAST FORWARD: HOLLYWOOD, THE JAPANESE, AND THE ONSLAUGHT OF THE VCR* 28–36 (1st ed. 1987).

90. See, e.g., Jane C. Ginsburg, *From Having Copies to Experiencing Works: The Development of an Access Right in U.S. Copyright Law*, 50 J. COPYRIGHT SOC’Y U.S.A. 113, 124–25 (2003).

so on.) U.S. caselaw does not in any event support a general private copying fair use exception for retention copies;<sup>91</sup> an exception does in effect exist for analog copies of musical recordings,<sup>92</sup> and another is in place for an “additional copy or adaptation” copy of computer programs,<sup>93</sup> but they are the fruits of specific legislation, not fair use litigation. The Supreme Court in *Sony Corporation of America v. Universal City Studios*<sup>94</sup> did, however, rule (on a rather cursory, and now partly abandoned, analysis<sup>95</sup>) that time shifting of free broadcast television was a fair use. I will not here rehearse the reasoning and critiques of *Sony* other than to observe that the five-Justice majority may have perceived an all-or-nothing choice: extending fair use to copying entire works for the same consumption purpose for which they were disseminated was a significant departure from prior law (as the Ninth Circuit had emphasized below<sup>96</sup>), but limiting fair use to what was then called “productive” use of limited portions of prior works could have meant depriving the American public of a widely available and extremely popular device whose use, five Justices concluded, was not harming the copyright owners’ television broadcast market.<sup>97</sup> (As the dissent stressed, the majority gave scant consideration to the new markets that time-shifting would spawn.<sup>98</sup>)

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91. See, e.g., UMG Recordings, Inc. v. MP3.Com, Inc., 92 F. Supp. 2d. 349 (S.D.N.Y. 2000) (rejecting fair use defense for company engaged in creating digital readily accessible copies of subscribers’ CDs).

92. See 17 U.S.C. § 1008 (2012) (no infringement action “based on the noncommercial use by a consumer of [an analog recording device] . . . for making . . . analog musical recordings”).

93. *Id.* § 117(a).

94. *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417 (1984).

95. See, e.g., Jessica Litman, *The Story of Sony v. Universal Studios: Mary Poppins Meets the Boston Strangler*, in INTELLECTUAL PROPERTY STORIES 358 (Jane C. Ginsburg & Rochelle Cooper Dreyfuss, eds., 2006) (detailing the aspects of *Sony* from which the Court has retreated, such as the predominant significance of commercial use, and those which retain vitality, such as much of the contributory infringement analysis); Peter S. Menell & David Nimmer, *Legal Realism in Action: Indirect Copyright Liability’s Continuing Tort Framework and Sony’s De Facto Demise*, 55 UCLA L. REV. 143 (2007).

96. *Universal City Studios v. Sony Corp. of Am.*, 659 F.2d 963, 971 (9th Cir. 1981), *rev’d*, 464 U.S. 417 (1984) (“[T]he result of applying fair use to intrinsic use cases like *Williams & Wilkins Co.* and this case is a fundamental restructuring of the copyright system not justified by the statutory scheme or traditional notions of fair use.”). The preamble to section 107, in identifying fair use purposes such as “teaching,” included “multiple copies for classroom use.” While the copies did not yield new works, the classroom pedagogical use could be deemed productive rather than “intrinsic”)

97. Accord Paul Goldstein, *Fair Use in Context*, 31 COLUM. J.L. & ARTS 433, 439 (2008).

98. *Sony*, 464 U.S. at 497–98 (Blackmun, J., dissenting) (“The Court has struggled mightily to show that VTR use has not reduced the value of the Studios’ copyrighted works in their present markets. Even if true, that showing only begins the proper inquiry. The

Given *Sony's* failure to blossom into a general fair use private copying privilege,<sup>99</sup> and the court's subsequent retreat from its emphasis on the significance of commercial use, one may wonder whether *Sony* retains relevance. Indeed, some have suggested that if the Court had it to do over again today, it might come out differently, notably because video recorders now offer playback without commercials.<sup>100</sup> Another reason to query the continued persuasiveness of *Sony's* fourth-factor analysis (the only factor on which the court bestowed any sustained analysis) is the burgeoning conflict between time-shifting and video-on-demand. *Fox Broadcasting v. DISH Network*<sup>101</sup> illustrates the conflict, and demonstrates how a well-advised entrepreneur can structure its copyright-dependent technology in order to fit a new business model within fair use boundaries even in the absence of the usual normative or market-failure justifications.

Dish Network, a satellite TV transmission service which retransmits television programming under license, offers its customers the Hopper, a set-top box with both digital video recording and video-on-demand capabilities. Dish's "PrimeTime Anytime" ("PTAT") feature allows subscribers to set a single timer on the Hopper to record and store on the Hopper all primetime programming on any of the four major broadcast networks each night of the week. Finally, Dish's AutoHop feature enables users to skip commercials in PTAT recordings. Fox charged Dish with direct and contributory infringement. The Ninth Circuit rejected the claim of direct infringement, on the (dubious)<sup>102</sup> ground that only the user "made" the PTAT copies.<sup>103</sup> Fox's

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development of the VTR has created a new market for the works produced by the Studios."). See also Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600, 1620–23 (1982).

99. Or to impel legislation generally to authorize but provide compensation for private audio and video copying, apart from a very specific and largely obsolete law on digital audio tape recorders. See 17 U.S.C., §§ 1001–10 (2012). That said, the popular practice of making media-shifting copies of copies lawfully acquired, for example, by ripping music from CDs to load onto one's iPhone, or to store in one's "cloud," has become so widespread that it may have become de facto fair use. That the practice may not yet be de jure fair use may be ascribed to apparent reluctance on the part of the copyright owners to challenge it. The Supreme Court, in *ABC v. Aereo*, appears to view a user's posting a copy of a work to her cloud storage to come within her possessory relationship to the copy. Am. Broad. Cos., Inc. v. Aereo, Inc., 134 S. Ct. 2498, 2511 (2014).

100. See, e.g., Michael A. Einhorn, *Internet Television and Copyright Licensing: Balancing Cents and Sensibility*, 20 CARDOZO ARTS & ENT. L.J. 321 (2002); Randal C. Picker, *The Digital Video Recorder: Unbundling Advertising and Content*, 71 U. CHI. L. REV. 205 (2004); Ned Snow, *The TiVo Question: Does Skipping Commercials Violate Copyright Law?*, 56 SYRACUSE L. REV. 27 (2006).

101. *Fox Broad. Co. v. DISH Network*, 723 F.3d 1067 (9th Cir. 2013).

102. See Jane C. Ginsburg, *Recent Developments in US Copyright—Part II, Caselaw: Exclusive Rights on the Ebb*, 218 REVUE INTERNATIONALE DU DROIT D'AUTEUR 167, 215–29 (2008)

contributory liability claim turned on a finding of primary infringement by Dish's customers. Applying *Sony*, the Ninth Circuit determined that Dish's customers were engaging in non-commercial fair use time-shifting. The commercial-skipping feature, the court ruled, did not affect the analysis of the economic impact of the copying, because the television producer was not the copyright owner of the commercials.

Losing the commercials may well have had a deleterious impact, but the court found that the harm did not derive from any act that infringed any copyright of Fox's. Similarly, while Fox licensed its programming to other on-demand services such as Hulu, with which Dish's service competed, “the ease of skipping commercials, rather than the on-demand availability of Fox programs, causes any market harm. And as we have discussed, the commercial-skipping does not implicate any copyright interest.”<sup>104</sup>

This astoundingly obtuse analysis recalls the Ninth Circuit's decision in *Visa International Service Association*,<sup>105</sup> in which the panel majority (over Judge Kozinski's trenchant dissent) granted the credit-card-payment provider's motion to dismiss a contributory infringement claim on the ground that the commission of the infringement did not require processing the payment. As a matter of technology, it is true that the copies could be made and distributed without the intervention of Visa. But, as Judge Kozinski stressed, the pirate enterprise whose transactions Visa processed wouldn't be making and distributing infringing copies if it couldn't be paid for it.<sup>106</sup> In *Dish Network*, the question should not have been whether Fox had any copyright interest in the advertisements that the Dish customers copied but did not view (indeed, imagine a version of AutoHop which recognizes commercials

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(criticizing Second Circuit's analysis of who “makes” the copy). Cf. Nat'l Rugby League Invs. Proprietary Ltd. v. Singtel Optus Proprietary Ltd., [2012] FCR 59 (Austl.) (rejecting Second Circuit's analysis and finding provider of remote DVR service to have “made” the copy, perhaps in conjunction with the end user).

103. The Supreme Court's decision in *ABC v. Aereo*, 134 S. Ct. 2498 (2014), did not address the question of who “makes” an automated on-demand copy. The majority's analysis of the public performance right concluded that Aereo “performed” the broadcast television programming that it retransmitted to its subscribers via personalized antennas and individualized streams of the digitized signal. The dissenters, adopting the “volition” analysis propounded by the Second Circuit in *Cartoon Network v CSC Holdings*, 536 F.3d 121 (2d Cir. 2008), had contended that the automated nature of Aereo's service should have characterized Aereo as a mere provider of equipment enabling the subscribers to “perform” the broadcast programs that the subscribers requested be retransmitted to their devices. To the extent the majority's analysis can be read as rejecting the “volition” predicate to determining “who performs” a copyrighted work, the analysis may also undermine a similar prerequisite to determining “who copies” a work of authorship.

104. *Fox Broadcasting Co., Inc.*, 723 F.3d at 1076.

105. *Perfect 10 v. Visa Int'l Serv. Ass'n*, 494 F.3d 788, 809 (9th Cir. 2007).

106. *Id.* at 817–19.

and, instead of fast-forwarding through them, does not record them in the first place; then, even if Fox had owned those copyrights, they would not have been infringed precisely because the customers did *not* copy them; nonetheless, the economic effect in all cases remains the same). What allows free broadcast television (and Fox's free licensing to Hulu and other internet services, provided they retain the ads) to be free are the advertisements; take these away and the business model becomes unsustainable. The "value of the work" accordingly diminishes as a result of the third-party copying and commercial skipping.

Thus, while licensed on-demand transmissions may in general be displacing private copying, entrepreneurs can, in effect, structure the enabling of end-user time-shifting to afford most of the convenience of video-on-demand (the selection of programming will not be infinite; it will be limited to whatever is broadcast over the four networks in the course of a week) without the pesky commercials (and, of course, without paying the copyright owners). The operation is technically time-shifting; in "feel" to the consumer, however, it is essentially video-on-demand, but better. Not only does the time-shifting substitute for a licensed use (no "transformative purpose" here), but there is no inability to license on-demand access. If there is a justification for this outcome, it must be in the court's perception that business models to facilitate time-shifting that free customers from commercials are desirable and should not be suppressed by copyright owners who will not license commercial-free retransmissions. (Either that, or the following wooden syllogism: end-user non-commercial time-shifting via video tape recorder is fair use; the DVR and AutoHop offer time-shifting updated for the digital age; therefore their use is fair use too.)

## 2. *Mass Digitization*

Mass digitization does, at least at first blush, appear to present intractable transaction-cost problems. The number of works at issue, and the difficulty of locating their rightsholders (and even if located, obtaining the necessary rights), may make free fair use seem a desirable solution, even for copying and communication of entire works. The proposition does, however, produce an obvious anomaly: the fewer works one copies, the weaker the case for market-failure fair use; but vast, immodest, copying entitles the copyist to persist, without permission and without paying. Closer examination, moreover, suggests that the volume of copying, standing alone, does not suffice for a free pass, though difficulties in rightsholder location may justify a flexible solution. In either event, if the use is to be permitted, in many instances it should also be paid.

a) Orphan Works

The problem of “orphan works” by now is well known: would-be users who are unable to locate the copyright owner, but whose use or exploitation would not qualify for a copyright limitation or exception (such as fair use), must decide whether to renounce their projects or to incur the risk that the copyright owner will reappear once the exploitation is underway and demand both injunctive and substantial monetary relief in an ensuing infringement action. Potentially frustrated users range widely, from commercial entities who seek to reissue out-of-print works or to create new works based on orphan works, to cultural institutions, notably museums and libraries, who seek to digitize works for preservation and educational purposes,<sup>107</sup> to individuals who seek to incorporate an orphan work in their webpage or blog. The former U.S. Register of Copyrights deemed the orphan works problem “pervasive.”<sup>108</sup>

When the Copyright Office first embarked on solving the problem of orphan works in 2005, the premise of its inquiry was that the use would

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107. The European endeavors concerning orphan works have taken place primarily in the context of the Commission’s “i2010 initiative” on digital libraries. See *Communication from the Commission of 30 September 2005 to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, i2010: digital libraries* COM (2005) 465 final (Sept. 30, 2005); *Commission Recommendation on the Digitisation and Online Accessibility of Cultural Material and Digital Preservation*, 2006 O.J. (L 236) 28 recital 10, available at [http://ec.europa.eu/information\\_society/activities/digital\\_libraries/doc/recommendation/recommendation\\_august06/en.pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/recommendation/recommendation_august06/en.pdf).

108. See *The “Orphan Works” Problem and Proposed Legislation: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property, H. Comm. on the Judiciary*, 110th Cong. Sess. 2 (2008) (statement of Marybeth Peters, Register of Copyrights), available at <http://www.copyright.gov/docs/regstat031308.html>:

In fact, the most striking aspect of orphan works is that the frustrations are pervasive in a way that many copyright problems are not. When a copyright owner cannot be identified or is unlocatable, potential users abandon important, productive projects, many of which would be beneficial to our national heritage. Scholars cannot use the important letters, images and manuscripts they search out in archives or private homes, other than in the limited manner permitted by fair use or the first sale doctrine. Publishers cannot recirculate works or publish obscure materials that have been all but lost to the world. Museums are stymied in their creation of exhibitions, books, websites and other educational programs, particularly when the project would include the use of multiple works. Archives cannot make rare footage available to wider audiences. Documentary filmmakers must exclude certain manuscripts, images, sound recordings and other important source material from their films.

involve more copying, particularly as a result of digital media, than fair use could bear (for example, republication of whole books).<sup>109</sup> Analysis therefore turned to remedies: might these be structured in a way that encouraged the reuse of orphan works by lowering the (by definition, infringing) user's risk of substantial monetary exposure?<sup>110</sup> More recently, however, some commentators have argued that the difficulty of locating the rightsholder should enter, and favor, the fair use calculus, so that the user owes no damages should the rightowner reappear.<sup>111</sup> Orphan works regimes (this Article will consider the ones in effect in the European Union and Canada in Part II) do not spare their beneficiaries transaction costs. They may in effect cap them, but by requiring that the would-be exploiter accomplish a "diligent search" for rightsholders, orphan works regimes in fact mandate potentially significant expenditures in location costs. As a result, an orphan works regime, whether based in unpaid fair use (which may raise issues of compliance with international standards for permissible exceptions<sup>112</sup>), or modifying remedies (essentially a form of permitted-but-paid, at least for exploitations occurring before the copyright owner's reappearance), or requiring payment to a fund on behalf of the missing rightowner (with escheat to local cultural initiatives should the rightowner not reappear after a certain time) is not an answer to the transactions costs problem of mass digitization. Mass digitization involves wholesale copying; orphan works regimes operate at retail. Whether for free, or permitted-but-paid, the justification for an orphan works exception lies not in a response to transaction costs, but rather in the public benefit of the reuse, particularly if the beneficiaries of the exception are nonprofit educational and library institutions.

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109. UNITED STATES COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS: A REPORT OF THE REGISTER OF COPYRIGHTS 4 (2006) ("For purposes of developing a legislative solution we have defined the 'orphan works' situation to be one where the use goes beyond any limitation or exemption to copyright, such as fair use.").

110. Orphan Works Act of 2008, H.R. 5889, 110th Cong. (2008) (see also S. 2913, 110th Cong. (2008)). See Jane C. Ginsburg, *Recent Developments in US Copyright—Part I, Legislative Developments: Orphan Works*, 217 REVUE INTERNATIONALE DU DROIT D'AUTEUR 99 (2008), available at <http://lsr.nellco.org/columbia/pltt/papers/08152/> [hereinafter RIDA].

111. See, e.g., Jennifer Urban, *How Fair Use Can Help Solve the Orphan Works Problem*, 27 BERKELEY TECH. L.J. 1379 (2012) (for libraries and archives).

112. Berne Convention, *supra* note 11 at art. 9(2); Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 13, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299; see *Reply Comments on "Orphan Works" Inquiry, Sent by Profs. Jane C. Ginsburg and Paul Goldstein to Copyright Office Notice of Inquiry* 10 (May 9, 2005), <http://www.copyright.gov/orphan/comments/reply/OWR0107-Ginsburg-Goldstein.pdf>; RIDA, *supra* note 110.

b) Databases of Copyrighted Works

True mass digitization, by contrast, can confront the large-scale user with the typical transaction costs conundrum: even where a diligent (or even not-so-diligent) search could locate the rightsholder, the cost of clearing rights can exceed the benefit of being able to use the work. But these costs should not be overstated. The problem is primarily transitional; for works currently in commerce or disseminated with some form of copyright management information, rightsholders can be found and their terms and conditions known. (Actually having to pay known rightsholders, albeit a “transaction cost,” is not one that should excuse a commercial actor-user.<sup>113</sup>)

As to in-copyright, out-of-commerce works (some of which may be “orphans”), the Google Book scanning controversy raises a variety of issues. With the rejection of the class action settlement that would have allowed display of substantial portions of the books’ text,<sup>114</sup> Google’s program and concomitant fair use defenses shrank to providing bibliographic information and displays of “snippets” (2–3 lines) of text in response to user search queries, as well as access to the database of scanned books for purposes of data mining. Google still retains the scanned full text of millions of in-copyright books, but the “output” its users encounter either eschews copyrightable expression or consists of very short extracts. Google had also sought to bolster its fair use argument by invoking a variant of the transaction-costs problem. In this instance, “diligent search” costs were not involved: Google made no pretense of endeavoring to find rightsholders of out-of-commerce books. Rather, it urged that the sheer number of rightsholders implicated by the mass digitization made *ex ante* rights clearance unduly onerous. Accordingly, Google contended that the burden should be on the rightsholders to object to Google’s use, not on Google to obtain their accord. And in what some might consider adding insult to injury, Google contended that its program should be deemed a fair use because rightsholders had the opportunity to “opt out.”<sup>115</sup>

Arguably, the “opt out” feature was a diversion (albeit a portentous one for the future conceptualization of copyright), and in any event seems to have dropped out of the litigation by the time Judge Chin issued his opinion on November 14, 2013. The relevant question should have been whether to

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113. This proposition may need to be qualified with regard to non-commercial actors: the *Georgia State* case suggests that failure to provide a reasonably priced license could make the copyright owner vulnerable to a successful fair use defense.

114. See *Authors Guild, Inc. v. Google Inc.*, 770 F. Supp. 2d 666, 686 (S.D.N.Y. 2011).

115. For a discussion of the Google Books controversy, see James Grimmelmann, THE PUBLIC INDEX, <http://www.thepublicindex.org/>.

focus exclusively on the probably non-infringing outputs, or to concentrate on the creation and maintenance of a massive full-text commercial database. The Southern District of New York's *HathiTrust* decision was an encouraging precedent for the former approach; although unlike the library consortium, Google is not an eleemosynary institution, and it is not apparent that it requires a social subsidy of the sort that benefits nonprofit libraries. Nonetheless, there is a powerful argument that exploiting a work for its non-expressive information (bibliographic or bean-counting—how many times and in what works a given word or phrase appears) should not even be *prima-facie* infringing, and the creation of a database that enables non-expressive, but progress-of-knowledge-enhancing, outputs must be equally free. But this proves too much: under U.S. law, a library, including a commercial library, is fully entitled to lend the books it owns; the first sale doctrine precludes any copyright claim.<sup>116</sup> But the library is not entitled to acquire the lending copies without paying for them (or receiving them as a gift). What Google does, or enables others to do, with the outputs may not be infringing, but those uses should not have obscured the inputs.<sup>117</sup>

Judge Chin, however, focused almost exclusively on the outputs, effectively bootstrapping the inputs in one sentence: “as one of the keys to Google Books is its offering of full-text search of books, full-work reproduction is critical to the functioning of Google Books.” That functioning Judge Chin celebrated as “highly transformative,” thus following the now-rampant use of the term to bless uses of entire works in the perceived public interest.<sup>118</sup>

The use of book text to facilitate search through the display of snippets is transformative. . . . Google Books thus uses words for a different purpose—it uses snippets of text to act as pointers directing users to a broad selection of books. Similarly, Google Books is also transformative in the sense that it has transformed book text into data for purposes of substantive research, including data mining and text mining in new areas, thereby opening up new

116. See 17 U.S.C. § 109(a) (2012) (owner of lawfully made copy may resell or lend that particular copy).

117. *HathiTrust*'s reliance on the “intermediate copying” ground for fair use is not fully persuasive, even for non-commercial entities. Three salient differences with intermediate copying fair use cases such as *Sega Enterprises, Ltd. v. Acclaim, Inc.*, 977 F.2d 1510, 1522–28 (9th Cir. 1992): the copies there were generated as a necessary part of the copyist's creation of a new and independent work; the copyist did not retain the copy; and the information needed to create the new work could not be ascertained in other ways.

118. But see the Second Circuit's mild corrective in *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87 (2d Cir. 2014).

fields of research. Words in books are being used in a way they have not been used before.

Google Books has created something new in the use of book text—the frequency of words and trends in their usage provide substantive information.

Google Books does not supersede or supplant books because it is not a tool to be used to read books. Instead, it “adds value to the original” and allows for “the creation of new information, new aesthetics, new insights and understandings.<sup>119</sup>

On the question of the impact of Google’s copying on the potential market for plaintiffs’ books, Judge Chin, perhaps surprisingly, embraced the long-spurned argument that defendant’s copying does the plaintiff a favor by bringing the work to greater public attention.<sup>120</sup>

[A] reasonable factfinder could only find that Google Books enhances the sales of books to the benefit of copyright holders. An important factor in the success of an individual title is whether it is discovered—whether potential readers learn of its existence. Google Books provides a way for authors’ works to become noticed, much like traditional in-store book displays. Indeed, both librarians and their patrons use Google Books to identify books to purchase. Many authors have noted that online browsing in general and Google Books in particular helps readers find their work, thus increasing their audiences. Further, Google provides convenient links to booksellers to make it easy for a reader to order a book. In this day and age of on-line shopping, there can be no doubt but that Google Books improves books sales.<sup>121</sup>

Both district courts, in *HathiTrust* and *Google Books*, adopted the premise that a rejection of the fair use defense will deprive the public of the benefits of the defendant’s program. But, does it follow that if the inputs are infringing, the generation of non-infringing outputs must be “terminated” unless the inputs are licensed? In a post-*eBay*<sup>122</sup> remedial landscape, it is not at all clear that a court would award injunctive relief, particularly if it estimated the measure of damages as the price of one copy of each book (for works unregistered before the infringement) or at the low end of statutory damages (\$750 per book for works registered pre-infringement).<sup>123</sup> We will consider in

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119. *Authors Guild, Inc. v. Google Inc.*, 954 F. Supp. 2d 282, 291 (S.D.N.Y. 2013).

120. On courts’ previous failure to find this contention persuasive, see, e.g., Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105 (1990).

121. *Authors Guild, Inc.*, 954 F. Supp. 2d at 293.

122. *eBay v. MercExchange*, 547 U.S. 388 (2006).

123. 17 U.S.C. §§ 412, 504(c)(1) (2012).

Part III whether, as a consequence of possible new-found judicial reluctance to order injunctive relief, the proposed permitted-but-paid regime for certain redistributive uses may already be evolving, particularly in failed fair use cases.

### c) Search Engines

This subsection considers a trio of decisions from California involving mass copying of digitized images for inclusion in an image search engine and thumbnail displays in response to search queries.<sup>124</sup> The transaction cost problems did not go to finding the right owner, whose locatable website the search engine will have “crawled,” but concerned the sheer volume of works. The announced grounds of decision, however, have concentrated on the public benefit and lack of economic impact of a “transformative use.”<sup>125</sup> Because the purpose of the copying was transformative in that the purpose of the original photo was “aesthetic,” while the search engine use was “informational,” the search engine use did not substitute for the author’s use (though following the search engine’s links could take one to clearly substitutional pirate sites<sup>126</sup>). The rightowner had contended that the thumbnail images displayed by the search engine competed with the emerging market for downloading thumbnails to cellphones, but in *Perfect 10 v. Amazon* the Ninth Circuit ruled that the plaintiff had failed to prove that such a market was truly in prospect.<sup>127</sup> Reminded that fair use is an affirmative defense, and that the search engine bore the burden of showing that its thumbnails did not compromise that market, the court amended its opinion, but not the result,<sup>128</sup> which suggests that the burden of proof did not matter because the court had already determined the outcome: the public benefit search engines offer required that the use be fair (and therefore unpaid) one way or another.

124. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003); *Perfect 10, Inc. v. Yandex*, No. C 12-01521 WHA, 2013 WL 1899851 (N.D. Cal. May 7, 2013).

125. The *Perfect 10* court also characterized the index as a “work.” *Perfect 10 Inc. v. Amazon, Inc.*, 508 F.3d at 1165 (“[A] search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool.”)

126. See, e.g., *id.* at 1154 (Google provided links to third-party websites that display infringing full-size versions of Perfect 10’s images).

127. *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 725 (9th Cir. 2007) (“We note that Perfect 10 has the burden of proving that it would defeat Google’s affirmative fair use defense”).

128. *Perfect 10 v. Amazon*, 508 F.3d at 1146 (noting amendment of decision on December 3, 2007).

### III. COMPARATIVE LAW: EUROPEAN UNION, CANADA, AUSTRALIA, AND NEW ZEALAND

The United States is an outlier in the broader international landscape of copyright exceptions. Neither the copyright laws of European Union member states, nor of Canada, Australia, and New Zealand, include an all-purpose fair use defense (though one has been proposed in Australia), but all these States have enacted a panoply of copyright exceptions, many of which require remuneration. Thus, while our fair use doctrine confronts courts with an all-or-nothing choice, other countries have charted middle courses between barring the use and permitting its unremunerated pursuit. Some of these measures correspond to specific compulsory licensees in U.S. law (for example, for cable retransmission).<sup>129</sup> Others, however, cover some of my proposed zone of permitted-but-paid uses. The various schemes range from compulsory licenses with government rate-setting to “license it or lose it” schemes in which an unremunerated exception will apply if the copyright owner fails to offer a license. In the latter instance, the license will generally cover a substantial number of works, and the licensor will generally represent a collective of authors and publishers.

But, even with arm-twisting, licensing will work only to the extent that the licensor has the rights to license. In the case of mass uses of works (as the Google Books controversy has shown in the United States) there may be no reasonably compassable number of rightsholder representatives, particularly where copyright owners have not authorized a representative. The European Nordic countries have addressed this transaction-cost problem by imposing an “extended collective license” regime, in which the works of unrepresented rightsholders will be brought within the collective management society’s licensing authority once the society has attained a (legislatively specified) critical mass of rightsholders. More recently, the French legislature in 2012 devised a Google-esque solution to mass book-scanning, by combining an opt-out regime with collective licensing of the digital rights of the remaining books designated by the national library for scanning and republication. Collective management of the grant or administration of the licenses ensures that the authors (and not merely the publishers or other distribution intermediaries) will receive a share of the licensing revenue.

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129. See, e.g., *Copyright Act 1968* (Cth) 135 (as amended) (Austl.); Copyright Act R.S.C. 2012, c.C-42, art. 31 (Can.); Consolidated Act on Copyright § 35 (2010) (Den.); Copyright and Related Rights Act 2000 (as amended) (Act. No. 28/2000) § 175 (Ir.); Section 88 of the Copyright Act 1994 (as amended) (N.Z.); Copyright, Designs, Patents Act, 1988, c. 48, § 73 (as amended) (U.K.).

Finally, with respect to “orphan works” whose rightsholders cannot be found despite a diligent search, the European Union and Canada authorize certain uses by certain classes of users; in Canada, permission may be obtained through a designated licensing authority. These regimes have also addressed the compensation due to those rightsholders who subsequently reappear. This section of the article will summarize current regimes and pending law-reform measures abroad that might inspire a permitted-but-paid regime in the United States.

The regimes may be divided as follows: 1. License it or lose it; 2. Use permitted; remuneration required; 3. French Law on “Unavailable Books”; 4. Orphan works.

#### A. LICENSE IT OR LOSE IT

“License it or lose it” offers one response to the transaction costs problem of large-scale use of copyrighted works. The use in question will fall under a statutorily specified unremunerated exception unless there is a collective license in place for the use and, usually, if the user was reasonably aware of the licensing scheme. In effect, it places the burden on the copyright owners to organize collective licensing of certain uses by making them uncompensated otherwise. The United Kingdom and New Zealand currently follow this approach in certain contexts, and some have been proposed for Australia. In the existing schemes and in the proposed scheme, these exceptions are explicitly enumerated in the statute and noted to be unremunerated only in the absence of a licensing scheme. Some of the exceptions, particularly for cable retransmissions and for certain uses for the benefit of the visually impaired, address uses which are currently the subject of compulsory licensing or an outright exemption in the United States.<sup>130</sup>

In the United Kingdom, the scheme includes the following uses:<sup>130</sup>

- 1) recording certain broadcasts or copies of broadcasts for placement in nonprofit archives; educational establishments recording broadcast or copies of broadcasts for non-commercial educational purposes;
- 2) specially designated bodies making copies of broadcasts for deaf, hard of hearing, and handicapped with subtitled modifications as needed; and
- 3) making copies and published editions for personal use of visually impaired, including Braille editions and spoken word recordings.

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130. Copyright, Designs, Patents Act, 1988, c. 48, §§ 31, 35, 74 (as amended) (U.K.).

New Zealand:<sup>131</sup>

- 1) copying sound recording for instruction or relating to learning a language by correspondence and copying done by person giving or receiving lesson and no charge is made for supplying copy;
- 2) copying and communication of a “communication work”<sup>132</sup> made or communicated by or on behalf of or made and supplied by an educational resource supplier for an educational purpose;
- 3) official archives playing or showing films or sound recordings so long as payment to view/hear no more than a reasonable contribution toward maintenance of archive;
- 4) media monitors recording or transcribing communication work that consists wholly or substantially of news reports or discussions of current events if conditions met (parties negotiate or government sets rate but this does not apply if there is a licensing scheme in place); and
- 5) cable retransmission of communication works.

The proposed changes to Australia’s copyright legislation<sup>133</sup> include replacement of certain statutory licenses with either negotiated licenses or a newly introduced, U.S.-inspired unpaid fair use exception. Existing statutory licensing schemes currently in place for governments, educational institutions, and institutions assisting persons with a print disability would all be repealed. Under the proposed new scheme, these licenses should be negotiated voluntarily. However, institutions would not need to negotiate licenses for uses that the parties or the courts considered to be fair use.

#### B. USE PERMITTED; REMUNERATION REQUIRED

Here, an author may not prohibit specific enumerated uses, but she is entitled to equitable remuneration for these uses. In most instances, a collecting society is responsible for collecting and distributing remuneration and often is the only party who may assert a claim. The key issue, of course, is how the remuneration is set. National legislation discloses three variants on the theme: 1) private parties (usually collecting societies) voluntarily set the remuneration rate; 2) private parties set the remuneration rate but the

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131. Sections 44, 48, 57, 88, and 91 of the Copyright Act 1994 (as amended) (N.Z.).

132. A “communication work” includes “radio and TV broadcasts and Internet transmissions, separate from the films, music and other material which they contain.” *An introduction to copyright in New Zealand*, COPYRIGHT COUNCIL OF NEW ZEALAND 2 (Jan. 2009), <http://www.copyright.org.nz/viewInfosheet.php?sheet=29>.

133. Australian Law Reform Commission [ALRC], *Copyright and the Digital Economy*, in ALRC REPORT 122 (Feb. 13, 2014) [hereinafter ALRC Report].

government steps in to determine the rate when the private parties can't agree; and 3) government requires users to obtain licenses from collecting societies. The following is not exhaustive: it covers only some European Union member states and lists only those exceptions that do not correspond to a compulsory license already present in U.S. law.<sup>134</sup> Cumulatively, the categories suggest the kinds of uses that might populate a U.S. permitted-but-paid regime.

### *1. Private Parties Set Remuneration Rate*

#### Austria:

In Austria, the author is entitled to equitable remuneration that may only be asserted by a collecting society for the following uses:<sup>135</sup>

- 1) reproducing and distributing published individual literary works to extent justified by purpose (e.g., churches, schools) and also broadcasts designated to be school broadcasts;
- 2) reproducing and distributing individual published works which by nature and designation are intended for use in schools or teaching;
- 3) libraries using video or audio media for public recitation, performance, or presentation of works for no more than two visitors at a time and not for profit;
- 4) schools and higher educational establishments publicly performing cinematographic works for purposes of teaching to extent justified (but does not apply to works intended for teaching); and
- 5) accommodation enterprises publicly showing cinematographic works to guests provided that more than two years have elapsed since work's first performance, performance carried out with aid of permitted audio or video medium, and spectators admitted free of charge.

#### Finland:<sup>136</sup>

In Finland, the author has a right to remuneration for the following uses:

- 1) reproducing published works by means other than sound and moving images for those who cannot use the works in the ordinary manner

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134. I do not here address private copying levies.

135. URHEBERRECHTSGESETZ [COPYRIGHT ACT] BUNDESGESETZBLATT [BGBL] No. 58/2010, §§ 45, 51, 54(1)(3), 56(b)–(c) (Austria).

136. Copyright Act §§ 17–18 (1961) (as amended) (Fin.).

due to disability or illness (but government issues decree on which institutions are entitled to make copies to lend, sell, or use); and

- 2) reproducing minor parts of short published literary or artistic works for use in educational compilation after required years have elapsed since publication (but does not apply to works created for use in education).

Germany:<sup>137</sup>

In Germany, the author is entitled to equitable remuneration, which in most instances may only be asserted by a collecting society, for the following uses:

- 1) reproducing work for non-commercial purposes for exclusive distribution to persons with disabilities if reproduction is necessary for such access;
- 2) reproducing, distributing, and making available published works in non-commercial basic and further training facilities, vocational training facilities, or for church use (but must communicate intent to author or rights holder);
- 3) reproducing, distributing, and communicating newspaper articles and broadcast commentaries and connected illustrations in newspapers and similar information sheets (but not required if short extracts of several articles or commentaries used for overview);
- 4) publicly performing published work to public if serves non-profit-making purpose of event organizer, participants admitted free of charge, and performers unpaid (but not required to pay for events organized by youth, social welfare, geriatric, or prisoner's welfare); and
- 5) public libraries reproducing and transmitting small parts of published articles by post or fax (but limitations on electronic reproduction).

Lithuania:<sup>138</sup>

In Lithuania, the author is entitled to remuneration through compulsory licenses that are administered and distributed by the appropriate collecting society for the following uses:

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137. Urheberrechtsgesetz [UrhG] [Copyright Act], July 16, 1998, BUNDESGESETZBLATT [BGBl], as amended, §§ 45(a), 46, 49(1), 52, 53(a) (Ger.).

138. Law on Copyrights and Related Rights (as amended) Art. 23 (1999) (Lith.).

- 1) reproducing by reprography for non-commercial purposes published articles or other short work, short extract of writing with or without illustrations; and
- 2) reproducing by reprography for non-commercial purposes work kept in publicly accessible libraries, educational establishments, museums, or archives, except when over the Internet, for purpose of replacement of a lost, destroyed, or unfit-for-use copy in own or other archive or library if impossible to obtain by other means.

Netherlands:<sup>139</sup>

In the Netherlands, the author must be paid equitable remuneration for the following uses:

- 1) libraries and educational institutions making copies of printed works for their library services and for students;
- 2) use for the benefit of people with a disability if the use is non-commercial and related to the disability.

Norway:<sup>140</sup>

In Norway, the author is entitled to remuneration for the following uses:

- 1) copying published work for educational purposes for use in public examinations;
- 2) reproducing collective work for use in religious services or education or minor parts of literary/scientific works or musical works or short works if five years have elapsed since the expiry of the year in which the work was published;
- 3) reproducing published works of art and photos in connection with the text of a critical or scientific treatise which is not of a generally informative character (limitation is not applicable to photographs) in accordance with proper usage and to extent necessary to achieve desired purpose; and
- 4) reproducing published works of art and photos in newspapers, periodicals, and broadcasts in connection with reporting a current event (but does not apply if the current event is related to the work that is reproduced).

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139. Wet van 23 september 1912, houdende nieuwe regeling van het auteursrecht [Act of Sept. 23, 1912, Containing New Regulation for Copyright], Stb. (as amended) Arts. 16h, 15j, 26a (Neth.).

140. Copyright Act (as amended) §§ 13(a), 18, 23, 23(a) (1961) (Nor.).

Poland:<sup>141</sup>

In Poland, the author must be paid remuneration for the following uses:

- 1) including excerpts from larger works or entire small works in textbooks and in anthologies that are collections of excerpts for scientific or educational purposes;
- 2) centers for scientific and technical information distributing single copies of excerpts from published works; and
- 3) reproducing published works of fine art in encyclopedias and atlases when attempts to contact copyright owners for permission encounter serious obstacles.

Spain:<sup>142</sup>

In Spain, the author is entitled to equitable remuneration for the following use:

- 1) reproducing, distributing, and communicating works disseminated in mass-media studies and articles on current events (unless rights expressly reserved).

Sweden:<sup>143</sup>

In Sweden, the author must be paid equitable remuneration for the following uses:

- 1) using by and for the disabled beyond specifically exempted thresholds; and
  - 2) distributing more than a few copies or communicating or distributing copies and recordings that disabled persons can retain.
- a) Private Parties Set Remuneration Rate; Copyright Tribunals Set Rate If Parties Cannot Agree

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141. Act on Copyright and Related Rights (as amended) Arts. 29.2, 30.2, 33.3 (1994) (Pol.).

142. Revised Law on Intellectual Property Art. 33.1 (R.D.L. 1996, 1) (as amended) (Spain).

143. 17 ch. LAG OM UPPHOVSRÄTT TILL LITTERÄRA OCH KONSTNÄRLIGA VERK (Svensk förfatningssamling [SFS] 1960:729) (as amended) (Swed.).

Australia:<sup>144</sup>

In Australia, the Copyright Tribunal sets the rate if private parties cannot agree on a rate for the following uses:

- 1) reproducing articles or reasonable portion of published or unpublished works in electronic form by educational institutions, including visual art alongside text;
- 2) reproducing published literary and dramatic works for the research, study or instruction of a person with a print disability, including in electronic form;
- 3) copying to assist persons with intellectual disabilities if material is not commercially available; print disability license holders broadcasting published literary and dramatic works and adaptations;
- 4) qualifying institution copying a broadcast, or any work, sound recording, or film in a transmission for education for the disabled;
- 5) performing sound recordings in places open to the public.

Denmark:<sup>145</sup>

In Denmark, the Copyright License Tribunal sets the rate if private parties cannot agree on a rate for the following uses:

- 1) use of published sound recordings in broadcasts on radio and television and other public performances (but excluding on-demand Internet transmission);
- 2) non-commercial use and distribution of copies of published works specifically intended for the blind, visually impaired, deaf, and sufferers of speech impediments, including sound recordings of literary works for visually impaired (but no other sound recordings of literary or musical works); and
- 3) use of minor portions of literary and musical works or such works of small proportions and works of art in connection with the text in composite works compiling contributions by a large number of authors for use in educational activities provided that five years have elapsed since the work was published.

Italy:<sup>146</sup>

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144. *Copyright Act 1968* (Cth) §§ 108, 135 (as amended) (Austl.)

145. Consolidated Act on Copyright §§ 17(1)–(3), 18 (2010), 68 (Den.).

146. Legge 22 aprile 1941, n. 633, Arts. 46(3), 58, 51–59, 70(2), 60 (It.).

In Italy, the rate is set based on criteria set out by the Presidency of the Council of Ministers if private parties cannot agree on a rate for the following use:

- 1) reproducing protected works in anthologies for educational use.

New Zealand:<sup>147</sup>

In New Zealand, the Copyright Tribunal sets the rate if private parties cannot agree on a rate for the following use:

- 1) librarian making copies of published editions for collections of other libraries.

Sweden:<sup>148</sup>

In Sweden, the court sets the rate if private parties cannot agree on a rate for the following use:

- 1) reproducing protected materials in compilations made and used for educational purposes.

When the parties cannot agree, the state may resolve the rate through national Copyright Boards or Tribunals. Generally speaking, Copyright Tribunals seem to play the largest role in Australia, New Zealand, the United Kingdom, and Canada. In most instances, however, this role remains fairly minor. In Australia, for example, parties generally agree on a rate amongst themselves and so the Copyright Tribunal hears only approximately two matters per year.<sup>149</sup> Similarly in New Zealand, collecting societies set rates and the Tribunal steps in only when the collecting society rate is challenged. These challenges often result in interparty settlements and the Tribunal issues a rate only if the matter goes to a full hearing, which rarely occurs.<sup>150</sup> In the

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147. The Copyright Act of 1994, §§ 54, 63 (as amended) (N.Z.).

148. 18 ch. LAG OM UPPHOVRÄTT TILL LITTERÄRA OCH KONSTNÄRLIGA VERK (Svensk författningsamling [SFS] 1960:729) (Swed.).

149. Email correspondence with Paddy Hannigan, Deputy District Registrar, Australian Copyright Tribunal to Olena Ripnick, research assistant to Jane Ginsburg (Feb. 9, 2014, 9:27 PM GMT/4:27 PM EST) (on file with author).

150. Email from Prof. Susy Frankel, President, N.Z. Copyright Tribunal, to Olena Ripnick, research assistant to Jane Ginsburg (Mar. 3, 2014, 1:26 PM GMT/8:26 AM EST) (on file with author).

United Kingdom, the Copyright Tribunal primarily confirms rates that private parties have agreed upon themselves.<sup>151</sup>

The Copyright Board plays the largest role in rate setting in Canada, as certain collecting societies are required by law to set tariffs for certain uses. Here, the collecting society publishes the tariff and parties are given a chance to object. If a party does not object, the tariff is confirmed. If a party does object, the Copyright Board proceeds to a hearing, but during this process parties frequently negotiate and agree on a rate amongst themselves and then ask the Copyright Board to certify that rate six to twelve months later before the matter goes to a full hearing. The Copyright Board sets the rate only when the parties cannot come to an agreement amongst themselves. For uses that are not required by law to have a tariff, parties generally negotiate amongst themselves and may file the rate with the Copyright Board but are not required to do so. On rare occasion, the Copyright Board may be asked to act as an arbiter or set a tariff with regard to these uses.<sup>152</sup>

## *2. Government Requires License from Collecting Society—Extended Collective Licensing<sup>153</sup>*

Since the early 1960s, the Nordic countries have facilitated the large-scale licensing of works, generally for public purposes, by legislation that brings works unrepresented by the relevant collecting society within the licensing authority of that society. Some, but not all, of the statutory provisions allow rightsholders to opt out of the collective license. Extended collective licenses (“ECL”) have received considerable attention lately as a possible solution to the orphan-works and mass-digitization problems.<sup>154</sup> Scholars from the Nordic countries, however, have expressed skepticism that the approach can be generalized to nations lacking the Nordic countries’ particular traditions of social organization.<sup>155</sup> Nonetheless, I summarize the laws’ coverage in order

151. Email from Catherine Worley, U.K. Copyright Tribunal, to Olena Ripnick, research assistant to Jane Ginsburg (Feb. 10, 2014 10:49 AM GMT/5:49 AM EST) (on file with author).

152. Telephone Interview with Dr. Raphael Solomon, Director, Research & Analysis, Copyright Board Canada (Mar. 3, 2014).

153. See generally Gunnar Karnell, *Extended Collective License Clauses and Agreements in Nordic Copyright Law*, 10 COLUM J. L. & ARTS 73 (1985); Thomas Riis & Jens Schovsbo, *Extended Collective Licenses and the Nordic Experience: It's a Hybrid but is it a Volvo or a Lemon?*, 33 COLUM J. L. & ARTS 471 (2010).

154. See generally Katharina de la Durantaye, *Finding a Home for Orphans: Google Book Search and Orphan Works Law in the United States and Europe*, 21 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 229 (2011); David R. Hansen et al., *Solving the Orphan Works Problem for the United States*, 37 COLUM. J.L. & ARTS 1 (2013).

155. See Riis & Schovsbo, *supra* note 153, at 495–96.

to give an idea of the kinds of uses these legislatures have determined should be permitted-but-paid.

ECL uses fall into a number of similar categories. They are as follows:

- 1) educational uses;<sup>156</sup>
- 2) library and archive uses;<sup>157</sup>
- 3) internal uses in public and/or private organizations;<sup>158</sup>
- 4) broadcasting published works;<sup>159</sup>

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156. Consolidated Act on Copyright § 13 (2010) (Den.) (copying published works and recording works broadcast on radio and TV as well as own performance for educational uses, but does not apply to computer programs or more than brief extracts from cinematographic works); Copyright Act § 14 (1961) (as amended) (Fin.) (reproducing, making public and performing works for educational activities and scientific research); Copyright Act (as amended) § 13(b) (1961) (Nor.) (copying published works and broadcasts for educational activities, but does not apply to broadcasts that consist of more than minor parts of cinematographic work); 42c ch. LAG OM UPPHOVSRÄTT TILL LITTERÄRA OCH KONSTNÄRLIGA VERK (Svensk författningssamling [SFS] 1960:729) (as amended) (Swed.) (copying works that have been made public for educational purposes).

157. Consolidated Act on Copyright § 16(b) (2010) (Den.) (public libraries digitally reproducing articles from newspapers, magazines, composite works, brief excerpts from published literary works and illustrations and music reproduced in connection with the text (but does not permit broadcast by radio or TV or the making available to the public of works in such a way that the public may access them at the place and time of their choosing); Copyright Act § 16(d) (1961) (as amended) (Fin.) (archives, public libraries, museums reproducing and communicating works for purposes not included in unremunerated exceptions); Copyright Act (as amended) § 16(a) (1961) (Nor.) (libraries, archives, museums copying and making available published works in their collections); 42d ch. LAG OM UPPHOVSRÄTT TILL LITTERÄRA OCH KONSTNÄRLIGA VERK (Svensk författningssamling [SFS] 1960:729) (as amended) (Swed.) (libraries and archives communicating single articles and short portions of works to library borrowers (but does not apply to computer programs) and distributing copies of works prepared pursuant to library exception for purposes not included in unremunerated exceptions).

158. Consolidated Act on Copyright § 14 (2010) (Den.) (public or private institutions, organizations and businesses copying articles, brief excerpts of descriptive published works or musical works and illustrations for internal use to advance their own activities); Copyright Act § 13(a) (1961) (as amended) (Fin.) (reproducing published article and accompanying illustration for internal communication); Copyright Act § 14 (as amended) (1961) (Nor.) (public and private institutions and organizations and commercial enterprises copying published works and broadcasts for use within their own activities (but does not apply to broadcasts that consist of more than minor parts of cinematographic work)); 42b ch. LAG OM UPPHOVSRÄTT TILL LITTERÄRA OCH KONSTNÄRLIGA VERK (Svensk författningssamling [SFS] 1960:729) (as amended) (Swed.) (decision-making municipal assemblies, governmental and municipal authorities, enterprises, and organizations copying published literary works and works of fine art published in connection with the text by means of reprographic reproduction in order to satisfy the need for information within their field of activities).

159. Consolidated Act on Copyright § 30 (2010) (Den.) (public access television companies broadcasting published works on radio or TV broadcast, but does not apply to satellite unless there is a simultaneous terrestrial broadcast); Copyright Act 1961 (as

- 5) television retransmission;<sup>160</sup>
- 6) fixations of broadcast works for the disabled;<sup>161</sup>
- 7) reproducing published works of art;<sup>162</sup> and
- 8) public access to specified public television programs at a time and place chosen by the viewer.<sup>163</sup>

### C. FRENCH LAW ON “UNAVAILABLE BOOKS”

The French legislature in March 2012 unanimously enacted a law on “unavailable books,”<sup>164</sup> which was designed to make the corpus of out-of-

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amended) § 25(f)–(g) (Fin.) (broadcasting organization transmitting a work, copying a work for up to a year to use in its own broadcast for a maximum of four times per year—and potentially longer/more depending on terms of ECL—broadcasting organization transmitting a new work made public if included in a TV program produced by the broadcasting organization and transmitted before January 1, 1985); Copyright Act 1961 (as amended) § 30 (Nor.) (broadcast organizations named by King broadcasting published work); 42e ch. LAG OM UPPHOVSRÄTT TILL LITTERÄRA OCH KONSTNÄRLIGA VERK (Svensk förfatningssamling [SFS] 1960:729) (as amended) (Swed.) (sound radio and television organizations specified by government broadcasting public literary, musical, and fine art works, but does not apply to works made for the stage and only applies to transmissions via satellite if the broadcasting organization simultaneously carries out a broadcast through a terrestrial transmitter).

160. Consolidated Act on Copyright § 35 (2010) (Den.) (simultaneous retransmission on cable of works broadcast wirelessly on radio or television); Copyright Act 1961 (as amended) § 25(4) (Fin.) (retransmitting work included in radio or TV transmission for reception by the public simultaneously with the original transmission); Copyright Act 1961 (as amended) § 34 (Nor.) (broadcast organizations using works that are lawfully included in a broadcast and communicating to public by simultaneous and unaltered retransmission); 42f ch. LAG OM UPPHOVSRÄTT TILL LITTERÄRA OCH KONSTNÄRLIGA VERK (Svensk förfatningssamling [SFS] 1960:729) (as amended) (Swed.) (transmitting or retransmitting to public, simultaneously and in unaltered form, by wire or wireless means, works which form part of a wireless sound radio or TV broadcast).

161. Consolidated Act on Copyright § 17(4) (2010) (Den.) (government, municipal, and other social nonprofit institutions reproducing sound or visual recordings broadcast on TV or radio in a manner accessible to visually handicapped and hearing-impaired people by means of sound or visual recordings); Copyright Act (as amended) § 17(b) (1961) (Nor.) (producing and using fixations for the disabled (and King may issue regulations regarding right to make a fixation of published film or picture with or without sound not essentially consisting of musical works)).

162. Consolidated Act on Copyright § 24(a) (2010) (Den.) (reproducing published works of art); Copyright Act 1961 (as amended) § 25(a)(2) (Fin.) (reproducing work of art in collection or sale for purposes other than promoting the exhibition or sale).

163. Consolidated Act on Copyright § 30(a) (2010) (Den.) (public access to state-owned television company productions at places and times selected by the viewer); Copyright Act (as amended) § 32 (1961) (Nor.) (specific broadcasting organizations using issued works in their collections and in connection with new broadcasts and transmissions in such a way that individuals can choose time and place of access to the work (only applies to works broadcast before January 1, 1997 that are part of broadcaster’s own productions and author may prohibit use)).

print French books digitally available (and to offer a national alternative to Google Books, whose scanning program the Paris trial court had, not coincidentally, condemned as copyright infringement<sup>165</sup>). The law directs the Bibliothèque nationale de France to establish a database of all works published in France before 2001 that are not available in print or digital forms. The creation of the list of works derives from comparing the national library's holdings with databases of commercially available books, but also includes a crowd-sourcing component. Every year, the national library will generate a new list.

The law vests management of the digital rights in a collecting society, whose board is composed of equal numbers of authors and publishers. Once the book is listed, authors and publishers have six months to oppose the collecting society's management of the book. After six months, the author may nonetheless oppose on the basis of harm to her honor or reputation. If the publisher opposes, it has two years to exploit the book; the author incurs no corresponding obligation. Thereafter, the collecting society is empowered to exercise its right to authorize the reproduction and communication of the book in digital form, by offering five-year renewable non-exclusive licenses, subject to remuneration, to digitize and disseminate. The law, however, does not detail how the remuneration will be calculated, other than to require that it be "equitably" distributed between authors and publishers, and that the author's share may not be less than the publisher's.<sup>166</sup>

Absent opposition, the collecting society must first offer the original print publisher a ten-year automatically renewable exclusive license to reproduce and make the work available in digital form. The publisher has two months to respond, and, if it exercises this right of first refusal, it has three years to make the book available. If the publisher does not exercise the right, or fails to publish digitally within three years, the collecting society will offer non-exclusive digitization and dissemination licenses to all comers. The author may oppose the grant of the exclusive license to the original print

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164. Loi 2012-287 du 1 mars 2012 relative à l'exploitation numérique des livres indisponibles du XXe siècle [Law 2012-287 of Mar. 1, 2012 on the Digital Exploitation of Unavailable Books of the Twentieth Century], JOURNAL OFFICIEL DE LA RÉPUBLIQUE FRANÇAISE [J.O] [OFFICIAL GAZETTE OF FRANCE], Mar. 2, 2012 , p. 3986 (effective as of the publication of décret n°2013-182 of Feb. 27, 2013 on the application of articles L.134-1 à L.134-9 of the Code of intellectual property). The French Constitutional Council recently rejected a challenge to the constitutionality of this law. *See* Conseil constitutionnel [CC] [Constitutional Court] decision No. 213-370 QPC, Feb. 28, 2014 (Fr.).

165. Tribunal de grande instance [ordinary court of original jurisdiction], Paris, 3e ch., Dec. 18, 2009 (Fr.), available at [http://www.legalis.net/?page=jurisprudence-decision&id\\_article=2812](http://www.legalis.net/?page=jurisprudence-decision&id_article=2812).

166. CODE DE LA PROPRIÉTÉ INTELLECTUELLE [C.P.I.] art. L.134-3 II cl. 5 et seq. (Fr.)

publisher if the author proves that the publisher did not acquire digital rights. The author may at any time withdraw the collecting society's power to grant non-exclusive digitization licenses if the author proves that he or she alone held digitization rights. And authors and publishers may at any time jointly withdraw the collecting society's power, but the publisher must exploit the book within eighteen months. Any licenses the collecting society may already have granted will continue in force for any remainder of the five-year period covered by the grant.

In the case of so-called orphan books, the French law empowers the collecting society to authorize publicly accessible libraries to digitize and disseminate books in their collections, if after ten years from the inclusion of the book in the collecting society's repertoire, the copyright holders have not been found notwithstanding a diligent search. Libraries pay no remuneration to the collecting society, but they must not derive any economic or commercial benefit from digitizing and making the books available to the public.<sup>167</sup>

A few observations: first, the law does not create a free national digital lending library. With the exception of orphan books, the law does not enable libraries freely to digitize and disseminate out-of-print books. Libraries could acquire non-exclusive licenses to do so, but the licenses must be paid for. On the other hand, the cost of those licenses may well be considerably less than the cost of negotiating rights from the copyright owners. It remains to be seen whether libraries would undertake the outlay, and, if they did, whether the free availability of digitized out-of-print books from libraries would discourage for-profit publishers from entering the market.

Second, non-exclusive licenses for exercise by libraries or others will be granted only if the publisher does not make the book available. Here, the law's allocation of the respective rights of authors and publishers is problematic, and, for France, surprising. During the first six months following the book's inclusion on the Bibliothèque nationale's database, both authors and publishers may oppose the collecting society's exercise of digitization rights. The objecting publisher, however, will have to exploit the book within two years. But the publisher may not have acquired digital rights, or the contract may be ambiguous as to the acquisition of rights over new modes of exploitation. So, without making a deal with the author, the publisher may not be in a position to oppose the collecting society's

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167. *Id.* at L. 134-8, cl. 2 ("L'autorisation mentionnée au premier alinéa est délivrée sous réserve que l'institution bénéficiaire ne recherche aucun avantage économique ou commercial. [The license mentioned in the first clause is subject to the beneficiary institution not seeking any economic or commercial advantage.]").

administration of digital rights. On the other hand, if the publisher does not oppose, the collecting society administers the rights but must first offer them, on an exclusive basis, to the publisher who holds the print rights. In other words, the law gives to the publishers what they may not have received by contract. Ambiguity in the contract now favors the publisher. In a reversal of the usual burden of proof regarding the scope of the author's grant of rights, the law requires the author to demonstrate that she retained the rights, rather than obliging the publisher to prove their acquisition. So why should the publisher bother negotiating with the author for digital rights if the publisher can get those rights by transfer of law? Arguably, this is expropriation, and worse, the law expropriates authors not for the public benefit of nonprofit libraries, but for the benefit of for-profit publishers. On the other hand, the authors will be paid half the licensing revenue; without the licensing scheme, the author would have derived no revenue from the books that otherwise would have remained out of commerce.

The law has now been in effect long enough for the Bibliothèque nationale to have published an initial list of 60,000 "unavailable" titles.<sup>168</sup> The collecting society designated to administer the electronic rights in those books has received only 2500 oppositions to the listings, mostly from authors or publishers who claim an intention to publish a digital edition.<sup>169</sup> Details concerning who undertakes the digitization, and at whose cost, remain to be worked out, as does the rate-setting for the royalty to be paid to authors. And it is still too early to ascertain how many of the original publishers will take up the collecting society's invitation to prepare a digital edition.

The law, conceived as France's answer to Google,<sup>170</sup> goes a step beyond Nordic-style extended collective licenses because it vests the management

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168. FLORENCE-MARIE PIRIOU, LEGICOM, LE LIVRE NUMERIQUE: UNE REVOLUTION JURIDIQUE EN MARCHE? [Legicom Digital Books: a Judicial Revolution Underway?] (2014).

169. Email to Jane Ginsburg from Florence Marie Piriou, Deputy Director of Sofia, the collecting society empowered to administer the licenses for "unavailable books" (Oct. 7, 2013, 10:26 AM) (on file with author).

170. See, e.g., Franck Macrez, *L'exploitation numérique des livres indisponibles : que reste-t-il du droit d'auteur ?* [Digital exploitation of unavailable books: what's left of copyright?], FRANCK MACREZ (Apr. 3, 2012), <http://franck.macrez.net/?p=210> (the solution that was adopted seeks to give new life to a currently neglected corpus, and to respond to the desire for massive digitization inspired by Google); Société nationale de l'édition, *Numérisation des livres indisponibles* [Digitization of unavailable books], SYNDICAT NATIONAL DE L'EDITION (Mar. 1 2012), <http://www.sne.fr/dossiers-et-enjeux/numerique/numerisation-des-livres-indisponibles.html> (genesis of the law was to respond to Google Books' digitization strategy); see also Lionel Maurel, *De la loi sur les indisponibles au registre ReLIRE: la blesure, l'insulte et la réaction en marche* [From the law on unavailable books to the ReLire registry: the injury, the insult, and the unfolding reaction] (Mar. 24, 2013), <http://scinfolex.com/2013/03/24/de-la-loi-sur-les->

authority in a collecting society without requiring the society to demonstrate that it already represents most or even some of the rightsholders. Although the collecting society exercises a “mandate” or “authorization to manage,”<sup>171</sup> it is not the rightsholders who delegate this authority (as with conventional collecting societies), but the State that confers it. This in turn implies that the law endows the State with the power to grant digitization licenses in pre-2001 French-published books whose rightowners do not timely object or, having objected, do not timely publish. The law thus also steps well beyond “opt out” in that it not only requires authors and publishers to declare their ownership and their objections in order to retain their rights, but also, at least for the publishers, in fact to exercise those rights, lest they be granted to other publishers, albeit with unspecified remuneration to the original rightsholders. The remuneration feature makes this an attenuated version of “use it or lose it.” It is, for France, a country long wed to a highly “propertarian” concept of copyright,<sup>172</sup> a rather radical reworking. It is also unlikely that the legislature, in its haste to institute a national program of book scanning, thought through the broader implications of vesting the State with the authority to direct digital exploitations of out of print books (or effectively to transfer the author’s digital rights to the publishers).<sup>173</sup>

However conceptually problematic, the French law does offer another model of permitted-but-paid. One that short circuits the difficulties of assembling rightsholders into a collecting society, or of extending that

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indisponibles-a-la-base-relire-la-blessure-linsulte-et-la-reaction-en-marche/ (“Loin d’avoir fait mieux que Google, la France a employé exactement les mêmes procédés douteux que le moteur de recherche, avec les memes conséquences à la clé.” [Far from having done better than Google, France has employed exactly the same dubious procedures as the search engine, with the same consequences.]).

171. Florence Marie Piriou, *Nouveau régime légal des livres indisponibles du XXe siècle* [New legal regime for 20th-century unavailable books] (2013) (unpublished paper) (on file with author) (“Il ne s’agit ni d’une exception ni d’une cession légale de droits mais plutôt d’un mandat légal.” [At issue is neither an exception nor a statutory transfer of rights, but rather a legal mandate (authorization).]).

172. For example, the first article of the copyright section of the *CODE DE LA PROPRIÉTÉ INTELLECTUELLE*, art. L. 1-111 (Fr.), declares: “L’auteur d’une oeuvre de l’esprit jouit sur cette oeuvre, du seul fait de sa création, d’un droit de propriété incorporelle exclusif et opposable à tous.” [The author of a work of authorship enjoys in that work, by the sole fact of its creation, an incorporeal and exclusive property right which may be asserted against all.]

173. The French law may also clash with international norms limiting copyright exceptions and limitations. Because these apply only to foreign works, however, the legislature has sought to avoid the problem by limiting the law’s application to works first published in France. To the extent that those works may include translations of foreign authors’ works, the legislation may still be vulnerable to challenge for violation of TRIPs art. 13 (should any foreign government seek to bring such a challenge).

society's authority to represent non-members. And which may produce some revenue for the authors of books now lying fallow. It is also clear that any initiative of this scope would require legislative intervention; private ordering on this scale is not an option.<sup>174</sup>

#### D. ORPHAN WORKS

In 2012, the European Union issued a Directive regarding orphan works to permit public libraries and nonprofit national broadcasters to disseminate works of authors and rightsholders who cannot be located following a diligent search.<sup>175</sup> The Directive does not impose an upfront license fee for use of the work, but requires payment of "fair compensation" to rightowners who reappear and "put an end" to the work's "orphan" status.<sup>176</sup> Because member states have until October 29, 2014 to implement the Directive,<sup>177</sup> only the United Kingdom and Hungary currently present examples of compensation schemes. Canada has long established a licensing program for works whose rightsholders cannot be found.<sup>178</sup>

##### 1. European Union

The Directive gives member states considerable leeway in addressing the rights of reappearing rightsholders. Article 6(5) provides that "[m]ember States shall be free to determine the circumstances under which the payment of such compensation may be organized."<sup>179</sup>

###### a) United Kingdom

In 2013 the United Kingdom passed the Enterprise and Regulatory Reform Act 2013, 2013 c. 24, § 77, "licensing of copyright and performers' rights," which adds a new orphan-works provision: sections 116A–116D. The legislation contemplates a licensing regime that may be administered,

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174. Cf. *Authors Guild, Inc. v. Google Inc.*, 954 F. Supp. 2d 282, 293 (S.D.N.Y. 2013) (holding the scale of proposed settlement inappropriate to private ordering).

175. Council Directive 2012/28, of the European Parliament and of the Council of 25 Oct. 2012 on Certain Permitted Uses of Orphan Works, 2012 O.J. (L 299/5) [hereinafter Council Directive].

176. *Id.* art. 6(5) and recital 18.

177. *Id.* art. 9(1).

178. The Canadian Copyright Board issued its first decision in this regard in 1990. MacLean Hunter Ltd., Copyright Board Can., File 1990–3 (Aug. 24, 1990), available at <http://www.cb-cda.gc.ca/unlocatable-introuvables/licences/1-b.pdf>.

179. The same article states that the level of compensation will be determined by the law of the member state whose public institution made the use; by contrast, a work's "orphan" status is determined according to the law of the work's country of origin. See Council Directive art. 3(3).

pursuant to regulations, by a state authority and/or through extended collective licensing. The scheme appears to anticipate that the license fees will be paid in before any missing rightsholder reappears to claim compensation, because the law mandates that regulations provide for the disposition of unclaimed sums paid under the license.<sup>180</sup>

b) Hungary

Hungary anticipated the Orphan Works Directive by regulations adopted in 2009.<sup>181</sup> Like the United Kingdom, Hungary has also based its orphan works regime on upfront licensing, but the sole entity empowered to grant licenses appears to be the Hungarian Patent Office (“HPO”). The HPO also rules on the withdrawal of licenses in the event the author becomes known; the HPO will also determine the extent of the remuneration due to the author.<sup>182</sup>

2. Canada

Canada’s orphan works provisions set out a regime for all potential uses of orphan works. Section 77 of the Copyright Act permits the Copyright Board of Canada (“CBC”) to issue a non-exclusive license (subject to any terms the Board establishes) for use in Canada to a user whose reasonable efforts to locate a copyright owner have been unsuccessful. Section 77 applies to a published work, to a fixation of a performer’s performance, published sound recording, or a fixation of a communication signal in which copyright subsists. The CBC may grant a non-exclusive license to engage in a broad range of acts.<sup>183</sup>

The CBC will grant a license only if the user can show that he or she made every reasonable effort to find the copyright owner. There is no definition of “reasonable effort” in section 77 and no formal standards have been established by CBC regulation to date (though the legislation permits the CBC to create the standard). Licensing decisions usually issue within thirty to forty-five days. In setting the license fee, the CBC generally bases the rate on what the collecting society that would normally represent the

180. See *id.* § 116C(4) (“The regulations must provide for the treatment of any royalties or other sums paid in respect of a license, including . . . (c) the treatment of sums after that period (as bona vacantia or otherwise.”).

181. 100/2009 (V.8) Korm. rendelet az árva mű egyes felhasználásainak engedélyezésére vonatkozó részletes szabályokról (Government Decree No. 100/2009 (V.8) on the Detailed Rules Related to the Licensing of Certain Use of Orphan Works), arts. 2(1), 2(2), 3 (Hung.), available at [http://www.hipo.gov.hu/English/jogforras/100\\_2009.pdf](http://www.hipo.gov.hu/English/jogforras/100_2009.pdf).

182. *Id.* arts. 7, 8.

183. See Copyright Act R.S.C. 2012, c.C-42, art. 31 (Can.).

rightsholder charges for the type of use in question and then orders that royalties be paid directly to that collecting society (the system assumes that every class of rightsholder will have a corresponding collecting society).<sup>184</sup> Under section 77, the subsequently appearing copyright owner may collect the royalties fixed in the license no later than five years after its expiration. The CBC allows collecting societies to dispose of the royalties as it sees fit for the general benefit of its members, but the society undertakes to reimburse any person who establishes, within five years after the expiry of the license, ownership of the work covered by the license.<sup>185</sup>

#### IV. PROPOSAL FOR U.S. COPYRIGHT REFORM: LEGISLATION IN AID OF PRIVATE ORDERING

##### A. TO WHAT EXTENT DO WE ALREADY HAVE PERMITTED-BUT-PAID?

If, rather than excusing altogether some socially beneficial or market-failure non-authorship uses of copyrighted works, requiring payment for them would be desirable, how might we achieve that end? In the first place, we should inquire to what extent we already have permitted-but-paid regimes. Some of these exist in the form of statutory compulsory licenses. Others may be emerging as a result of judicial reluctance in the wake of *eBay v. MercExchange* to grant injunctive relief. Fuller examination suggests, however, that the Supreme Court's decision has not lead to a generalized substitution of damage awards (judge-made compulsory licenses) in lieu of injunctions.

###### 1. *Extant Compulsory-License Regimes*

The 1976 U.S. Copyright Act institutes compulsory licenses such as: mechanical licenses for creation of sound recordings of non-dramatic musical compositions for distribution of phonorecords to the public (§ 115); cable and satellite retransmissions (§§ 111, 119, 122); non-interactive digital performances of sound recordings (§114); public broadcasting (§ 118); and

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184. Telephone Interview with Dr. Raphael Solomon, Director, Research & Analysis, Copyright Board Canada (Mar. 3, 2014). A list of CBC licenses can be found at *Decisions—Unlocatable Copyright Owners*, COPYRIGHT BOARD OF CANADA, <http://www.cb-cda.gc.ca/unlocatable-introuvables/licences-e.html> (last visited Aug. 2, 2014). CBC refusals to grant an unlocatable right owner can be found at <http://www.cb-cda.gc.ca/unlocatable-introuvables/denied-refusees-e.html>

185. See *Unlocatable Copyright Owners*, COPYRIGHT BOARD OF CANADA (July 7, 2001), <http://www.cb-cda.gc.ca/unlocatable-introuvables/brochure2-e.html>.

jukeboxes (§ 116).<sup>186</sup> The statute also favors negotiated solutions in lieu of administrative rate-setting,<sup>187</sup> and accordingly provides in several instances for antitrust exemptions to enable industry-wide licensing negotiations; the compulsory licenses, in turn, serve as backstops should private ordering fail.<sup>188</sup> Furthermore, the statute creates a Copyright Royalty Board (“CRB”) to set the rates, but a CRB proceeding can be both lengthy and expensive.<sup>189</sup> A recent Copyright Office study acknowledges that

[p]roceedings may involve numerous interested parties and often take two years or longer to complete. The CRB process allows for significant discovery, including document production and depositions, though it is not as broad as discovery permitted under the Federal Rules. Trials before the CRB, relatively formal in nature, typically involve multiple expert and non-expert witnesses and voluminous economic evidence, and can last several weeks.<sup>190</sup>

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186. 17 U.S.C. §§ 111, 115, 116, 118, 119, 122 (2012).

187. See 17 U.S.C. §§ 803(b)(3) (2012) (three-month voluntary negotiation period following initiation of CRB rate-making proceeding), § 805 (“General rule for voluntarily negotiated agreements”). Of the ratemakings published in the Federal Register (which include those that settle and those that do not), nine have settled prior to the CRB’s final independent determination, while seven have not. (The CRB was created in 2004, and the first final rule promulgated by the CRB was in 2007.)

188. See *id.* §§ 114, 115(c)(3)(B), 116, 118; see also § 115 (describing inter-industry agreement and settlement rates).

189. See *id.* §§ 803, 804 (setting out CRB proceedings in extensive detail). Regarding the cost and duration of CRB proceedings, Music Choice’s written statement alone in one case constituted 1671 pages. See *Determination of Rates and Terms for Preexisting Subscription Services and Satellite Digital Audio Radio Services*, U.S. COPYRIGHT ROYALTY BOARD (Spring 2013), available at <http://www.loc.gov/crb/proceedings/2011-1/>. Sirius XM’s statement in the same proceeding was 1689 pages. Copyright royalty hearings can involve extensive expert testimony as well. Mechanical and Digital Phonorecord’s 2009 Delivery Rate Determination Proceeding involved dozens of witnesses’ testimony from three interested parties at initial hearings and as part of rebuttal testimony; see 74 C.F.R. 6832, Mechanical and Digital Phonorecord Delivery Rate Determination Proceeding; Review of Copyright Royalty Judges Determination; Final Rule and Notice (Feb. 11, 2009), available at <http://www.loc.gov/crb/fedreg/2009/74fr4510.pdf#page=2>. With respect to duration of a ratemaking proceeding, a contested ratemaking takes roughly two years; ratemakings with early settlements usually take less time, often around one year or even less. For the 2011 Determination of Rates and Terms for Preexisting Subscription Services and Satellite Digital Audio Radio Services (section 114 ratesetting for 2013–17), the ratemaking commenced on January 5, 2011 with notice in the Federal Register, and was concluded February 14, 2013.

190. *Copyright Small Claims: A Report of the Register of Copyrights*, U.S. COPYRIGHT OFFICE, at \*63 (September 2013), <http://www.copyright.gov/docs/smallclaims/>.

Moreover, since rates may require revision over time, the statute also provides a schedule for revisiting prior rate settings.<sup>191</sup> Compulsory licenses have been criticized as excessively cumbersome and insufficiently responsive to technological and market evolutions.<sup>192</sup>

## 2. *The Effect of eBay: Will Failed Fair Use Defenses Yield Only Monetary Remedies (De Facto Permitted-But-Paid)?*

While statutory compulsory licenses govern only those situations expressly designated by Congress, judge-made compulsory licenses (some even authorized in the Copyright Act<sup>193</sup>) could introduce desirable flexibility more broadly. The Ninth Circuit in *Universal City Studios v. Sony Corp. of America*, having found the use of the videotape recorder to record off-air television programming to infringe, posited a “continuing royalty” in lieu of an injunction.<sup>194</sup> (How judges would set the rate, and whether undertaking such a task would be desirable, is another matter.<sup>195</sup>)

Arguably, the Supreme Court’s ruling in *eBay v. MercExchange*, that irreparable harm should not be presumed upon proof of patent infringement, will chasten judges in all intellectual property infringement cases, and will lead to fewer grants of injunctive relief in copyright infringement cases as well.<sup>196</sup> Withholding injunctive relief would set the stage for inter-party

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191. See, e.g., 17 U.S.C. § 801(b)(2) (adjustment of rates for cable retransmissions), § 804(b)(4) (“A petition described in subsection (a) to initiate proceedings under section 801(b)(1) concerning the adjustment or determination of royalty rates as provided in section 115 may be filed in the year 2006 and in each subsequent fifth calendar year, or at such other times as the parties have agreed under section 115(c)(3)(B) and (C)”) (2012).

192. See, e.g., Paul Goldstein, *Copyright*, 55 LAW & CONTEMP. PROBS. 79, 84 (1992); Robert P. Merges, *Of Property Rules, Coase, and Intellectual Property*, 94 COLUM. L. REV. 2655, 2669 (1994) (speculating that compulsory license regimes “may prevent the creation of technologies and organizational innovations that would efficiently administer the rights-clearance process”).

193. 17 U.S.C. § 104A (d)(3)(B) (2011)

194. *Universal City Studios v. Sony Corp. of Am.*, 659 F.2d 963, at 976 (9th Cir. 1981), *rev’d*. 646 U.S. 417 (1984) (“[W]hen great public injury would result from an injunction, a court could award damages or a continuing royalty. This may very well be an acceptable resolution in this context.”)

195. Cf. Benjamin Petersen, *Injunctive Relief in the Post-eBay World*, 23 BERKELEY TECH. L.J. 193 (2008) (surveying patent cases and contending that judicial rate setting is undesirable).

196. See, e.g., *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010) (reading *eBay* to apply to copyright infringement cases; the case involved an unsuccessful fair use defense of the publication of an unauthorized sequel to *The Catcher in the Rye*). For a critical view of *eBay* and its likely impact in copyright cases, see Mark P. Gergen, John M. Golden & Henry E. Smith, *The Supreme Court’s Accidental Revolution? The Test for Permanent Injunctions*, 112 COLUM. L. REV. 203 (2012).

negotiations, though it could also considerably reduce the bargaining power of the copyright owner who can no longer wield a credible threat to compel the defendant to cease its activities.

A review of post-*eBay* copyright cases, however, indicates that denial of preliminary or permanent injunctive relief in copyright cases falls far short of general or systematic.<sup>197</sup> With respect to permanent injunctions, only five of twenty-three cases studied through 2013 withheld injunctive relief despite the plaintiff's success on the merits, and, with one exception, none involved a finding of likely future infringement.<sup>198</sup> Regarding preliminary injunctions, in ten cases the court found likely success on the merits and in seven of them it also found irreparable injury and issued the preliminary injunction.<sup>199</sup> Thus, looking to the courts to implement permitted-but-paid by withholding injunctive relief to copyright owners whose substantive claims have succeeded does not seem a likely course.

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197. See Jiarui Liu, *Copyright Injunctions After eBay: An Empirical Study*, 16 LEWIS & CLARK L. REV. 215 (2012) (analyzing cases up to 2010). For a review of post-*eBay* awards (or withholding) of injunctive relief in intellectual property cases generally, through 2013, I thank Trey Brewer, Columbia Law School class of 2014.

198. See Christopher Phelps & Associates, LLC v. Galloway, 492 F.3d 532 (4th Cir. 2007) (showing irreparable harm, as well as inadequacy of monetary damages, but balance of hardship and public interest not proven); Brighton Collectibles, Inc. v. Pedre Watch Co., No. 11cv00637 AJB (WVG), 2013 WL 5719071 (S.D. Cal. Oct. 21, 2013) (showing no irreparable harm because there was no proof of likely future infringement and inadequate proof of reputational harm); Bean v. John Wiley & Sons, Inc., No. CV 11-08028-PCT-FJM, 2012 WL 1078662 (D. Ariz. Mar. 30, 2012) (showing no irreparable harm in this case because plaintiff (a photographer) could not prove the likelihood of future infringement, because the books that unlawfully contained his photographs were out of print); Bouchat v. Baltimore Ravens Ltd. P'ship, No. CIV.A. MJG-08-397, 2011 WL 5445947 (D. Md. Nov. 9, 2011) (showing no irreparable harm because the logo which the Ravens unlawfully used had no commercial value other than its use by the Ravens; the judge ordered the two parties to negotiate a licensing agreement in the only post-*eBay* copyright decision so far to have ordered negotiation); Magna-RX, Inc. v. Holley, No. CV05-3545-PHX-EHC, 2008 WL 5068977 (D. Ariz. Nov. 25, 2008) (plaintiff failed to give any evidence regarding irreparable harm, possibly in mistaken belief that irreparable harm was presumed after a finding of infringement).

199. See Bethesda Softworks, L.L.C. v. Interplay Entm't Corp., 452 F. App'x 351 (4th Cir. 2011) (district court was unconvinced by plaintiff's showing of irreparable harm); Frerck v. John Wiley & Sons, Inc., 850 F. Supp. 2d 889 (N.D. Ill. 2012) (photographer gave a limited license to a textbook publisher to publish his photos, but the textbook publisher exceeded the terms of the license; the Court found damages constituted sufficient relief in light of industry practice of retroactive licenses covering uses not originally bargained or paid-for); Grant Heilman Photography, Inc. v. John Wiley & Sons, Inc., 864 F. Supp. 2d 316 (E.D. Pa. 2012) (very similar to *Frerck*).

B. HOW MUCH CAN ONE ACHIEVE BY PRIVATE ORDERING WITHOUT LEGISLATION? IS COURT-ORDERED “LICENSE IT OR LOSE IT” AN ANSWER?

On the other hand, the prospects may look different if the court makes success on the merits turn on the offer of a license, as did the district court in *Cambridge University Press v. Becker*.<sup>200</sup> The impact on the copyright owner’s bargaining position may be less substantial than first appears, at least where the plaintiff was seeking to be paid for the use rather than to prevent it altogether, because a defendant who declines a reasonable license may be subject to an award of substantial statutory damages, as well as injunctive relief.<sup>201</sup> But the problem of assessing whether the license the plaintiff offered was reasonable may thrust courts back into the rate-making business, to which generalist federal judges may be less well-suited than the specialized Copyright Royalty Board. Alternatively, following the example of the “rate court” jurisdiction vested in the Southern District of New York under the antitrust decree with the American Society of Composers, Authors and Publishers (“ASCAP”),<sup>202</sup> Congress might designate one particular federal district court (which in turn would name one particular judge) to assess the reasonableness of the proffered license.

C. LEGISLATION TO ENABLE PRIVATE ORDERING?

If full-blown administrative ratemaking is too expensive and takes too long, but license-it-or-lose-it presents the problem of excessive judicial intervention (or, conversely, for those judges disinclined to second-guess proposed licensing fees, excessive deference to copyright owners), perhaps a simplified ratemaking procedure could provide a happy medium. In addition, the procedure should be designed to ensure that authors share equally in the remuneration. I envision a combination of two models, one based on voluntary negotiation of licenses, inspired by a proposed amendment to

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200. *Supra* notes 62–64 and accompanying text (analyzing the “license it or lose it” approach of the Georgia State court).

201. Statutory damages are available if the work was registered with the Copyright Office prior to its infringement. 17 U.S.C. § 412 (2011). As such, professional publishers tend to systematically register. Of course, no damages, statutory or actual, may be awarded against a state entity, such as Georgia State University; *see Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999) (addressing the Lanham Trademark Act); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999) (addressing the Patent Act).

202. *See United States v. Am. Soc'y of Composers, Authors and Publishers*, No. 41-1395 (WCC), 2001 WL 1589999 (S.D.N.Y. June 11, 2001) (second amended final judgment revising original consent decree of 1941). Denise Cote currently is the SDNY judge who hears challenges to rates proposed by ASCAP.

section 114 of the Copyright Act's provision on compulsory licenses for non-interactive digital transmission of sound recordings,<sup>203</sup> but backed up by Copyright Royalty Board-administered last-best-offer, or "baseball," arbitration. With respect to the latter solution, it is necessary also to consider the institutional setting for the rate determinations as well as the application of baseball arbitration to the copyright context. Finally, any provision for a "backstop" of administrative ratemaking should also contain a "sunset" clause requiring legislative renewal every five years (otherwise the ratemaking authorization expires), in order to promote a transition to market licensing in the event that changing conditions make such licensing feasible.

At the threshold, however, we need to identify the uses to which the proposed regime would apply. Recalling our two categories of fair uses which I have contended should not remain uncompensated—nonprofit public library uses and educational uses—these uses have in effect benefitted from fair use as social subsidy. And there are uses, generally massive in scope, for which market licensing solutions have not yet been devised. Our review of comparative law reveals that remuneration schemes involving voluntary or state-supported licensing mechanisms generally correspond to these broad categories. But a principal difference between the United States and most other countries studied is the prevalence of collective licensing societies outside the United States. Indeed, as the French legislation on mass digitization of books illustrates, implementation of the scheme required the creation of a collecting society dedicated to administering the licenses.<sup>204</sup> Apart from the fields of public performance rights in non-dramatic musical compositions, where ASCAP and BMI collectively license users large and small (and operate under antitrust consent decrees<sup>205</sup>), and, to a lesser extent, reprographic and digital reproduction rights in books licensed by the Copyright Clearance Center, collective management of authors' rights is far less pervasive here in the United States than in most other copyright-producing countries. As a result, unless new collective management societies emerge, or unless the major rightsholders of particular kinds of repertory may combine without antitrust constraints to offer licenses across the

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203. Free Market Royalty Act, H.R. 3219, 113th Cong. (1st Sess. 2013).

204. *Supra* Subsection III.C. Similarly, the rejected Google Books settlement would have created a "Book Rights Registry" collecting society to grant licenses to digitize out-of-commerce books and to distribute the collected monies to authors and publishers. *Authors Guild, Inc. v. Google Inc.*, 770 F. Supp. 2d 666, 671–72 (S.D.N.Y. 2011).

205. 17 U.S.C. § 115(c)(3)(B) (2012).

repertory,<sup>206</sup> implementation of voluntary licensing mechanisms is likely to encounter daunting transaction costs. Moreover, where multiple users comprise the class of potential licensees it may also be necessary to consider how the class may be represented in the negotiations.<sup>207</sup> State-supported backstops to voluntary licensing can of course relieve the antitrust constraints on rate-setting (as is already the case for certain compulsory licenses<sup>208</sup>), but those solutions take us out of the realm of private ordering, and into legislation to establish an administrative framework to offer a rate-setting mechanism that is faster, cheaper, and, to the extent possible, closer to market solutions than the current panoply of compulsory licenses affords.

#### *1. H.R. 3219: "Free Market Royalty Act"*

In 1995 and again in 1998, Congress amended the copyright act to implement a digital public-performance right in sound recordings. The legislation distinguished interactive from non-interactive digital transmissions, subjecting the latter to compulsory licensing. The regime directed the equal division of the proceeds of the compulsory license among record producers and performers.<sup>209</sup> The statutory provisions also permitted copyright owners and webcasters to reach private agreements on license rates;<sup>210</sup> as a result, many performers may not in fact receive an equal share of the licensing revenues.<sup>211</sup> An amendment proposed in December 2013, the

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206. See, e.g., Sound Exchange, a society representing sound recording producers and performers, that collects and distributes the compulsory license royalty for non-interactive webcasting under § 114. SOUND EXCHANGE, <http://www.soundexchange.com/about/> (last visited June 1, 2014).

207. For example, in setting the license fees for public performances of non-dramatic musical compositions by bars and restaurants, ASCAP and BMI negotiate with the restaurateurs' trade association; see, e.g., *Legislative Information & Representation*, MINN. RESTAURANT ASS'N, <http://www.hospitalitymn.org/displaycommon.cfm?an=1&subarticlenbr=85> (last visited Apr. 27, 2014) (noting that members of Minnesota Restaurant Association receive BMI music license with discounted rates, though each member must still obtain individual license). In the royalty negotiations for video-programing licenses, small cable operators may designate a Bargaining Agent; see DIRECTV Sports Net Pittsburgh, LLC, 11 F.C.C. 1483 (2011).

208. See *supra* note 188 and accompanying text (describing antitrust exemptions in extant compulsory licensing regimes).

209. 17 U.S.C. § 114(f), (g)(2) (2012); see generally Jane C. Ginsburg, *Copyright Legislation for the "Digital Millennium"*, 23 COLUM.-VLA J.L. & ARTS 137, 169–70 (1999) (describing and analyzing 1995 and 1998 amendments).

210. 17 U.S.C. § 114(f)(3) (2012).

211. See Kristelia A. García, *Private Copyright Reform*, 20 MICH. TELECOMM. & TECH. L. REV. 1, 4 (2013) ("These private content licensing agreements circumvent both the statutory license and relevant collective rights organization . . . and in so doing . . . potentially alter the rights and entitlements of non-parties in several significant ways[,] including "deny[sing] artist royalty payments to which they are legally entitled."); see also Ben Sisario, *Sirius's Move to*

“free market royalty act,”<sup>212</sup> would, among other things, replace the current compulsory license regime for non-interactive digital transmissions with

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*Bypass a Royalty Payment Clearinghouse Causes an Uproar*, N.Y. TIMES, Nov. 6, 2011, available at <http://www.nytimes.com/2011/11/07/business/media/siriuss-move-to-bypass-royalty-agency-causes-uproar.html> (noting that private agreements “could result in less money and more complications for artists,” largely due to a lack of clarity as to how the author receives payment); Kristin Thomson, *Musicians’ Digital Performance Royalties at Risk*, FUTURE OF MUSIC COALITION (Oct. 28, 2011, 12:32 PM), <http://futureofmusic.org/blog/2011/10/28/musicians-digital-performance-royalties-risk/> (arguing that direct licenses can hurt performers because they may not receive direct payments, could be paid less, will not be part of negotiations, and could be forced to accept licenses allowing for more expansive use of their music).

212. H.R. 3219, 113th Cong. (1st Sess. 2013) provides in relevant part:

(e) EFFICIENCY OF LICENSING.—

(1) COLLECTIVE NEGOTIATION FOR NON- INTERACTIVE SERVICES.—Pursuant to section 106(6), and notwithstanding any other provision of law, any noninteractive services performing sound recordings publicly by means of an audio transmission may collectively negotiate and agree to royalty rates and license terms and conditions for the performance of such sound recordings.

(2) ONE-STOP LICENSING FOR NONINTERACTIVE SERVICES.—

(A) NEGOTIATION OF LICENSES BY COMMON AGENT.—Pursuant to section 106(6), and notwithstanding any other provision of law, for licenses for noninteractive audio transmissions, SoundExchange, Inc., or any successor entity is designated as the sole common agent to negotiate, agree to, pay, and receive payments under this section. If a license for noninteractive audio transmissions is agreed to by such common agent, copyright owners of sound recordings may subsequently negotiate and agree to royalty rates and license terms and conditions with any noninteractive services performing sound recordings publicly by means of an audio transmission for the performance of such sound recordings.

(B) DIRECT PAYMENT AND EQUAL COMPENSATION.—The common agent under sub-paragraph (A) shall make distributions directly to the following recipients from payments collected under this section as follows:

(i) 50 percent shall be paid to the copyright owner.

(ii) 45 percent shall be paid to featured recording artists.

(iii) 5 percent shall be paid to nonfeatured musicians and vocalists (through the American Federation of Musicians and Screen Actors Guild-American Federation of Television and Radio Artists Intellectual Property Rights Distribution Fund, or their successors).

(f) PAYMENTS FROM INDIVIDUAL LICENSES FOR NONINTERACTIVE AUDIO TRANSMISSIONS.—In the case of a license granted by the copyright owner of a sound recording to a noninteractive service performing sound recordings publicly by means of an audio transmission, such service shall pay to the common agent described in subsection (e) receipts from the licensing of such

licenses covering digital transmissions negotiated between a “common agent” representing the copyright owners (currently Sound Exchange) and a collective representative of the webcasters. The negotiations would proceed “notwithstanding any other provision of law,” and therefore would be exempt from antitrust constraints. The amendment preserves section 114’s even division of the proceeds of the license between producers and performers. But, importantly, the amendment makes the performers’ share mandatory by requiring that the webcaster pay the common agent fifty percent of the royalties the webcaster owes under the license, and further instructing that the common agent “shall distribute” those payments to the performers.

The proposed amendment also establishes a compulsory license “backstop for public and non-commercial stations” in the event that royalty rates and license terms “are not negotiated and agreed upon collectively under subsection (e) between the common agent and a non-commercial educational broadcast station . . . .” In that case, the Copyright Royalty Board will set rates that are supposed to emulate willing buyer-seller marketplace rates, but one may suppose that the failure of the parties to agree on a license means that the rates are likely to fall short of true market rates. The proposed

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transmissions in an amount equal to 50 percent of the total royalties and other compensation that the service is required to pay for such transmissions under the applicable license agreement. Such common agent shall distribute such payments in proportion to the distributions provided in clauses (ii) and (iii) of subsection (e)(2)(B), and such payments shall be the sole payments to which featured and nonfeatured artists are entitled by reason of such transmissions under the license with that service.

(g) BACKSTOP FOR PUBLIC AND NONCOMMERCIAL STATIONS.—

(1) ESTABLISHMENT OF RATES AND TERMS.— If royalty rates and license terms and conditions for the audio transmission or retransmission of a non-subscription broadcast consisting solely of non-commercial educational and cultural radio programs are not negotiated and agreed upon collectively under subsection (e) between the common agent and a noncommercial educational broadcast station funded on or after January 1, 1995, under section 396(k) of the Communications Act of 1934 (47 U.S.C. 396(k)), a proceeding under chapter 8 of this title shall determine the rates and terms for such transmissions and retransmissions. The Copyright Royalty Judges shall establish such rates and terms that most clearly represent the rates and terms that would have been negotiated in the marketplace between a willing buyer and a willing seller. In determining such rates and terms, the Copyright Royalty Judges shall base their decision on economic, competitive, and programming information presented by the parties.

amendment does not specify whether the CRB-designated royalty will be shared equally among producers and performers, but that may be implicit.

The Free Market Royalty Act offers an attractive template for permitted-but-paid licenses. By suspending antitrust constraints, and by encouraging the development of a user-side collective complement to the copyright interests' "common agent," the bill would stimulate bilateral industry-wide agreements, thus reducing transaction costs. Were this approach to be generalized to sectors in which copyright owner-author common agents are less prevalent (or non-existent) it would be necessary to foster the creation of such bargaining entities. The mandatory set-aside for creators is another very appealing feature.

But what if the collective representatives fail to agree? Should the "backstop" measures of the Free Market Royalty Act also be generalized, not only to non-commercial users (i.e., subsidy uses), such as nonprofit libraries and educational institutions, but to all? Is it justified to extend the backstop to commercial users if the basis of their permitted-but-paid license is market failure, given that an amendment inspired by the Free Market Royalty Act would make bargaining easier by allowing the aggregation of owners and users and negotiation through respective representatives? If these devices effectively cure market failures, then a compulsory license backstop would not be warranted. Moreover, were compulsory licensing an option should negotiations fail, actors who believe they have more to gain from a compulsory license regime than from a negotiated license might not bargain in good faith. Finally, a CRB proceeding is currently both expensive and time consuming.<sup>213</sup> Accordingly, the current regime might warrant some modifications. The technique of last best-offer arbitration might prove adaptable to the task.

## *2. Baseball Arbitration: Institutional Constraints*

Before addressing how a last-best-offer "backstop" would apply to copyright licenses, it is necessary to confront possible constraints on Congress's power to amend the Copyright Act to compel the parties to submit to binding arbitration.

The Copyright Royalty Board is an arm of the Copyright Office, which is a branch of the Library of Congress. The CRB already is empowered to set rates for the various compulsory licenses set out in the Copyright act; the proposed scheme, albeit what one might call "ratemaking light," seems well within the Board's attributions. Because copyright is federal statutory subject

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213. See *supra* notes 187–190 and accompanying text.

matter, and “the claim at issue derives from a federal regulatory scheme,”<sup>214</sup> copyright claims can reasonably be described as claims involving “public rights” suitable for adjudication by non-Article III tribunals.<sup>215</sup> With respect to the appointments clause, CRB judges have already been held “inferior officers” terminable at will by their “head of department” (in this case, the Librarian of Congress), and therefore their appointments do not violate separation of powers.<sup>216</sup>

Because the proposed regime relies on binding and compulsory arbitration, the scheme exceeds the bounds imposed by the Administrative Procedure Act. Without an amendment to the Copyright Act to mandate arbitration in relevant cases, the Library of Congress’s power to administer arbitrations would be limited to what the APA allows: all arbitrations would require the consent of both parties, the arbitrators would be agreed upon by both parties, and the parties would have to agree on all issues submitted to the arbitrator.<sup>217</sup>

By contrast, specific statutory provisions can confer the requisite authority. For example the Telecommunications Act of 1996 and the Indian Gaming Regulatory Act allow for the Federal Communications Commission (“FCC”) and Department of the Interior, respectively, to authorize arbitration upon the request of only one party during negotiations.<sup>218</sup> The statute does not need to specify the type of arbitration used by the agency;

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214. Stern v. Marshall, 131 S. Ct. 2594, 2613 (2011) (characterizing public rights cases as “cases in which the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency’s authority.”).

215. Cf. Report of the Register of Copyright, Copyright Small Claims, *supra* note 190 (“Because the rights and remedies for copyright are fixed by Congress pursuant to an overarching statutory scheme . . . at least some types of small copyright claims should be amenable to non-Article III resolution.”). The Supreme Court’s decisions in *Thomas v. Union Carbide*, 473 U.S. 568 (1985) and *Stern*, 131 S. Ct. at 2594 suggest that a copyright-licensing dispute would be properly cast as a public-rights case, and that agency-administered arbitration would be appropriate. Indeed, the particular statute in question in *Thomas v. Union Carbide* involved the constitutionality of a Congressional statute that selected binding arbitration (with limited judicial review) as the means for dispute resolution for participants in a federal pesticide registration scheme. *Thomas*, 473 U.S. at 573–75.

216. Intercollegiate Broad. Sys. v. Copyright Royalty Bd., 684 F.3d 1332 (D.C. Cir. 2012) (following *Free Enterprise Fund v. PCAOB*, 130 S. Ct. 3138 (2010)) (barring “double for-cause removal”).

217. See 5 U.S.C. § 575(a)(1) (2012) (a decision to arbitrate must be voluntary on the part of all parties to the arbitration); § 575(a)(1)(A), (B) (any party can limit the issues it agrees to submit to arbitration; this could mean that a party may refuse to arbitrate unless the decision is limited to a range of outcomes); § 577(a) (the parties to an arbitration are entitled to participate in selecting an arbitrator; this could result in naming arbitrators who are not CRB judges).

218. See 47 U.S.C. § 252(b) (2012); 25 U.S.C. § 2710(d)(7)(B)(iv) (2012).

the agency is at liberty to promulgate rules developing its own procedures for arbitration. For example, FCC rules promulgated pursuant to the Telecommunications Act instruct that “[a]n arbitrator, acting pursuant to the Commission’s authority under section 252(e)(5) of the Act, shall use final offer arbitration,” subject to carefully delineated exceptions.<sup>219</sup>

### *3. How Baseball Arbitration Could Apply to Permitted-But-Paid*

To assess how a baseball-arbitration fallback could apply to a permitted-but-paid regime in copyright law, it may help to look to experience in the Federal Communications Commission. The FCC context admittedly differs from the licenses posited here, because the FCC has employed baseball arbitration as a condition on authorizing the merger of cable operators: when the merger would otherwise result in conferring too much power over video programming, the operator must license the programming to local carriers at a reasonable rate.<sup>220</sup> Baseball arbitration provides the means by which the FCC sets that rate.

If the contexts are by no means identical, they are arguably analogous: the impetus for U.S. courts to find fair use in many of the social-subsidy or market-failure contexts for which licensing mechanisms exist in other countries is to prevent the copyright law from conferring power over content to the unreasonable prejudice of certain public services or technological advances. (Because the essence of copyright—as a property right—is control over the exploitations comprised within the statutory exclusive rights, the author’s or rightsholder’s control over content remains in most cases the

219. 47 C.F.R. § 51.807 (2011). In 2001, the Senate proposed amending title 49 of the United States Code to authorize the Secretary of Transportation to mandate baseball-style arbitration in the case of labor disputes between an air carrier and its employees—the Secretary could forestall a strike by compelling the parties to submit to binding baseball-style arbitration. *See* Airline Labor Dispute Resolution Act of 2001, S. 1327, 107th Cong. (as reported by S. Comm., 2001). This bill ultimately died in committee.

Finally, the timing of the arbitration may carry Seventh Amendment implications. If a copyright holder and would-be licensee fail to agree voluntarily upon a price for a license, but seek administrative dispute resolution in lieu of initiating an infringement action, there would appear to be no constitutional impediment to pursuing an administrative remedy. If, however, arbitration were sought after the filing of an infringement action, the Supreme Court’s decision in *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1997)—holding that litigants in a copyright dispute are entitled to a trial by jury, even when statutory damages (a seemingly “public” right conferred by Congress) are the only damages sought—might entitle either party to resist the administrative procedure on the ground that the court action triggers that party’s right not only to a judicial rather than administrative remedy, but to a jury trial as well.

220. *See* Liberty Media Order, 23 F.C.C. Rcd. at 3346, Appendix B, Condition IV, ¶ 1 (submission to commercial arbitration); § A “Commercial Arbitration Remedy,” ¶¶ 6, 8, 10 (final offer arbitration).

appropriate objective of the copyright system; the prejudice that a mandatory arbitration system offsets must therefore be unreasonable.)

A fundamental principle behind baseball arbitration is to encourage private ordering and incentivize settlement. By requiring the arbitrator to select one of two proposed offers, baseball arbitration urges the parties to avoid extremes by confronting them with the risk that the arbitrator will accept the other party's offer. The academic literature differs on whether baseball-style arbitration does successfully push parties toward more "reasonable" offers, though what empirical data there is seems to suggest that offers do converge.<sup>221</sup>

In addition, this arbitration mechanism could at least in part avoid the extensive economic and market analysis required in "willing buyer/willing seller" ratemaking in order to determine the proper market rate. "Willing buyer/willing seller" ratemaking, as currently administered by the Copyright Royalty Judges, involves presentation of written and testimonial direct evidence and rebuttal testimony, legal briefing, arguments of counsel, and judicial review.<sup>222</sup> As a result, the most recent ratemaking took over five years from the initial notice-and-comment period until the Judges' final determination.<sup>223</sup>

Admittedly, some final-offer arbitration mechanisms are similarly expensive and time consuming. For example, the FCC proceedings described above often produce large expenses for both parties arbitrating, and though it is supposed to take place over a short period of time (thirty days from notice to arbitration decision, and then thirty days for a decision from the FCC, if a party appeals), parties are allowed to alter the time limits as they see

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221. Academic studies of final-offer arbitration in the context of public-sector union negotiations indicate that the procedure does indeed encourage settlement. See Elissa A. Meth, Note, *Final Offer Arbitration: A Model for Dispute Resolution In Domestic and International Disputes*, 10 AM. REV. INT'L ARB. 383 (1998). For the original baseball context, see Jonathan M. Conti, *The Effect of Salary Arbitration on Major League Baseball*, 5 SPORTS LAW. J. 221, 232–34 (1998) (suggesting that MLB's arbitration procedure has "achieved its goal" of "getting the parties to either settle their cases prior to arbitration, or at least to submit figures that are within the same ballpark."). Josh Chetwynd notes that while labor relations theorists endorse the view that final-offer arbitration encourages convergence in the parties' proposals, decision scientists often disagree. Josh Chetwynd, *Play Ball? An Analysis of Final-Offer Arbitration, Its Use in Major League Baseball and Its Potential Applicability to European Football Wage and Transfer Disputes*, 20 MARQ. SPORTS L. REV. 109, 116 (2009). Chetwynd acknowledges, however, that "empirical data had indicated that convergence was often occurring." *Id.*

222. See Determination of Royalty Rates for Digital Performance Right in Sound Recordings and Ephemeral Recordings, 79 Fed. Reg. 23,102–03 (Apr. 25, 2014) (to be codified at 37 C.F.R. 380).

223. *Id.* at 23,102.

fit.<sup>224</sup> Others, such as the procedure in Major League Baseball, are relatively speedy and efficient.<sup>225</sup>

Another issue concerns disparities in bargaining power. Final-offer arbitration appears to diminish parties' inherent bargaining disparity in the baseball context, as well as in the case of public-sector employee unions. In Major League Baseball, one recent study indicated that the players (the labor side) were successful in forty-two percent of arbitration proceedings that went to a final hearing.<sup>226</sup> For public-sector unions, one study examined New Jersey cases and found the party with weaker bargaining power—the unions—won roughly two-thirds of the time.<sup>227</sup> This evidence suggests that parties in a relatively weak bargaining position can nevertheless succeed in baseball-style arbitration simply by avoiding risk and submitting reasonable bids. Moreover, designation of a “common agent” to represent a group of weaker parties may further reduce the bargaining disparities.

## V. CONCLUSION

Fair use has gone off the rails with the transformation of “transformative use” from a factor fostering new creativity to one favoring new copyright-dependent business models and socially beneficent reiterative uses. We should cease muddling authorship-grounded fair uses with judge-made exceptions whose impetus derives from distinct considerations. I have, moreover, suggested that those exceptions should not always produce free

224. Comcast Co., 11 F.C.C. 4, 129, App. A (2011) (“The parties may agree to modify any of the time limits set forth [in the arbitration rules] . . . ”).

225. See Jonathan M. Conti, *The Effect of Salary Arbitration on Major League Baseball*, 5 SPORTS LAW. J. 221, 228–29 (1998) (describing the annual two-month window for arbitration proceedings in Major League Baseball).

226. Amy Farmer et. al., *The Causes of Bargaining Failure: Evidence from Major League Baseball*, 47 J.L. & ECON. 543, 562 (2004). However, that author attributes these outcomes to the players being less risk averse than owners in such negotiations, and consequently more often on the losing side; *see id.* at 562–63 (“We find that players tend to exhibit greater aggression than clubs and that ultimately players fare worse when their aggression leads them to arbitration. Our evidence also suggests that players learn, because previously eligible players fare slightly better than do those in first-time negotiations.”).

227. Orley Ashenfelter & David E. Bloom, Models of Arbitrator Behavior: Theory and Evidence 16 (1983), (unpublished working paper) (on file with National Bureau of Economic Research). Ashenfelter and Bloom credited this victory rate to more reasonable, risk-averse offers submitted by the New Jersey unions. For a more recent study, see Orley Ashenfelter & Gordon B. Dahl, *Strategic Bargaining Behavior, Self-Serving Biases, and the Role of Expert Agents: An Empirical Study of Final-Offer Arbitration* 2 (Princeton L. & Pub. Aff. J., Working Paper No. 04-009, 2003), available at <http://ssrn.com/abstract=559188> (finding that the “spread” between the two offers decreased from over 2% to less than 1% over a period of roughly twenty years, suggesting that parties do indeed converge on offers over time.)

passes. Instead, I have proposed a middle ground: many of the current social-subsidy fair uses and market-failure fair uses should be permitted-but-paid. This article has recommended implementing that proposal through statutorily facilitated bargaining between agents representing copyright owners and users, backed up by last best-offer arbitration before the Copyright Royalty Board. Whichever method employed to set the rates for permitted-but-paid uses, the copyright law should ensure that authors share in any statutory or privately ordered remuneration scheme. For many authors and other members of the creative communities, while their works stoke the engines of others' enterprises, the Internet age has proffered more rags than riches. Were permitted-but-paid an option, creators might fare better from new distribution uses. Moreover, we would not be lured by a dichotomy falsely pitting authors against a perceived social good: the licensing mechanism would allow both broader dissemination and provide payment to authors. For many distribution uses, permitted-but-paid should replace fair use for free.

# **ALL OF THIS HAS HAPPENED BEFORE AND ALL OF THIS WILL HAPPEN AGAIN:<sup>1</sup> INNOVATION IN COPYRIGHT LICENSING**

*Rebecca Tushnet<sup>†</sup>*

## **ABSTRACT**

Claims that copyright licensing can substitute for fair use have a long history. This Article focuses on a new cycle of the copyright licensing debate, which has brought revised arguments in favor of universal copyright licensing. First, the new arrangements offered by large copyright owners often purport to sanction the large-scale creation of derivative works, rather than mere reproductions, which were the focus of earlier blanket licensing efforts. Second, the new licenses are often free. Rather than demanding royalties as in the past, copyright owners just want a piece of the action—along with the right to claim that unlicensed uses are infringing. In a world where licenses are readily and cheaply available, the argument will go, it is unfair not to get one. This development, copyright owners hope, will combat increasingly fair use–favorable case law.

This Article describes three key examples of recent innovations in licensing-like arrangements in the noncommercial or formerly noncommercial spheres—Getty Images’ new free embedding of millions of its photos, YouTube’s Content ID, and Amazon’s Kindle Worlds—and discusses how uses of works under these arrangements differ from their unlicensed alternatives in ways both subtle and profound. These differences change the nature of the communications and communities at issue, illustrating why licensing can never substitute for transformative fair use even when licenses are routinely available. Ultimately, as courts have already recognized, the mere desire of copyright owners to extract value from a market—especially when they desire to extract it from third parties rather than licensees—should not affect the scope of fair use.

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1. See *Battlestar Galactica* (NBC Universal Television 2004–2007; Universal Media Studios 2007–2009).

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## TABLE OF CONTENTS

I.	<b>INTRODUCTION: REBOOTING LICENSING?</b>	1448
II.	<b>THERE ARE MANY COPIES, AND THEY HAVE A PLAN: THREE EXPERIMENTS IN LICENSING OR NEAR-LICENSING.....</b>	1452
A.	GETTY IMAGES: PICTURE-PERFECT CONTROL .....	1453
1.	<i>Technical Tethering</i> .....	1454
2.	<i>Effortless Data Gathering</i> .....	1456
3.	<i>Market Control</i> .....	1456
B.	GOOGLE'S CONTENT ID: LICENSING THIRD PARTIES, NOT CREATORS .....	1457
1.	<i>The Heavy Hand of Automatic Control: No Filters for Fairness</i> .....	1460
2.	<i>Competition: Crowding Out Smaller Creators and Newer Intermediaries</i> .....	1464
C.	KINDLE WORLDS: PAID TO PLAY? .....	1468
1.	<i>Control: Building the Fence and Culling the Herd</i> .....	1470
2.	<i>Commodification: Undermining the Creative Spirit of Communities</i> .....	1474
3.	<i>Competition: Distorting the Market for Professional Creative Works</i> .....	1481
III.	<b>THERE MUST BE SOME WAY OUT OF HERE.....</b>	1483

### I. INTRODUCTION: REBOOTING LICENSING?

Claims that copyright licensing can substitute for fair use are nothing new. Among other iterations, they've been made on behalf of the dream of a "celestial jukebox" that would charge audiences anew for each enjoyment of a copyrighted work,<sup>2</sup> and on behalf of large publishers hoping to be paid for each photocopy of a journal or newspaper article.<sup>3</sup> This Article focuses on a new cycle of the copyright-licensing debate, which has brought revised arguments in favor of universal copyright licensing. First, the new arrangements offered by large copyright owners often purport to sanction (or is it tolerate?<sup>4</sup>) the large-scale creation of derivative works, rather than mere reproductions, which were the focus of earlier blanket licensing efforts. Second, the new licenses are often free, and may even offer opportunities for

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2. See PAUL GOLDSTEIN, *COPYRIGHT'S HIGHWAY: FROM GUTENBERG TO THE CELESTIAL JUKEBOX* (rev. ed. 2003).

3. See Cambridge Univ. Press v. Becker, 863 F. Supp. 2d 1190 (N.D. Ga. 2012).

4. See Tim Wu, *Tolerated Use* (Columbia Law Sch. Law & Econ. Working Paper Grp., Paper No. 333, 2008).

licensees to profit. Rather than demanding royalties as in the past, copyright owners just want a piece of the action—along with the right to claim that unlicensed uses are infringing. In a world where licenses are readily and cheaply available, the argument will go, it is unfair not to get one.<sup>5</sup>

These new attempts to expand licensing in ways that take into account the new digital economy and the rise of “user-generated content” face a fair use doctrine that is in some ways less favorable to copyright owners than it was several decades ago, when a few key decisions supported the rise of (allegedly) blanket reproduction licenses.<sup>6</sup> Even then it was plain that copyright owners’ desire to license had the potential to make the “effect on the market” factor of fair use analysis weigh inevitably in favor of a plaintiff because a copyright owner operating a licensing scheme could simply assert that it would have received a licensing fee had the defendant not made its unauthorized use. Courts ruling in copyright owners’ favor stated that the presence of a licensing scheme wasn’t dispositive, but then proceeded as if it was.<sup>7</sup>

Subsequently, courts developed a few tools to limit the circularity of the licensing argument. Many cases say that a foregone license fee should only be considered in “traditional, reasonable, or likely to be developed” markets.<sup>8</sup> Another way of explaining the limit looks to the underlying justification for fair use: that some uses of copyrighted works shouldn’t be under the copyright owner’s control, because sometimes freedom serves copyright’s goals of encouraging creation and dissemination of expression better than

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5. Other countries currently without fair use are facing the same questions. *See* AUSTRALIAN LAW REFORM COMM’N, ALRC REPORT 122, COPYRIGHT AND THE DIGITAL ECONOMY 50 (2014) (“A key issue in this Inquiry is whether unremunerated use exceptions should apply ‘if there is a licensing solution’ applicable to the user. On one view, ‘in principle, no exception should allow a use that a user can make under a licensing solution available to them.’”) (citing submission by Copyright Agency/Viscopy).

6. A few key decisions supported a broad preference for licensing over fair use in photocopying and coursepacks. *See* Princeton Univ. Press v. Michigan Document Servs., Inc., 99 F.3d 1381 (6th Cir. 1996) (en banc); Am. Geophysical Union v. Texaco Inc., 60 F.3d 913 (2d Cir. 1994); Basic Books, Inc. v. Kinko’s Graphics Corp., 758 F. Supp. 1522 (S.D.N.Y. 1991).

7. *See* Am. Geophysical Union, 60 F.3d at 913; Princeton Univ. Press, 99 F.3d at 1401 (Martin, C.J., dissenting).

8. *E.g.*, Seltzer v. Green Day, Inc., 725 F.3d 1170, 1179 (9th Cir. 2013); Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605, 614 (2d Cir. 2006) (quoting Am. Geophysical Union, 60 F.3d at 930); Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257, 1282 (11th Cir. 2001); Núñez v. Caribbean Intern. News Corp., 235 F.3d 18, 25 (1st Cir. 2000); American Institute of Physics v. Schwegman, Lundberg & Woessner, P.A., Civil No. 12-528 (RHK/JJK), 2013 WL 4666330, at \*13 (D. Minn. Aug. 30, 2013); Kane v. Comedy Partners, No. 00 Civ. 158(GBD), 2003 WL 22383387, at \*6–7 (S.D.N.Y. Oct. 16, 2003), *aff’d*, 98 F. App’x 73 (2d Cir. 2004).

centralized control. Recent decisions have explicitly held that, even if copyright owners would like to license “transformative” uses—uses that provide new meanings and messages—of their works, these uses aren’t within the scope of their rights, and failure to receive a license fee for transformative uses therefore can’t be counted as a harm.<sup>9</sup>

While copyright owners have lost some significant cases in court, they are trying to change the facts on the ground to achieve many of the same benefits that they could get from a legally established right to license transformative uses.<sup>10</sup> Once again, copyright owners are claiming that licensing is always the answer, and that every use of an expressive work should involve a commercial transaction. For example, the Harry Fox Agency, a musical-work licensing organization, claims that “licensing is just the first step in a process intended to result in accurate payment by users to songwriters and music publishers for *each and every use* of their songs.”<sup>11</sup> To these rights-owners, fair use is expropriation: “[L]egalizing the unauthorized use of preexisting material triggers a form of class warfare between appropriation artists and original artists. Instead, public policy should incentivize and promote collaboration between appropriation and original artists, including the voluntary licensing requirement that is at the core of the free marketplace collaborative relationship.”<sup>12</sup>

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9. See, e.g., Authors Guild, Inc. v. HathiTrust, No. 12-4547-cv, 2014 WL 2576342, at \*9–10 (2d Cir. June 10, 2014); SOFA Entm’t, Inc. v. Dodger Prods., Inc., 709 F.3d 1273 (9th Cir. 2013); Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605, 615 (2d Cir. 2006); Nat’l Ctr. for Jewish Film v. Riverside Films LLC, No. 5:12-cv-00044-ODW(DTbX), 2012 WL 4052111 (C.D. Cal. Sept. 14, 2012); Warren Publ’g Co. v. Spurlock, 645 F. Supp. 2d 402 (E.D. Pa. 2009).

10. See James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 899–903 (2007) (discussing effect of licensing on development of copyright law).

11. NAT’L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, NO. 130927852-3852-01, POST-MEETING COMMENTS OF THE HARRY FOX AGENCY, INC. 4 (Jan. 23, 2014), available at [http://www.ntia.doc.gov/files/ntia/the\\_harry\\_fox\\_agency\\_inc.\\_post-meeting\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/the_harry_fox_agency_inc._post-meeting_comments.pdf) (emphasis added); see also NAT’L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, WRITTEN COMMENTS OF COPYRIGHT CLEARANCE CENTER, INC. 7 (Nov. 13, 2013), available at [http://www.ntia.doc.gov/files/ntia/copyright\\_clearance\\_center\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/copyright_clearance_center_comments.pdf) (advocating for a pay-per-use system and arguing that “if you do get rights right, the market then changes,” meaning that licensing should take over).

12. NAT’L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, NO. 130927852-3852-01, REPLY COMMENTS OF ASCAP ET AL. 3 (2013), available at [http://www.ntia.doc.gov/files/ntia/ascap\\_bmi\\_cmipa\\_nsai\\_nmpa\\_riaa\\_sesac\\_post-meeting\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/ascap_bmi_cmipa_nsai_nmpa_riaa_sesac_post-meeting_comments.pdf) (footnote omitted); see also *id.* at 3 (“As a practical matter,

This Article describes three key examples of recent innovations in licensing-like arrangements in the noncommercial or formerly noncommercial spheres—Getty Images’ new free embedding of millions of its photos, YouTube’s Content ID, and Amazon’s Kindle Worlds—and discusses how uses of works under these arrangements differ from their unlicensed alternatives in ways both subtle and profound. These differences change the nature of the communications and communities at issue, illustrating why licensing can never substitute for transformative fair use even when licenses are routinely available.

The innovations I will examine attempt to get Internet users accustomed to light, rarely visible supervision by copyright owners of uses that are individually low-value but may be valuable in the aggregate in the form of direct income or of monetizable data on consumer behavior. While there’s room in the copyright ecosystem for these innovations, it would be a grave mistake to conclude that the problem of licensing has finally been cracked and that fair use can now, at last, retreat to a vestigial doctrine. Ultimately, as courts have already recognized, the mere desire of copyright owners to extract value from a market—especially when they desire to extract it from third parties rather than licensees—should not affect the scope of fair use.<sup>13</sup> This conclusion is even more appropriate where, as here, these schemes don’t actually require monetary payment from users, the way previous generations of true licensing did. These aren’t ordinary buyer/seller markets, and they won’t be. Because this principle is already present in copyright law, I hope it will prove easier to defend than it has been to fend off some other expansive copyright claims.<sup>14</sup> But the argument will regularly need to be reasserted, because no matter what the law says, some copyright owners will perennially seek to replace fair use with a right to collect for every exposure to their works.

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the digital licensing ecosystem in place today is much better than in the past and will only continue to improve going forward. The contractual deal points in digital sample licenses have become standardized and are relatively easy to negotiate.”) (footnote omitted).

13. See *supra* notes 8–9 and accompanying text.

14. See, e.g., *Eldred v. Ashcroft*, 537 U.S. 186 (2003) (approving copyright term extension); *Golan v. Holder*, 132 S. Ct. 873 (2012) (approving copyright restoration of foreign works previously in the public domain).

## II. THERE ARE MANY COPIES, AND THEY HAVE A PLAN: THREE EXPERIMENTS IN LICENSING OR NEAR-LICENSING

This Part offers a detailed look at three examples of large-scale attempts to control and monetize, rather than suppress, previously unauthorized online uses. As I will argue, these attempts are not replacements for fair use, because the project of monetization and control requires significant changes in practice. My examples work across different genres—photography for Getty Images; music and video for YouTube’s Content ID; and books and videogames for Amazon’s Kindle Worlds. Regardless of the genre, the aspirations of copyright holders are the same. They aim not just to put the genie of frictionless copying back into the bottle, but also to make it start granting their wishes.

As a result, certain themes will recur throughout this discussion: the systems’ abilities to suppress uses deemed unacceptable by copyright owners; their expansive and potentially invasive data collection; and their concentrating effect on markets for expressive works. The first theme—the suppression of unpopular uses—is routinely a stated concern of fair use doctrine. The fact that a copyright owner may try to prevent uses it disapproves of on noneconomic grounds is an important reason to have fair use protections.<sup>15</sup> But while the second and third themes, erosion of privacy and effects on market competition, are not explicitly part of most copyright analyses,<sup>16</sup> I will suggest that they too help explain why pervasive licensing should not limit fair use, and why the presence of such licensing even increases the need for a broad fair use doctrine. Pervasive control and surveillance shape what people create and imagine themselves creating, and a dominant intermediary can harm individual creators. Thus, even someone only concerned with authors should consider privacy and competition relevant to copyright policy.

Each of these themes deserves careful consideration, especially when pervasive licensing is presented as a substitute for fair use. The themes are tightly intertwined: control via large-scale licensing invites the exercise of power to keep certain viewpoints and uses off-limits; it enables and generates returns from extensive data mining; and it assists with controlling whole

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15. See Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600 (1982).

16. Software copyright cases do regularly consider competition issues, because software is so often functional, but otherwise the concept rarely arises. As for users’ privacy, it is more often a looming concern that is not explicitly considered. See Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537, 2591 (2009) (explaining how fair use can support privacy).

market structures in addition to individual works. Proponents of pervasive licensing (or near-licensing) describe it as a way to embrace online cultures while generating a profit, instead of attempting in vain to suppress all unauthorized uses. But as one commentator on Kindle Worlds noted, “[e]mbrace is always enclosure! The industry’s arms are made of fences!”<sup>17</sup> Once individual participants are penned in, they can be counted, marked, moved around, and cut out of the herd (to be shorn, or even to be slaughtered if they’re more trouble than they’re worth).

#### A. GETTY IMAGES: PICTURE-PERFECT CONTROL

Getty Images is the youngest of the three regimes I will discuss, and its contours are thus less developed. However, its aspirations are as great—to control, monitor, and monetize ordinary online image uses. Getty recently made thirty-five million images available for automatic, payment-free use.<sup>18</sup> Uses must be “noncommercial,” which Getty defines to include standard reporting such as that found in the *New York Times*. Getty seems to mean something like “noncommercial according to the First Amendment,” which means that the uses must not propose a commercial transaction.<sup>19</sup> Users must embed the images using Getty’s proprietary code, which means that they are not actually copying the image—they are simply linking to an image hosted by Getty itself.

To lump this initiative in with “licensing” is to give Getty much more than may first appear. In the United States, linking to an image hosted elsewhere does not constitute a direct exercise of any exclusive right protected by copyright.<sup>20</sup> This remains true even if the hypertext markup

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17. Mel Stanfill, *Kindle Worlds, Part 1: The Economic Raw Deal*, MELSTANFILL.COM (May 27, 2013, 12:00 PM), <http://www.melstanfill.com/kindle-worlds-part-1-the-economic-raw-deal/>.

18. Olivier Laurent, *Getty Images Makes 35 Million Images Free in Fight Against Copyright Infringement*, BRITISH JOURNAL OF PHOTOGRAPHY (Mar. 5, 2014), <http://www.bjp-online.com/2014/03/getty-images-makes-35-million-images-free-in-fight-against-copyright-infringement/> [hereinafter *35 Million Images*].

19. *See id.* (explaining that Getty considers ad-supported blogs and editorial websites, including the *New York Times* and Buzzfeed, to be noncommercial; a license is only required “if they used our imagery to promote a service, a product or their business”); cf. Olivier Laurent, *10 Facts You Need to Know About Getty Images’ Embed Feature*, BRITISH JOURNAL OF PHOTOGRAPHY (Mar. 6, 2014), <http://www.bjp-online.com/2014/03/10-facts-you-need-to-know-about-getty-images-embed-feature/> [hereinafter *10 Facts*] (“However . . . the image library doesn’t believe these news websites will want to feature an embed player with Getty Images’ branding in their design, especially since the player cannot be resized. Plus, later on, Getty Images will feature ads in its player, which would compete with news organisations’ own advertising models.”).

20. *See, e.g.*, Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1160–61 (9th Cir. 2007); Kelly v. Arriba Soft Corp., 336 F.3d 811 (9th Cir. 2003).

language employed to embed the image makes the image appear to a user as if it was a seamless part of the linker's webpage.<sup>21</sup> Even in Europe, with its far more restrictive rules, unauthorized linking to an image lawfully present on a website doesn't infringe the copyright owner's rights.<sup>22</sup> If the image is itself infringing, there might be secondary liability under U.S. law for linking to it in certain circumstances; but if a site hosts the image with the permission of the copyright owner, there can be no liability, since there's no primary infringement. As a result, what Getty is doing isn't "licensing" any copyright rights at all. Getty is using various technological measures to make it difficult to embed images *without* using Getty's proprietary code,<sup>23</sup> and so users are getting something out of the deal, but they are not getting a copyright license. However, Getty presents its move as a way of recognizing the inevitability of the circulation of images online while moving today's countless unauthorized, purportedly infringing speakers into the space of copyright licensing.<sup>24</sup>

### 1. Technical Tethering

Getty's control over embedded images is near total—it limits potential uses in many ways that fair use does not. While its consumer-facing website promises that "[o]ur new embed feature makes it easy, legal, and free for *anybody* to share our images on websites, blogs, and social media platforms," Getty in fact reserves the right to demand that any particular use stop at any time.<sup>25</sup> According to Getty's terms, Getty embeds may only be used in relation to "events that are newsworthy or of public interest," and they may

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21. See *Perfect 10*, 508 F.3d at 1161.

22. See Case C-466/12, Nils Svensson v. Retriever Sverige (Feb. 13, 2014), available at <http://curia.europa.eu> (choose desired language, then search for case number C-466/12).

23. Circumventing those technological measures might implicate the quasi-copyright rights conferred by the Digital Millennium Copyright Act ("DMCA") § 103(a), 17 U.S.C. § 1201 (2012).

24. Joshua Brustein, *Since It Can't Sue Us All, Getty Images Embraces Embedded Photos*, BUSINESSWEEK (Mar. 6, 2014), <http://www.businessweek.com/articles/2014-03-06/since-it-can-t-sue-us-all-getty-images-embraces-embedded-photos/> ("Anyone can now visit [Getty's] website, grab some embed code, and display an image on blogs and social media pages without paying a licensing fee. . . . The problem of purloined images is too big to solve on a lawsuit-by-lawsuit basis. . . . People are inevitably going to display images publicly on blogs and social media feeds, so the only way to remain relevant is to provide them with a viable legal alternative.").

25. *Embed Images*, GETTY IMAGES, <http://www.gettyimages.com/Creative/Frontdoor/embed/> (last visited Mar. 7, 2014) (emphasis added).

not be used “in a defamatory, pornographic or otherwise unlawful manner,” limitations governed by Getty’s own interpretations.<sup>26</sup>

This control is more than contractual—it is artistic. A Getty embedded image cannot be resized, edited, or cropped for editorial purposes;<sup>27</sup> it may be removed or changed at any time, leaving holes in a user’s work; and Getty may run ads over it. All of these limits make a Getty embed a very different artifact, expressively speaking, from an image that is not tethered technologically. A Getty embed can’t be Photoshopped; it can’t be turned into a meme;<sup>28</sup> it can’t, in other words, be put into circulation in terms of *meaning*. It can be seen, but not shared. It therefore lacks many of the distinctive features of digital remix culture. The multiple variations that evolve on sites like Tumblr and Know Your Meme depend on freedom to edit, crop, and alter. This flexibility is an underappreciated aspect of current infrastructure, but one that Getty embeds make more salient. Getty’s control suppresses the mutability of images that is important to the creation and transmission of meaning online.<sup>29</sup>

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26. *Terms of Use*, GETTY IMAGES, <http://www.gettyimages.com/Corporate/Terms.aspx> (last updated Mar. 2014).

27. Laurent, *10 Facts*, *supra* note 19 (“The embed player has a width of 594 pixels and a height of 465 pixels. It cannot be resized. It includes the image, without a watermark, with the name of the photographer and the collection, plus Getty Images’ logo. This information cannot be removed.”). As a result, a Getty embed does not show up as a thumbnail image in various contexts, such as when a post using a Getty embed is shared on Facebook.

28. See generally LIMOR SHIFMAN, MEMES IN DIGITAL CULTURE (2013) (discussing memes as transmissible and, crucially, *reconfigurable* units of culture); Ronak Patel, *First World Problems: A Fair Use Analysis of Internet Memes*, 20 UCLA ENT. L. REV. 235 (2013) (arguing that memes are fair use).

29. See Patel, *supra* note 28, at 252:

[Image-based memes] advance culture. They are a system of explaining events by reducing them to a simple and well-known joke. Their fast dissemination, imitation, and mutation causes them to become cultural phenomena that are recognizable not because of the underlying works, but because of the meme itself. This is significant because, while a single meme in and of itself cannot cause cultural advancement, it is not the meme itself that is important, but the fact that memes provide more avenues of expression, thus increasing the chance that a message can be transmitted to someone in an effective way. In other words, when society and intellectual property laws allow memes to develop, the arsenal of means of expression to the average Internet originator—and to those referring to memes in regular conversation in order to elucidate their argument—expands.

## 2. *Effortless Data Gathering*

One digital innovation is central to a Getty embed: pervasive automated monitoring. Consistent with the expansionist dreams of Big Data, Getty will collect information on how each image is used and who is using and viewing it. Getty intends “to utilise that data to the benefit of our business.”<sup>30</sup> Although Getty hasn’t figured out an advertising model, that just makes Getty more determined to make the program pay somehow, perhaps by using the data to determine what types of images Getty photographers should be creating in the future.<sup>31</sup> It’s this very uncertainty about how monetization might ultimately be accomplished that makes control of all the data seem so valuable. While the shift to centralization seems to require little in return from users (for example, screen real estate that allows Getty to run ads), this move towards tracking every interaction fits well into what Julie Cohen calls the “surveillance-innovation complex”:<sup>32</sup> apparent crowd-friendliness in rhetoric conceals and legitimates architectures of control, diminishing privacy in the name of technological innovation and convenient (but not free) speech. As Cohen presciently noted, tighter copyright controls of this sort presume, and require, the elimination of readers’ and viewers’ privacy.<sup>33</sup> Getty will be able to track not only the people using its embeds, but also the readers of those people’s posts, whose computers will be communicating directly with Getty’s.

## 3. *Market Control*

In a final theme that will be echoed in the remaining examples, Getty would like to control the platform, with all that potentially lucrative data. It is interested in “shar[ing]” its embed feature with other content creators,

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30. Laurent, *35 Million Images*, *supra* note 18 (quoting Craig Peters, senior vice president of business development, content, and marketing at Getty Images).

31. *Id.* (“The stock agency will also use the data it will draw from the player to perfect its collections. ‘We’ll be working with the creative and editorial teams at Getty Images to better understand how our imagery is being used and how they can better create imagery’ [says a Getty representative].”). Getty’s terms of service provide that it may share all the information it collects with third parties, without limitation. *Terms of Use*, *supra* note 26 (“Getty Images (or third parties acting on its behalf) may collect data related to use of the Embedded Viewer and embedded Getty Images Content . . . ”).

32. See generally Julie E. Cohen, *The Surveillance-Innovation Complex*, BALKINIZATION (Mar. 11, 2014, 11:03 PM), <http://balkin.blogspot.com/2014/03/the-surveillance-innovation-complex.html>.

33. See, e.g., JULIE E. COHEN, CONFIGURING THE NETWORKED SELF: LAW, CODE, AND THE PLAY OF EVERYDAY PRACTICE 155–86 (2012) (discussing the relationship between copyright enforcement and architectures of control and surveillance online); Julie E. Cohen, *DRM and Privacy*, 18 BERKELEY TECH. L.J. 575 (2003).

presumably by licensing it to other image copyright owners for a cut of the proceeds.<sup>34</sup> Operating in a highly fragmented market, such a licensing scheme will only benefit certain participants.<sup>35</sup> Moreover, Getty photographers are not allowed to opt out of the program, in the service of constructing the largest possible database.<sup>36</sup> It may not be surprising, therefore, that various photography organizations reacted with some disquiet to the new program, seeing it as a measure that might benefit Getty, but would not put money in the pockets of individual photographers.<sup>37</sup>

#### B. GOOGLE'S CONTENT ID: LICENSING THIRD PARTIES, NOT CREATORS

Google's Content ID for YouTube is a massive undertaking in which copyright owners register works of video and audio with YouTube, and Google scans uploaded video for video and audio matches. When a match (including a partial match, where only some of the upload contains video or audio in the Content ID database) is found, a copyright owner can choose to run ads on the uploaded video without the permission of the uploader.<sup>38</sup>

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34. Laurent, *35 Million Images*, *supra* note 18.

35. See NAT'L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, NO. 130927852-3852-01, COMMENTS OF DEVANTART 28 (Nov. 13, 2013), *available at* [http://www.ntia.doc.gov/files/ntia/deviant\\_art\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/deviant_art_comments.pdf) [hereinafter DEVANTART NTIA COMMENTS] ("There are very few licensing agents even for top line commercial artists such as professional photographers and graphic artist[s] working at the peak of their profession. The assumption that the work of these artists flows to corporate owners who can act as surrogates is false. Most works in the visual arts are not works made for hire. Licensing of these works remains non-uniform.") (footnotes omitted).

36. Laurent, *35 Million Images*, *supra* note 18.

37. Olivier Laurent, *Industry Concerned About Getty Images' Free-for-All Approach*, BRITISH JOURNAL OF PHOTOGRAPHY (Mar. 7, 2014), <http://www.bjp-online.com/2014/03/industry-concerned-about-getty-images-free-for-all-approach/>.

38. In Google's words:

Rightsholders deliver to YouTube reference files (these can be audio-only or video) of content they own, metadata describing that content, and policies describing what they want YouTube to do when it finds a match. Rightsholders can choose between three policies when an upload matches their content: 1) make money from them (for monetized videos the majority of the revenue goes to rightsholders); 2) leave them up and track viewing statistics; or 3) block them from YouTube altogether. Content ID compares videos uploaded to the site against those reference files, automatically identifies the content, and applies the rightsholder's preferred policy.

NAT'L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, NO. 130927852-3852-01, COMMENTS OF GOOGLE 3 (Nov. 13, 2013),

Content ID participants, in fact, have many choices. If they don't want to run ads, they can just block uploads that include content matches. Or they can block full uploads (e.g., a complete song) while monetizing or allowing shorter clips. Revenue splits are possible if the uploader is trying to monetize her stream, or the copyright claimant may demand all the money. The Content ID claimant may also choose to block the video if the uploader is trying to monetize her own uploads, but not block the video and just run ads on it if she's not.

According to Google, as of 2014, more than five thousand entities use Content ID, including "major US network broadcasters, movie studios and record labels," with more than twenty-five million reference files in Google's database.<sup>39</sup> More than 200 million videos have been claimed through Content ID,<sup>40</sup> leading to the allocation of hundreds of millions of dollars in ad revenue.<sup>41</sup> Indeed, Content ID claims make up one-third of monetized YouTube views.<sup>42</sup> According to the recording industry itself, it is "making more money from fan-made mashups, lip-syncs and tributes on YouTube than from official music videos."<sup>43</sup>

What this means in terms of marketers' access to data on their audiences remains to be seen, or more likely unseen.<sup>44</sup> Data collection underlies Google's increasingly successful monetization of YouTube. To the extent that centralized commercial "sharing" platforms replace other sources for video—including individual webpages and cloud storage services—privacy interests will be profoundly affected. Google aggregates video-watching data, search data, email, and other information about users for its own commercial benefit, and YouTube is a vital part of that strategy, even if the revenues have to be shared with copyright owners.

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*available at* [http://www.ntia.doc.gov/files/ntia/google\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/google_comments.pdf) [hereinafter GOOGLE NTIA COMMENTS].

39. *Statistics*, YOUTUBE, <http://www.youtube.com/yt/press/statistics.html> (last visited May 4, 2014).

40. GOOGLE NTIA COMMENTS, *supra* note 38, at 4.

41. *Statistics*, *supra* note 39.

42. GOOGLE NTIA COMMENTS, *supra* note 38, at 4.

43. Joel Eastwood, *Recording Industry Earns More from Fan Videos than from Official Music Videos*, THESTAR.COM (Mar. 18, 2014), [http://www.thestar.com/entertainment/music/2014/03/18/recording\\_industry\\_earns\\_more\\_from\\_fan\\_videos\\_than\\_from\\_official\\_music\\_videos.html](http://www.thestar.com/entertainment/music/2014/03/18/recording_industry_earns_more_from_fan_videos_than_from_official_music_videos.html).

44. Google's deep pockets, which allowed it to create Content ID and to negotiate deals with major content owners, depend on integrating data across its platforms. YouTube is a piece of its data collection and an increasingly important one. The scanning, data analysis, and large scale of Content ID are a part of what makes privacy concerns so salient online.

As much as major copyright owners hate Google,<sup>45</sup> they are enthusiastic about hailing Content ID as a technology that will obviate the need for fair use. In a Green Paper released in 2013, the government suggested that Content ID could provide a model for “less risky” licensing alternatives to fair use.<sup>46</sup> Many copyright owners interpret “less risky” to mean “appropriate substitute for.”<sup>47</sup> Even the Association of American Publishers, which doesn’t represent copyright owners who own works Content ID can recognize, touted Content ID as evidence that there was no need for any

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45. It is hard to fully document the visceral distaste for the search giant that I have seen expressed by representatives of major copyright owners, though reading through the Green Paper comments cited herein might give a bit of the flavor. They don’t like that Google makes money from the existence of their content, one way or another, and they don’t like that Google continues to index search results that allow users who are looking for unauthorized streams or downloads to find them, even though it also takes down millions of infringing results. Without mentioning Google specifically, Jessica Litman has given a general description of the climate of distrust and anger that surrounds much copyright discourse (though she might well think I’m contributing to it). *See generally* Jessica Litman, *The Politics of Intellectual Property*, 27 CARDOZO ARTS & ENT. L.J. 313 (2009).

46. *Copyright Policy, Creativity, and Innovation in the Digital Economy*, DEPARTMENT OF COMMERCE INTERNET POLICY TASK FORCE 29 (July 2013), available at <http://www.uspto.gov/news/publications/copyrightgreenpaper.pdf> (identifying Content ID as “[p]articularly promising” because it enabled users to make remixes, not just copies).

47. *See, e.g.*, NAT’L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, NO. 130927852-3852-01, COMMENTS OF MOTION PICTURE ASSOCIATION OF AMERICA 5 (Nov. 13, 2013), available at [http://www.ntia.doc.gov/files/ntia/motion\\_picture\\_association\\_of\\_america\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/motion_picture_association_of_america_comments.pdf) [hereinafter MPAA NTIA COMMENTS] (discussing both Content ID, labeled “Content Management System” by the MPAA, and Kindle Worlds as appropriate frameworks for licensing remixes); NAT’L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, COMMENTS OF NATIONAL MUSIC PUBLISHERS’ ASSOCIATION 3–4 (Nov. 13, 2013), available at [http://www.ntia.doc.gov/files/ntia/national\\_music\\_publishers\\_association\\_et\\_al\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/national_music_publishers_association_et_al_comments.pdf) (“[T]he authors of all ‘derivative works’—including mash-ups, remixes, and those works incorporating digital samples—must *always* license the pre-existing material (both sound recordings and underlying musical compositions) because there is a viable commercial marketplace in existence for the licensing of these works . . . ?”) (emphasis added); NAT’L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, NO. 130927852-3852-01, COMMENTS OF RECORDING INDUSTRY OF AMERICA, INC. 6–7 (Nov. 13, 2013), available at [http://www.ntia.doc.gov/files/ntia/recording\\_industry\\_association\\_of\\_america\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/recording_industry_association_of_america_comments.pdf) (claiming that licensing through YouTube is a flexible response to new uses).

legal solicitude for remixing.<sup>48</sup> Google's limited success in identifying songs and video is now being offered as evidence that automated procedures "generally" can identify copyrighted works of all kinds across the entire Internet.<sup>49</sup> As with Getty Images, however, Content ID's architectures of control serve particular private interests, not the copyright system as a whole. Content ID's limitations are both practical and conceptual, and greater reliance on Content ID in lieu of fair use would harm freedom of expression and increase Google's market dominance, to the detriment of creativity.

### *1. The Heavy Hand of Automatic Control: No Filters for Fairness*

Like Getty Images, Content ID doesn't involve typical copyright licenses. Content ID is an arrangement with Google, not with individual uploaders, who don't receive any rights.<sup>50</sup> Even if Content ID is a license, it is not a blanket license. Content ID participants retain the right, and often exercise the power, to suppress uses they don't like—precisely the uses that are most likely to be critical, uncomfortable, or otherwise transformative.<sup>51</sup>

Because Content ID does not require claimants to disclose their rules for what content will be blocked or monetized, it's hard to identify traditional attempts to suppress disfavored viewpoints. The censor's hand, however,

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48. NAT'L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, NO. 130927852-3852-01, COMMENTS OF ASSOCIATION OF AMERICAN PUBLISHERS 2 (Nov. 13, 2013), *available at* [http://www.ntia.doc.gov/files/ntia/association\\_of\\_american\\_publishers\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/association_of_american_publishers_comments.pdf) (arguing that remix culture doesn't need specific legal protection because "there is clear evidence that content and technology companies are working together on this issue to create market solutions, such as YouTube's Content ID system").

49. *Notice and Takedown Provisions under the DMCA § 512: Hearing Before the Subcomm. on Courts, Intellectual Prop., & the Internet of the H. Comm. on the Judiciary*, 113th Cong. 6–7 (2014) (testimony of Sean M. O'Connor, Professor of Law and Founding Director, Entrepreneurial Law Clinic, University of Washington (Seattle)), *available at* [http://www.judiciary.house.gov/?a=Files.Serve&File\\_id=F87934CD-04E2-4A6F-84DF-01CB9191B63](http://www.judiciary.house.gov/?a=Files.Serve&File_id=F87934CD-04E2-4A6F-84DF-01CB9191B63) ("We know that Content ID and other systems are reasonably effective at identifying copyright works generally.").

50. See DEVANTART NTIA COMMENTS, *supra* note 35, at 29 n.72 ("The greatest drawback of the YouTube process is that copyright owners license YouTube only. The license does not 'pass through' to the user who generated the work and who may have created a derivative work. The user remains an infringer while the redistribution becomes licensed.").

51. See, e.g., Katie Allen, *Google Seeks to Turn a Profit from YouTube Copyright Clashes*, THE GUARDIAN (Nov. 1, 2009), <http://www.guardian.co.uk/technology/2009/nov/01/google-youtube-monetise-content/> (reporting that video content owners block about 20% of detected uses "for reasons such as a user piggybacking on footage to push their own website or because the use does not fit the original's values," for example when the original is "a family brand" and the use isn't family-friendly).

operates even when it operates lightly. Content ID always allows the claimant to choose its preferred treatment of an identified work. And this explicit control is joined by the more subtle shaping of culture that occurs when remix artists internalize the limits imposed by copyright owners and avoid certain music or other content that is always blocked on YouTube, sacrificing better artistic results in order to keep their work available on a broader platform.

Unsurprisingly, one result of Content ID's affordances is that copyright owners suppress messages that aren't acceptable to them. Jonathan McIntosh created a remix that criticized the *Twilight* series for its regressive gender stereotypes, and found his work blocked because he refused, on moral grounds, to allow the copyright owner of *Twilight* to profit from his work. In other words, the owner used Content ID suppress criticism. McIntosh's work was ultimately restored, but his situation was unusual because he managed to get enough publicity and legal assistance to establish that his work was protected by fair use.<sup>52</sup> In another reported case, a noncommercial video analyzing remix culture and copyright law, which used clips from a viral remix video that itself combined a song with video clips from John Hughes films, was taken down as a result of a Content ID claim. The creator's appeal was "rejected," despite Google's promise that an appeal of a Content ID determination would force the claimant to resort to the DMCA process.<sup>53</sup> Google's contracts with some Content ID partners even allow them to override DMCA counternotifications, lifting from copyright owners the burden of filing suit to challenge uses that uploaders would be willing to litigate to defend.<sup>54</sup>

Content ID can directly conflict with copyright's incentive system. To the extent that a video has copyrightable elements that aren't owned by the claimant, the claimant has no legal right to exploit those elements. Although it might have the right to remove the video, that is different from having the

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52. NAT'L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, COMMENTS OF ORGANIZATION FOR TRANSFORMATIVE WORKS ("OTW") 72–73 (Nov. 13, 2013), available at [http://www.ntia.doc.gov/files/ntia/organization\\_for\\_transformative\\_works\\_comments.pdf](http://www.ntia.doc.gov/files/ntia/organization_for_transformative_works_comments.pdf) [hereinafter OTW NTIA COMMENTS].

53. Mike Masnick, *Video About Fair Use, Remix ↗ Culture Taken Down Over Copyright Claim (Of Course)*, TECHDIRT.COM (Nov. 8, 2012, 7:27 AM), <http://www.techdirt.com/articles/20121107/18062520968/video-about-fair-use-remix-culture-taken-down-over-copyright-claim-course.shtml>.

54. See Google, *Videos Removed or Blocked Due to YouTube's Contractual Obligations*, GOOGLE. COM, <https://support.google.com/youtube/answer/3045545/> (last visited Aug. 14, 2014).

right to monetize it; Content ID allows the latter as the price of not removing the work, even if the video isn't an infringing derivative work but is instead a fair use. In such cases, claimants are appropriating noninfringing copyrighted works for their own benefit—something that in other contexts the same claimants are very happy to call "piracy."<sup>55</sup> Copyright owners have used Content ID to control revenues from standard reviews and reporting—classic fair uses even when done for profit—funneling money away from the creators of those reviews.<sup>56</sup> One reviewer points out that he's now forced to choose between the quality of his review, which often depends on illustrating a point with evidence, and his ability to earn a living.<sup>57</sup>

Separately, there are numerous reports of misidentification and abuse of Content ID by claimants who don't even have legitimate claims to components of user-uploaded videos.<sup>58</sup> Major rightsholders, such as the Harry Fox Agency (which licenses musical works), assert rights over works

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55. See Mona Ibrahim, *Deconstructing Let's Play, Copyright, and the YouTube Content ID Claim System: A Legal Perspective*, GAMASUTRA.COM (Dec. 12, 2013, 1:16 PM), [http://www.gamasutra.com/blogs/MonaIbrahim/20131212/206912/Deconstructing\\_Lets\\_Play\\_Copyright\\_and\\_the\\_YouTube\\_Content\\_ID\\_Claim\\_System\\_A\\_Legal\\_Perspective.php](http://www.gamasutra.com/blogs/MonaIbrahim/20131212/206912/Deconstructing_Lets_Play_Copyright_and_the_YouTube_Content_ID_Claim_System_A_Legal_Perspective.php).

56. Owen Good, *Game Critic Says YouTube Copyright Policy Threatens His Livelihood [Update]*, KOTAKU.COM (Dec. 12, 2013), <http://kotaku.com/game-critic-says-youtube-copyright-policy-threatens-his-1482117783/> (reporting that Content ID has deprived a videogame critic of the ability to earn ad revenue from his videogame reviews and interviews, thus threatening his livelihood).

57. *Id.*

58. See, e.g., Tim Cushing, *Copyright Killbots Strike Again: Official DNC Livestream Taken Down By Just About Every Copyright Holder*, TECHDIRT.COM (Sept. 5, 2012, 1:32 AM), <http://www.techdirt.com/articles/20120904/22172920275/copyright-killbots-strike-again-official-dnc-livestream-taken-down-just-about-every-copyright-holder.shtml> (reporting that automated content protection measures suppressed a stream of an awards show because officially licensed clips from Dr. Who were present, but the automated system couldn't detect the licensing; the same thing happened to the Democratic National Convention's official channel, on behalf of multiple copyright claimants); Owen Good, *The Most Ridiculous Victim of YouTube's Crackdown is a BASIC Game*, KOTAKU.COM (Dec. 17, 2013), <http://kotaku.com/the-most-ridiculous-victim-of-youtubes-crackdown-is-a-1484998183/> ("This guy just got flagged for a playthrough video of a game. A game he programmed."); Ben Jones, *Why YouTube's Automated Copyright Takedown System Hurts Artists*, TORRENTFREAK.COM (Feb. 23, 2014), <http://torrentfreak.com/why-youtubes-automated-copyright-takedown-system-hurts-artists-140223/> (arguing that Content ID ignores fair use and allows multiple claims; one artist explains: "It is up to me to prove myself innocent by asking eighteen different publishing companies through an automated system to revoke the automated claims. Each publisher has a month to reply, with no obligation to even do so. If even one of the eighteen publishers says 'nope' then it's back to square one . . . . Any financial loss or restrictions on my channel are entirely on me, and will not be compensated for once the claim is lifted.").

that are plainly in the public domain.<sup>59</sup> In order to dispute such invalid claims, individual users have to know enough law to be willing to face down a large entity. Abusive claimants may well simply reinstate a claim after a challenge, as Harry Fox did with the 164-year-old Radetzky March by Johann Strauss. Even an invalid claim can prevent a legitimate uploader from monetizing a work for thirty days.<sup>60</sup>

Though Google has made efforts to improve the transparency of the claiming process, there are still frequent reports of problems, and, unlike a fair use assertion that can ultimately be litigated, a Content ID rejection is unreviewable. The automated nature of Content ID can lead to extreme frustration, since creators may be unable to reach a human with responsibility for a decision.<sup>61</sup> It is likely that the percentage of troublesome Content ID determinations is quite low. But because the volume of uploads to YouTube is so large, even a small percentage of problematic “matches” can translate into large absolute numbers, and fair uses are disproportionately likely to be found in that population, since fair uses that involve quoting audio or video will produce Content ID matches.

Commendably, Google acknowledges that Content ID is not a substitute for fair use. Google notes that even an endeavor with the scale of Content ID simply can’t keep up with the massive volume of copyrighted content

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59. See Mike Masnick, *Harry Fox Agency Claims Copyright Over Public Domain Work By Johann Strauss*, TECHDIRT.COM (Nov. 6, 2012, 10:02 AM), <https://www.techdirt.com/articles/20121102/13164120919/harry-fox-agency-claims-copyright-over-public-domain-work-johann-strauss.shtml>; Chris Morran, *YouTube’s Content ID System Will Take Away Your Money If You Dare Sing “Silent Night,”* CONSUMERIST.COM (Dec. 26, 2013), <http://consumerist.com/2013/12/26/youtubes-content-id-system-will-take-away-your-money-if-you-dare-sing-silent-night/> (“YouTuber Adam ‘The Alien’ Manley ran up against the idiocy of Content ID twice in the last week, with multiple music publishers claiming that his recent rendition of ‘Silent Night’ violated their copyright, in spite of the fact that the song, an English version of a nearly 200-year-old German Christmas carol . . . has been in the public domain for more than a few years.”).

60. See Morran, *supra* note 59 (“When a monetized video is flagged, YouTube takes away the ads and therefore any money that clip would be earning, which would be fine if Content ID weren’t such a tin-eared agent bent in favor of the recording industry.”).

61. Owen Good, *YouTube’s Copyright Crackdown: Everything You Need To Know*, KOTAKU.COM (Dec. 18, 2013), <http://kotaku.com/youtubes-copyright-crackdown-simple-answers-to-compli-148599937/> (“When people are told they are violating a law or a rule, they expect to be able to confront or reason with the enforcer of that rule or the person they’ve wronged, however unwittingly. With a YouTube scanning program making these calls on behalf of others, who sometimes aren’t aware of the claims made in their name, it can be very hard to get someone on the line to hash things out.”).

online.<sup>62</sup> Further, even if an automated system could identify every copyrighted work, it couldn't identify which were fair uses. Content ID doesn't analyze transformativeness, the amount of the work taken, or other fair use factors. Google recognizes that a copyright owner who hasn't chosen to use Content ID to monetize uploads could simply block a fair use, or an owner could monetize an upload despite having no right to do so.<sup>63</sup> As Google notes, “[t]he second case can be particularly galling to a remix creator whose fair use video is intended as a criticism or parody of the rightsholder or work in question.”<sup>64</sup> Google contends that it offers procedures to ameliorate these problems,<sup>65</sup> but they still rely on users understanding and exercising their fair use rights in the face of a complex and often-changing process that doesn't seem to work as well in practice as Google claims it does.<sup>66</sup>

## 2. Competition: Crowding Out Smaller Creators and Newer Intermediaries

Content ID's reliance on a private company's technology and self-interest, instead of on copyright law, creates other systemic issues. Content ID, like Getty Images, has anticompetitive elements, both in terms of creators and in terms of intermediaries. On the creator side, only large aggregators who own the rights to popular content are entitled to use Content ID: “[t]o be approved, [copyright owners] must own exclusive rights to a substantial body of original material that is frequently uploaded by the YouTube user community.”<sup>67</sup> To those who have, more is given.<sup>68</sup> Smaller

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62. GOOGLE NTIA COMMENTS, *supra* note 38, at 4 (“As an initial matter, Content ID will never include reference files for every copyrighted work that might be included in every remix uploaded to the site. While Content ID currently has over 15 million reference files in its database, that represents a tiny fraction of all the audio, video, and imagery that falls within the scope of copyright. In other words, no matter how comprehensive Content ID’s database of reference files may one day become, there will always be an important role for fair use when it comes to remixes on YouTube.”).

63. *Id.* at 5.

64. *Id.*

65. *Id.*; *id.* at 5 n.10 (explaining the dispute and appeal process).

66. Google also suggests that rightsholders should adopt best practices to prevent overclaiming; it does not contend that rightsholders routinely follow this advice. *Id.* at 5–6. Still, Google's modest conclusion is that “intermediary licensing can be a pragmatic, efficient, scalable solution to *some* of the legal uncertainties facing *some* remix creators with respect to *some* copyrighted works. These kinds of content identification and licensing systems should be viewed as a supplement to other mechanisms, such as fair use and ‘best practices’ efforts . . . [to] facilitate noninfringing forms of remix creativity.” *Id.* at 6 (footnote omitted).

67. *How Content ID Works*, GOOGLE, <https://support.google.com/youtube/answer/2797370?hl=en> (last visited May 4, 2014). In addition, for understandable reasons, Google requires Content ID participants to have exclusive rights to their works—people who make

entities can send DMCA takedown notices, but they can't use Content ID to monetize or otherwise take advantage of the virality of their works on YouTube. Moreover, Google has recently suggested that it will block videos from musicians who refuse to sign up with its new subscription streaming-media service and who want to continue to rely on advertising instead, meaning that popular "indie" artists such as Adele could be excluded.<sup>69</sup> (Google seems to hope that Chris Anderson was right when he argued that free content could be used as a gateway drug: "[p]eople will pay if you make them (once they're hooked)."<sup>70</sup>) Though such musicians could still send DMCA notices, they might not be able to use Content ID without signing a broader deal with Google.<sup>71</sup> Although it's not clear how this subscription service will affect remix videos posted by third parties,<sup>72</sup> what is clear is that Google is already using its growing power to shape the music video market.

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remixes or derivative works that could otherwise be commercialized still can't use Content ID, nor can people who use Creative Commons noncommercial licenses. *Qualifying for Content ID*, GOOGLE, <https://support.google.com/youtube/answer/1311402> (last visited May 4, 2014).

68. Individual artists may occasionally qualify for Content ID, but they don't make much money from it. Independent musician Zoë Keating explained: "I had about 2 million views in 2013 but nearly all of them are 3rd party videos. If I choose to monetize them I get, I think, 35% of the revenue share (the total revenue share being 55% to the copyright holders and 45% to Google). Given that, 3rd party videos will never amount to much. In my case I think of the 6,565 videos YouTube CMS has found so far, 90% of them are smalltime dance performances, rehearsals, films, art projects etc." *Zoë Keating Puts Her Revenue Figures Into Perspective*, HYPEBOT.COM (Mar. 3, 2014), <http://www.hypebot.com/hypebot/2014/03/zo%C3%AB-keating-puts-her-revenue-figures-into-perspective.html>. Keating also objects to the fact that she can't control the ads that will run when she opts to monetize using Content ID; they include ads for products she doesn't support. *Id.* Because the backlash from fans when their videos are claimed isn't worth the small amount of money she receives, Keating has decided to end monetization of her works and instead target only commercial film, TV, and advertising uses. *Id.*

69. See Ben Popper, *Youtube Will Block Videos from Artists Who Don't Sign Up for Its Paid Streaming Service*, THE VERGE (June 17, 2014), <http://www.theverge.com/2014/6/17/5817408/youtube-reportedly-block-videos-indie-artists/>.

70. CHRIS ANDERSON, *FREE* 242 (2009).

71. See Sandra Aistars, *Why Are Artists Disappearing from the Internet?*, THE HILL (June 24, 2014), <http://thehill.com/blogs/congress-blog/technology/210113-why-are-artists-disappearing-from-the-internet/> (reporting that "[r]umors are that those who do not accept YouTube's take-it-or-leave-it licensing deal for its new streaming service will be barred from offering their own channels on YouTube and prevented from using tools like Content ID to identify their music when it is posted by others without authorization," though ignoring the DMCA when claiming that this scheme means that unauthorized, infringing versions will stay up so that Google alone can profit).

72. A leaked version of the contract appears to include "User Video with Provider Sound Recording" in the list of content to which Google will have the ability to apply its new subscription rules, which would cover many common forms of remix, but how this would work in practice is not yet public. See Paul Resnikoff, *F\*ck It: Here's the Entire*

On the intermediary side, licensing schemes presuppose that some larger entity will negotiate with rightsholders, given that individual users have neither the knowledge nor the ability to negotiate licenses. Yet most sites can't afford the investment required to create a Content ID-like system. As the visual art site DeviantART explained:

YouTube's content identification system . . . is very complex and very expensive. It requires registration of works, digital fingerprinting and a constant review and frequent interdiction of incoming user generated content. . . . It hopefully goes without saying that very few enterprises can afford this approach. The technology required to (i) store metadata, (ii) identify works at nanosecond speeds, (iii) seamlessly execute on permission sets after identification, (iv) place advertising inventory in front of the work and finally (v) generate a revenue share payment to the copyright owners reflects a level of engineering excellence also beyond the reach of most enterprises.<sup>73</sup>

Google itself has argued that its system is not an appropriate model for the Internet in general, pointing out that Content ID's development was incredibly expensive (costing approximately thirty million to sixty million dollars)<sup>74</sup> and resource-intensive, requiring more than 50,000 engineering hours.<sup>75</sup> Startup competitors couldn't replicate it.<sup>76</sup>

Moreover, YouTube's Content ID is a system put in place by a currently dominant market participant. But we do not know what markets will look like in ten years. YouTube hasn't yet been around for a decade. To conclude that current intermediaries have solved the problem of licensing poses significant risks on both sides. On the one hand, the licensing model risks entrenching YouTube's near-monopoly on the market because other

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*YouTube Contract for Indies . . . ,* DIGITAL MUSIC NEWS (June 23, 2014), <http://www.digitalmusicnews.com/permalink/2014/06/23/fk-heres-entire-youtube-contract-indies/>.

73. DEVIANTART NTIA COMMENTS, *supra* note 35, at 28–29 (footnote omitted).

74. GOOGLE NTIA COMMENTS, *supra* note 38, at 4 (“more than \$30 million”); *Hearing on S. 512 of Title 17 Before the Subcomm. on Courts, Intellectual Prop., and the Internet of the H. Comm. on the Judiciary*, 113th Cong. 6 (2014) (testimony of Katherine Oyama, Senior Copyright Policy Counsel, Google Inc.), available at [http://judiciary.house.gov/\\_cache/files/be93d452-945a-4fff-83ec-b3f51de782b3/031314-testimony---oyama.pdf](http://judiciary.house.gov/_cache/files/be93d452-945a-4fff-83ec-b3f51de782b3/031314-testimony---oyama.pdf) [hereinafter Testimony of Katherine Oyama] (“more than \$60 million”).

75. GOOGLE NTIA COMMENTS, *supra* note 38, at 4.

76. See Testimony of Katherine Oyama, *supra* note 74 (“YouTube could never have launched as a small start-up in 2005 if it had been required by law to first build a system like Content ID.”).

competitors do not have access to the same licensed content.<sup>77</sup> As we've seen with the nightmare that is digital-radio licensing, new entrants can rarely cut the same deals as earlier ones.<sup>78</sup> On the other hand, YouTube could go the way of AOL's walled garden, Blackberry, MySpace, AltaVista, and many other formerly dominant digital entities, and its licensing "solutions" will decline and fall with it. Whether or not Google is too big to fail, its present existence shouldn't be used to delegitimize fair use.

Content ID is a successful monetization model for large copyright owners of popular online video content. But it is not, despite those owners' claims, an appropriate substitute for fair use generally. It gives some copyright owners too great an ability to suppress disfavored uses, leaves other owners (including fair users) out in the cold, and hands Google too much power to structure creative markets.



### C. KINDLE WORLDS: PAID TO PLAY?

Recently, Amazon's Kindle Worlds has been added to Content ID as major copyright owners' proof of concept that licensing is always available,

77. Cf. Jeff Macke, *E-Book Ruling Cements Amazon's Virtual Monopoly*, YAHOO FINANCE—BREAKOUT (July 11, 2013), <http://finance.yahoo.com/blogs/breakout/e-book-ruling-cements-amazon-virtual-monopoly-150844210.html> (noting Amazon's increasing monopoly over e-book content).

78. See, e.g., Rick Marshall, *The Quest for "Parity": An Examination of the Internet Radio Fairness Act*, 60 J. COPYRIGHT SOC'Y U.S.A. 445 (2013) (examining some of the multiple different licensing regimes applicable to entities based on their size, technologies, and whether they existed in 1998).

and that all creativity should be monetized.<sup>79</sup> Kindle Worlds content is available only through Amazon's website. The program builds on and distorts the concept of "fan fiction," new unauthorized stories written by fans (or sometimes anti-fans) of an existing copyrighted work.<sup>80</sup> Online, fan fiction circulates noncommercially. In Kindle Worlds, by contrast, both author and copyright owner receive payment when a reader buys a Kindle Worlds ebook, as does Amazon. This makes it the most directly monetized of the new semi-blanket, semi-licensing initiatives. Relatedly, it's the most limited in terms of participation. Most content owners are still nervous about

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79. See NAT'L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, NO. 130927852-3852-01, COMMENTS OF COPYRIGHT ALLIANCE 5 (Nov. 13, 2013), available at [https://copyrightalliance.org/sites/default/files/final\\_copyright\\_alliance\\_iptf\\_reply\\_comment.pdf](https://copyrightalliance.org/sites/default/files/final_copyright_alliance_iptf_reply_comment.pdf) (arguing that licensing "demonstrates a vibrant and legal market for remixes," including Kindle Worlds, which allows "creators of fan fiction to easily make commercially profitable uses of the underlying works"); MPAA NTIA COMMENTS, *sapra* note 47, at 5 (same). Another author has confidently asserted that Kindle Worlds precludes a fair use defense for fan fiction, at least for non-sexually explicit fan fiction, showing a serious but unsurprising misunderstanding of fair use doctrine:

By licensing fan-fiction publication rights to Amazon, Alloy adds Kindle Worlds to the "potential market" considered in fair use's fourth factor ("the effect of the use upon the potential market for or value of the copyrighted work"). As free fan-fiction would naturally (and negatively) impact a market, a court is likely to find that this factor favors the copyright owner, Alloy.

Arguably, fan-fiction rated R and NC-17 should be excluded here, given that Kindle Worlds' . . . "Content Guidelines" prohibit "[p]ornography" and "[o]ffensive [c]ontent" . . . Ergo, sites featuring only blue fan-fiction do not impact the same market(s) as their unobscene peers.

Hence, Kindle Worlds gives Alloy and Amazon an incentive to seek damages and the shutdown of free fanfiction sites . . . , and places the odds of winning firmly in their favor. Over time, fear of large damage awards and litigation costs would likely lead to voluntary site shutdowns and the gradual extinction of free fan-fiction.

And thus, what is currently an impetus to pay for fan-fiction could become a necessity . . . .

Sarah Katz, *Amazon Kindle Worlds: Fan-Fiction's New Normal*, SCREEN INVASION (May 29, 2014), <http://screeninvasion.com/2014/05/amazon-kindle-worlds-fan-fictions-new-normal>.

80. See Rebecca Tushnet, *Legal Fictions: Copyright, Fan Fiction, and a New Common Law*, 17 LOY. L.A. ENT. L. REV. 651 (1997).

“letting” other people make money using their works.<sup>81</sup> Moreover, extensive participation by film and television properties is unlikely, given standard Writers’ Guild of America contracts requiring payment to the writers of the initial scripts.<sup>82</sup> Thus, participation in Kindle Worlds is restricted to hand-picked franchises, rather than huge blocks of corporate-owned content. The fan fiction generated by the broader universe of popular TV shows and movies, which are generally the most popular inspirations for fan fiction, must continue to rely on fair use.

### 1. Control: Building the Fence and Culling the Herd

Even if Kindle Worlds could license every popular media property, it would remain highly constrained, and would not substitute for transformative fair uses. The language of control and exploitation predominates even in favorable descriptions of Kindle Worlds. Fans are raw material, resources to be exploited, and data to be mined.<sup>83</sup> Reflecting these perceptions of fan authors, Kindle Worlds is a bad deal for creators compared to other forms of commercial authorship (which are not known for their massive payouts in the first place).<sup>84</sup> Kindle Worlds authors give up

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81. For another recently announced example of allowing “fans” to share in some material benefits from monetization, see Hasbro’s very small line of authorized *My Little Pony* “fan art” sculptures, now available for purchase. SUPERFANART.COM (last visited Aug. 14, 2014). The five authorized artists there represent a tiny fraction of *My Little Pony* fan artists and sculptors, most of whom would never make the cut. For example, it’s impossible to imagine Hasbro licensing Mari Kasurinen, who makes *My Little Pony* mashups with other pop icons from *Alien* to the X-Men. See Angela Watercutter, *Gallery: Iron Man, Other Pop Icons Become My Little Pony Sculptures*, WIRED (Sept. 1, 2011), <http://www.wired.com/2011/09/my-little-pony-pop-icons/?viewall=true> (explaining that Kasurinen’s work addresses materialism, individualism, children’s socialization through toys, and how people use custom objects to show status).

82. See Rebecca Tushnet, *Copyright Society: Fan Productions*, REBECCA TUSHNET’S 43(B)LOG (June 9, 2014, 3:20 PM), <http://tushnet.blogspot.com/2014/06/copyright-society-fan-productions.html> (reporting comments of Matt Bloomgarden, VP Business & Legal Affairs, Alloy Entertainment/Warner Bros. Television).

83. See, e.g., Alexandra Alter, *Vampire Diaries’ Writer Bites Back*, WALL ST. J. (Apr. 17, 2014), <http://online.wsj.com/news/articles/SB10001424052702304058204579495491652398358/> (“Now, entertainment companies are searching for new ways to make money off fan writing and harness the next potential breakout hit. . . . ‘At the very least, it’s additional promotion, and in the best-case scenario, there are ideas for new properties that we can mine’ [the president of a major Kindle Worlds participant said].”).

84. Alter, *supra* note 72 (“Amazon grants fan-fiction writers 35% of net revenue for works that are 10,000 words or longer, and 20% of revenue for shorter works. But that’s much smaller than the 70% of royalties that a self-published author can get for an original work published through Amazon.”); Francesca Coppa, *Fuck Yeah, Fandom is Beautiful*, 2 J. FANDOM STUD. 73, 80 (2014) (stating that Kindle Worlds is “inserting itself into the

many more rights than conventional authors.<sup>85</sup> *Fifty Shades of Grey*, the bestselling erotic novel that began as *Twilight* fan fiction, provides an instructive contrast. While there are questions surrounding the book's transition from fanwork to paid work,<sup>86</sup> and while some fans of the fan fiction series felt exploited by the author's use of their enthusiasm to convert her work into a commercial success, it's notable that the economic payoff for *Fifty Shades* was far greater than that available through Kindle Worlds. By "filing off the serial numbers" and converting the story into one that no longer starred Bella and Edward from *Twilight*, but rather a more generic insecure young woman and powerful older man, the writer E.L. James was able to become the world's highest-earning author, keeping a much larger percentage of her earnings than available through Kindle Worlds.<sup>87</sup> In addition, she was able to sell the movie rights, something else Kindle Worlds doesn't allow.

Kindle Worlds may be fandom's "Sugarhill moment," in Abigail DeKosnik's words: "the moment when an outsider takes up a subculture's invention and commodifies it for the mainstream before insiders do."<sup>88</sup> DeKosnik's prescient words evoke what happened to rap music, where a relatively few people made millions of dollars, but many of them didn't come from the communities that originated the form; instead, rap musicians were integrated into the large-scale commercial music system, and rarely saw much economic benefit from it.<sup>89</sup>

With commercial exploitation comes a lack of creative freedom. Even more explicitly than Getty Images or Content ID, Kindle Worlds has serious content restrictions. To begin, Amazon bans the popular "crossover" genre, in which characters or settings from one world intersect with another. Sex and violence are, naturally, risky topics. Although Amazon is coy about the limits of its ban on sexually explicit content—it wouldn't want to lose out on the next *Fifty Shades of Grey*—Amazon retains broad discretion to police the appropriateness of content. It appears that, in light of Amazon's history of

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process by which some fans become professionals, and potentially taking a cut of those creative works large enough to stop most people from making a living at it").

85. See Alter, *supra* note 83 (quoting Francesca Coppa, an English professor at Muhlenberg College, who says, "It feels like a land grab. . . . Big companies are trying to insert themselves explicitly to get people who don't know any better to sign away rights to things that might be profitable.").

86. Bethan Jones, *Fifty Shades of Exploitation: Fan Labor and Fifty Shades of Grey*, 15 TRANSFORMATIVE WORKS & CULTURES (2014), available at <http://journal.transformativeworks.org/index.php/twc/article/view/501/422>.

87. Alter, *supra* note 83 (reporting that James made an estimated \$95 million in 2013).

88. Abigail De Kosnik, *Should Fan Fiction Be Free?*, 48 CINEMA J. 118, 119–20 (2009).

89. *See id.*

suppressing gay and lesbian content and “kinky” content,<sup>90</sup> explicit sexuality is more likely to survive if it is otherwise conventionally heterosexual. And because Amazon maintains tethered control over “purchased” copies, any work may be pulled or edited for causing controversy, and its content will disappear from users’ devices. Kindle Worlds works aren’t available in print, so any suppression will be total, hard to document, and perhaps even unnoticed, unlike suppression of a printed work, where copies may survive the censor’s sweep.<sup>91</sup>

Each copyright owner may impose an additional set of limits, which makes prediction about content rules even more difficult. For example, *Bloodshot*’s “world” includes multiple restrictions, from standard bans on “erotica” and “offensive content” to the vague requirement that characters be “in-character,” along with bans on “profane language,” graphic violence, “references to acquiring, using, or being under the influence of illegal drugs,” and “wanton disregard for scientific and historical accuracy.”<sup>92</sup> In *G.I. Joe* works, meanwhile, the character Snake Eyes can’t be portrayed as a Yankees fan.<sup>93</sup> While this control is perfectly appropriate from the perspective of copyright owners claiming absolute rights over their works,<sup>94</sup> it also suppresses the most transformative and critical reworkings.

In addition, Amazon requires writers to be at least eighteen years old, excluding the many young people who discover, and benefit so much from, creative fandom. Lawyers may consider such restrictions routine because of minors’ inability to contract unavoidably, but in the unlicensed, noncontractual worlds of fandom, young people are often the most active participants, discovering their artistic talents for the first time. Many of the benefits that writing in an existing world can offer, in terms of developing

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90. See, e.g., Pete Cashmore, *Amazon Accused of Removing Gay Books from Rankings*, MASHABLE (Apr. 12, 2009), <http://mashable.com/2009/04/12/amazon-accused-of-removing-gay-books-from-rankings/> (describing previous controversy over Amazon making LGBT content harder to find); Adam L. Penenburg, *Amazon’s Monster Porn Purge*, PANDODAILY (Jan. 1, 2014), <http://pando.com/2014/01/01/amazons-monster-porn-purge/> (describing Amazon’s fluctuating bans on unusual sexual content based on its prohibition of “pornography” and “offensive depictions of graphic sexual acts”).

91. See Brad Stone, *Amazon Erases Orwell Books from Kindle*, N.Y. TIMES, July 17, 2009, <http://www.nytimes.com/2009/07/18/technology/companies/18amazon.html> (reporting on an earlier instance of Amazon’s content erasure).

92. See *Bloodshot*, KINDLE WORLDS, <https://kindleworlds.amazon.com/world/Bloodshot/> (last visited May 21, 2014).

93. Alter, *supra* note 83.

94. See Copyright Alliance, *supra* note 79, at 6 (claiming falsely that copyright law always protects creators “from having their works used in advertising against their will, to cast them in an unflattering light, or by groups or individuals morally or politically opposed to them”) (footnotes omitted).

literacy and other skills, are particularly valuable for younger creators.<sup>95</sup> Young writers often lack access to supportive communities; in noncommercial fan-fiction communities, others' enthusiasm for the shared world translates into assistance with writers' development, since everyone wants more stories.<sup>96</sup> But who would routinely pay money to help a writer develop and improve her skills? When markets are involved, we are rarely happy paying for someone else's training, and we usually consider our money payment enough without additional feedback to assist artistic improvement. But Kindle Worlds does not allow authors to circulate works for free, even if young authors were allowed to use it.

Kindle Worlds additionally requires works to be of a certain length, which is understandable for a commercial enterprise but deadly for social practices that thrive on spontaneity, experimentation, and flexibility. Although fannish poetry has a long history, there will be no *Vampire Diaries* sonnets on Amazon. The innovations of noncommercial remix are unlikely to take root in such sanitized soil. As media scholar Catherine Tosenberger argues, fanworks are meant to be "unpublishable," which leaves their creators free to disregard traditional publishing conventions. This lack of commercial consequence

allows people to stake claims over texts that they wouldn't normally be allowed to if they wanted to publish, and frees them to tell the stories they want to tell. You can do things in fanfiction that would be difficult or impossible to do in fiction intended for commercial publication, such as experiments with form and subject matter that don't fit with prevailing tastes . . . It's a way of asserting rights of interpretation over texts that may be patriarchal, heteronormative, and/or contain only adult-approved representations of children and teenagers.<sup>97</sup>

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95. See OTW NTIA COMMENTS, *supra* note 52, at 38–61.

96. See *id.*

97. Henry Jenkins, *Gender and Fan Studies (Round Five, Part One): Geoffrey Long and Catherine Tosenberger, CONFESSIONS OF AN ACA-FAN* (June 28, 2007), [http://henryjenkins.org/2007/06/gender\\_and\\_fan\\_studies\\_round\\_f\\_1.html](http://henryjenkins.org/2007/06/gender_and_fan_studies_round_f_1.html); see also Henry Jenkins, *Gender and Fan Studies (Round Five, Part One): Geoffrey Long and Catherine Tosenberger, CONFESSIONS OF AN ACA-FAN* (June 28, 2007), [http://henryjenkins.org/2007/06/gender\\_and\\_fan\\_studies\\_round\\_f\\_1.html](http://henryjenkins.org/2007/06/gender_and_fan_studies_round_f_1.html); Catherine Tosenberger, *Potterotics: Harry Potter Fanfiction on the Internet* 34–35 (2007) (unpublished Ph.D. dissertation, University of Florida), available at <http://ufdc.ufl.edu/UFE0019605/00001> ("[F]andom is a space where freedom to read and write whatever one wants are felt in a much more concrete way than in more 'official' spaces. . . . Fanfiction is, in many ways, given life by what other spaces don't allow."); Timothy B. Lee, *Ars Book Review: "Here Comes Everybody" by Clay Shirky*, ARS TECHNICA (Apr. 3, 2008, 10:17 AM), <http://arstechnica.com/articles/culture/book-review-2008-04-1.ars/3> (discussing in an interview with Clay Shirky valuable group productions

It's in these unpublizable works that new types of creativity and otherwise marginalized creators are free to develop. We don't know what other new forms Amazon's content, age, and format restrictions will preclude—and that's the problem.

## 2. Commodification: Undermining the Creative Spirit of Communities

Corraling fan fiction into Amazon's ecosystem would exclude a huge amount of creative energy, and many opportunities for educational and creative development would be lost. But even if, counterfactually, Kindle Worlds provided creative freedom, the context of a paid platform would still work additional changes on the creative environment—distortions in incentives that change the substance of the works created, and distortions in the overall “market” for creative works. Getty embeds and Content ID already raise issues of “digital sharecropping,” enabling large corporations to profit from the uncompensated creative labor of individual producers. But Amazon's version of monetization, which offers creative individuals a small share of the proceeds, is not an adequate alternative—certainly not as a substitute for fair use.

Creativity, though it often comes from individuals, always arises from a context, and can't be understood without attention to creators' communities.<sup>98</sup> The basic issue with monetizing fan fiction is that organic, noncommercial communities that create transformative remixes cannot move into the commercial sector without being fundamentally altered and diminished.<sup>99</sup> The market changes what it swallows.

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whose transaction costs mean that they can only take place voluntarily, outside the market and the firm); Liz Gannes, *NTV Predictions: Online Video Stars*, GIGAOM (Dec. 30, 2007, 9:00 AM), <http://gigaom.com/2007/12/30/ntv-predictions-online-video-stars/> (“Fans, operating outside of the commercial mainstream, have the freedom to do things which would be prohibited [to] those working at the heart of a media franchise—explore new stories, adopt new aesthetics, offer alternative interpretations of characters, or just be bad in whatever sense of the word you want. And much of the online video content thrives because it is unpublizable in the mainstream but has strong appeal to particular niches and subcultures.”) (quoting Henry Jenkins; alteration in original).

98. See R. KEITH SAWYER, EXPLAINING CREATIVITY: THE SCIENCE OF HUMAN INNOVATION 209 (2d. ed. 2012) (“Individual-level explanations are the most important component of the explanation of creativity . . . . But individuals always create in contexts, and a better understanding of those contexts is essential to a complete explanation of creativity.”).

99. See OTW NTIA COMMENTS, *supra* note 52, at 62–75; Henry Jenkins, *Afterword: Communities of Readers, Clusters of Practices*, in DIY MEDIA: CREATING, SHARING AND LEARNING WITH NEW TECHNOLOGIES 231, 239 (Michele Knobel & Colin Lankshear eds., 2010) (“Many web 2.0 sites provide far less scaffolding and mentorship than offered by more grassroots forms of participatory culture. Despite a rhetoric of collaboration and

Begin with the consumption side: extensive research has shown that people behave differently when they don't have to pay money for a benefit.<sup>100</sup> Paying a single penny can change behavior substantially, even though it's essentially equivalent to zero in rational economic terms: "If you charge a price, any price, we are forced to ask ourselves if we really want to open our wallets. But if the price is zero, that flag never goes up and the decision just got easier."<sup>101</sup> With fan fiction, that means people consume more—and differently—when they can read for free. Any argument that free fan fiction substitutes for what could otherwise be paid purchases ignores that significant difference in decision-making.

"Free," in increasing consumption, also decreases concern for quality.<sup>102</sup> This change in preferences of course has downsides, but it also lowers barriers to entry for new creators by providing an enthusiastic and often quite forgiving audience. And since the usual path to good art involves producing bad art first, this tolerance benefits the quality and variety of creative expression in the long run. "Free" triggers gift and reciprocity norms, which in the context of creative production support the development of community through feedback, discussion, and the encouragement of further participation as creators respond to each other.

Other profound effects of noncommerciality operate more directly on creators. The empirical evidence indicates that noncommercial production in a digital economy is not just detached from monetary exchange, but that it can be subject to crowding out: noncommercial motives can be eliminated when money is on offer, leading to less overall creativity and less social benefit.<sup>103</sup> Studies of creativity have shown that extrinsic rewards regularly

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community, they often still conceive of their users as autonomous individuals whose primary relationship is to the company that provides them services and not to each other.").

100. See DAN ARIELY, PREDICTABLY IRRATIONAL: THE HIDDEN FORCES THAT SHAPE OUR DECISIONS 55–74 (2008) (describing research); David Adam Friedman, *Free Offers: A New Look*, 38 N.M. L. REV. 49, 71–81 (2008) (same); Kristina Shampanier et al., *Zero as a Special Price: The True Value of Free Products*, 26 MARKETING SCI. 742, 745–48 (2007) (explaining the "zero price effect," in which demand increases for chocolate candy reduced from one cent to free, but decreases for an inexpensive but higher-quality alternative when its price is also reduced by one cent but not to zero); see also ANDERSON, *supra* note 70 (book-length treatment of the power of "free"); Dan Ariely, *The Power of Free Tattoos*, DANARIELY (Nov. 10, 2010), <http://danariely.com/2010/11/10/the-power-of-free-tattoos/> (concluding that "free" overwhelmed other potential concerns for consumers even for permanent changes such as tattoos).

101. ANDERSON, *supra* note 70, at 59.

102. ARIELY, *supra* note 100, at 58.

103. See, e.g., YOCHAI BENKLER, THE WEALTH OF NETWORKS: HOW SOCIAL PRODUCTION TRANSFORMS MARKETS AND FREEDOM 94–95 (2006) ("Across many different settings, researchers have found substantial evidence that, under some circumstances, adding money for an activity previously undertaken without price

diminish creative motivations and the creativity of the resulting works, as judged by objective evaluators. People in commercialized environments seem to focus on the extrinsic reward, not on any enjoyment they might have gotten from performing the creative activity.<sup>104</sup> But not all extrinsic rewards are the same. Money often decreases intrinsic creative motivation, while positive feedback—the “currency” used in fan communities—enhances intrinsic motivation.<sup>105</sup> Fandom has long operated as a “gift economy.”<sup>106</sup> People who enjoyed a fanwork are expected or exhorted to give feedback and thanks, and within a community, people regularly make fanworks for each other. These nonmonetized rewards can be understood as incentives, but they have qualitatively different effects than money.

In the words of Cyndi Lauper, money changes everything. Sociologist Viviana Zelizer explains that defining an activity as noncommercial changes how people feel and reason about it compared to activities defined as commercial.<sup>107</sup> Specifically, money is corrosive of communities whose members support each other:

It turns out that when [experimental] participants are paid with goods that have clear monetary value but are not mediums of exchange—like candy—they favor equal distribution [for work they’d done as a group], and everyone gets the same share. When participants are compensated with money, they favor a

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compensation reduces, rather than increases, the level of activity.”); Yochai Benkler, *Sharing Nicely: On Shareable Goods and the Emergence of Sharing as a Modality of Economic Production*, 114 YALE L.J. 273, 323–24 (2004) (“A simple statement of this model is that individuals have intrinsic and extrinsic motivations. . . . Extrinsic motivations are said to “crowd out” intrinsic motivations because they (a) impair self-determination—that is, a person feels pressured by an external force, and therefore feels overjustified in maintaining her intrinsic motivation rather than complying with the will of the source of the extrinsic reward; or (b) impair self-esteem—they cause an individual to feel that his internal motivation is rejected, not valued, leading him to reduce his self-esteem and thus to reduce effort.”); Bruno S. Frey & Felix Oberholzer-Gee, *The Cost of Price Incentives: An Empirical Analysis of Motivation Crowding-Out*, 87 AM. ECON. REV. 746, 746 (1997).

104. See, e.g., Diane Leenheer Zimmerman, *Copyrights As Incentives: Did We Just Imagine That?*, 12 THEORETICAL INQUIRIES L. 29, 50–53 (2011) (reviewing empirical evidence).

105. See Edward L. Deci, *Effects of Externally Mediated Rewards on Intrinsic Motivation*, 18 J. PERSONALITY & SOC. PSYCHOL. 105, 114 (1971); cf. Karim R. Lakhani & Robert G. Wolf, *Why Hackers Do What They Do: Understanding Motivation and Effort in Free/Open Source Software Projects*, in PERSPECTIVES ON FREE AND OPEN SOURCE SOFTWARE 1, 3 (J. Feller et al. eds., 2005) (“We find . . . that enjoyment-based intrinsic motivation—namely, how creative a person feels when working on the project—is the strongest and most persuasive driver.”).

106. See Karen Hellekson, *A Fannish Field of Value: Online Fan Gift Culture*, 48 CINEMA J. 113, 117 (2009) (noting that fandom’s gift economy is both protective against legal claims and a way for fan communities to preserve their “own autonomy while simultaneously solidifying the group”).

107. See VIVIANA A. ZELIZER, THE SOCIAL MEANING OF MONEY (1994).

compensation scheme in which everyone gets a share proportional to the work he or she accomplished. As [Barry] Schwartz notes, “Human beings are ‘unfinished animals’; what we can reasonably expect of people depends on how our social institutions ‘finish’ them.”<sup>108</sup>

Money encourages people to think of themselves as autonomous actors, and also to think of *others* that way, which means that they have less impetus to support other people. Experimental research has shown that evoking the concept of money, compared to evoking neutral concepts, leads people to ask for less help and to be less willing to help others. People primed with the concept of money “preferred to play alone, work alone, and put more physical distance between themselves and a new acquaintance.”<sup>109</sup> These effects can occur even when people aren’t consciously aware of the changes.<sup>110</sup> Once money is in the picture, being reminded of community in the form of friends and family doesn’t help; money still leads to greater preferences for distance from others.<sup>111</sup>

Relatedly, the *way* in which money enters a relationship matters. One benefit of a market system is that people don’t need to be friends with the butcher and the baker to get food at the standard price. This is an important freedom—but it also makes relationships less durable, compared with relationships in which rewards take the form of entitlements or gifts.<sup>112</sup> Kindle Worlds is a transactional, atomized economy: a reader pays a set price and receives a set amount of content in return. Mel Stanfill notes that Amazon is addressing fans as individuals only, rather than as people who

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108. EVGENY MOROZOV, TO SAVE EVERYTHING, CLICK HERE 304 (2013) (citing Barry Schwartz, *Crowding Out Morality: How the Ideology of Self-Interest Can Be Self-Fulfilling*, in IDEOLOGY, PSYCHOLOGY, AND LAW 160, 181 (Jon Hanson & John Jost eds., 2012)).

109. Kathleen D. Vohs et al., *The Psychological Consequences of Money*, 314 SCIENCE 1154, 1154, 1156 (2006) (“Relative to people not reminded of money, people reminded of money reliably performed independent but socially insensitive actions. The magnitude of these effects is notable and somewhat surprising, given that our participants were highly familiar with money and that our manipulations were minor environmental changes or small tasks for participants to complete.”) (citations omitted).

110. Kathleen D. Vohs et al., *Merely Activating the Concept of Money Changes Personal and Interpersonal Behavior*, 17 CURRENT DIRECTIONS IN PSYCHOL. SCI. 208 (2008) (finding that even subtle reminders of money resulted in substantial behavior changes, including making people less helpful than others not reminded of money as well as making people work harder; reminders could be as subtle as rearranging word tasks where the words referenced money, or a screensaver with a picture of money).

111. See *id.* at 210 (finding that reminders about money led to fewer charitable donations).

112. VIVIANA A. ZELIZER, ECONOMIC LIVES: HOW CULTURE SHAPES THE ECONOMY 137 (2010) (“On the whole, entitlements and gifts imply a more durable social relation between them than does compensation.”).

understand themselves as being committed to a larger community. As she notes, Kindle Worlds “is part of a broader shift to incite fans—the-individuals . . . to ever greater investment and involvement but manage them through disarticulating them from the troublesome resistive capacity of fandom—the-community.”<sup>113</sup>

Given the way in which Kindle Worlds is presented—as a series of autonomous transactions—the volume and variety of fan creation will predictably be much lower, to the long term detriment of fan culture. Before the rise of the Internet, fans of Marion Zimmer Bradley’s groundbreaking, popular *Darkover* universe wrote fan fiction extensively. Following a dispute with a fan writer, Bradley purported to ban fan fiction, unless it was published in one of the commercial anthologies she edited—a small-scale precursor of Kindle Worlds. Fans mostly complied, and *Darkover* fandom entered a downward slide from which it has never recovered.<sup>114</sup> The experience of American hip-hop likewise shows a decline of experimental and political art as the industry converted to an always-license model.<sup>115</sup> Meanwhile, copyright owners that learned not to suppress fan creativity or corral it into “authorized” channels continue to have robust and profitable fandoms, with prominent examples including *Harry Potter*, *Star Wars*, *Twilight*, and Marvel’s comic book universes. Content industries touting the always-license model are, it seems, eating their own seed corn—at least if fair use doesn’t remain a robust alternative.

So far, Kindle Worlds is behaving as the existing evidence about commercialization would lead one to expect, both in volume and content. For example, the popular *Pretty Little Liars* series, created by the book-packaging company Alloy, showed forty-six Kindle Worlds works in June

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113. Mel Stanfill, *Kindle Worlds II: The End of Fandom as We Know It?*, MEL STANFILL (June 3, 2013, 7:48 AM), <http://www.melstanfill.com/kindle-worlds-ii-the-end-of-fandom-as-we-know-it/> (citation omitted); see also Matt Bloomgarden, Fan-Fiction Overview, at 12 (presentation at copyright law conference by representative of content company participating in Kindle Worlds, explaining “strategic benefits” of Kindle Worlds entirely in terms of copyright owner’s relation to the “fan base,” without mention of community or fan-to-fan interaction).

114. AARON SCHWABACH, FAN FICTION AND COPYRIGHT: OUTSIDER WORKS AND INTELLECTUAL PROPERTY PROTECTION 112–14 (2011) (describing the dispute); *id.* at 116 (explaining that, after the creative fandom was suppressed, “Darkover . . . faded from the prominence it enjoyed in genre fiction in the 1970s and 1980s”).

115. Erik Nielson, *Did the Decline of Sampling Cause the Decline of Political Hip Hop?*, THE ATLANTIC (Sept. 18, 2013, 2:18 PM), <http://www.theatlantic.com/entertainment/archive/2013/09/did-the-decline-of-sampling-cause-the-decline-of-political-hip-hop/279791/>.

2014, while there were nearly 6000 such works on the popular Fanfiction.net site; the smaller and younger Archive of Our Own hosted over 370.<sup>116</sup> At a more general level, a search on Fanfiction.net's "Just In" feature<sup>117</sup> revealed over a hundred stories posted in the last *hour*. Amazon's total for all twenty-four Worlds with content in June 2014, after over a year of availability (plus a pre-launch period in which Amazon solicited specific authors to write), was 538.<sup>118</sup>

Kindle Worlds content is very different from the content of traditional, unlicensed fan writing: "[w]hen you look at the Kindle Worlds bestseller list, there's virtually no overlap in topic, content, or source material between the type of writing people want to pay for on Kindle Worlds, and the type of writing that leads more than a million people to flock to [fan-run] Archive of Our Own (AO3) each day."<sup>119</sup> Kindle Worlds bestsellers look a lot like other bestsellers, with crime fiction, thrillers, and young adult supernatural fiction as highly popular genres. By contrast, traditional fan fiction features much more in the way of male/male romance, "short stories based around tropes like bodyswap or time travel, and multi-chapter adventure stories with lots of unresolved sexual tension."<sup>120</sup> And, unlike most fan fiction communities, which are largely populated by women or people who don't identify as men, most authors of Kindle Worlds stories present themselves as men.<sup>121</sup>

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116. See FANFICTION, <https://www.fanfiction.net/tv/Pretty-Little-Liars/> (last visited June 26, 2014) (reporting approximately 5700 results for stories based on the TV series); FANFICTION, <https://www.fanfiction.net/book/Pretty-Little-Liars-series/> (last visited June 26, 2014) (reporting 198 results for stories based on the book series); ARCHIVE OF OUR OWN, <https://archiveofourown.org/tags/Pretty%20Little%20Liars/works> (last visited June 26, 2014) (reporting 370 results for the TV show); ARCHIVE OF OUR OWN, <https://archiveofourown.org/tags/Pretty%20Little%20Liars%20Series%20-%20Sara%20Shepard/works> (last visited June 26, 2014) (reporting 11 results for the book series). Some of this can be attributed to time—Kindle Worlds hasn't been operating for as long as the series has been around, while FanFiction.net has been—but not all. The distinctly unpopular *Ravenswood* TV series, which did launch after Kindle Worlds, yields 5 results on Kindle Worlds, and a total of 16 on Fanfiction.net—9 *Ravenswood* stories, and 7 crossovers with *Pretty Little Liars*; crossovers as a genre are not allowed on Kindle Worlds. *Ravenswood FanFiction Archive*, FanFiction, <https://www.fanfiction.net/tv/Ravenswood/> (last visited June 26, 2014); *Pretty Little Liars and Ravenswood Crossover*, FANFICTION, <https://www.fanfiction.net/crossovers/Ravenswood/10913/> (last visited June 26, 2014).

117. *Just In*, FANFICTION, <https://www.fanfiction.net/j/0/0/0> (last visited June 26, 2014).

118. *Kindle Store > Kindle Worlds > Worlds*, AMAZON, <http://www.amazon.com/b?node=6118587011> (follow "+ See more" hyperlink under "Worlds" list in filtering options) (last visited June 26, 2014).

119. Gavia Baker-Whitelaw, *Here's Proof Amazon's Fanfic Venture is Working*, THE DAILY DOT (Mar. 3, 2014), <http://www.dailydot.com/fandom/neal-pollack-kindle-worlds-fanfic/>.

120. *Id.*

121. *See id.*

One fan writer offered a useful metaphor:

After several months of operation, Amazon's Kindle Worlds marketplace does not show the continuous, exciting [user-generated content] activity of a typical fanfic site. If the website were a playground, the Kindle Worlds market would have five quiet, clean, polite children carefully playing together while helicopter parents hovered overhead. Meanwhile, at the community-run fanfic site across the road, mobs of screaming children are climbing unsupervised over the swingsets and throwing gravel at each other. Whatever Amazon has created, there is no life in it. Why is this?

No one goes to Amazon to enjoy themselves or talk with their friends. On a real fanfic site, there are writing contests and games, other fans to chat with, free daily story updates from your favorite authors, instant reviews and "likes" on your work, feedback from "beta readers" who provide advice on how to improve your story, discussion groups where you can trade ideas with fellow fans, a huge free archive of previously published work to browse through, constantly updated user blogs, group writing projects, and more. Amazon doesn't have any of that. They just sell books.<sup>122</sup>

There is, therefore, a connection between Kindle Worlds and other attempts to monetize "sharing" and gift economies. They fundamentally change the nature of the relations at issue, not only by adding money but also by adding hierarchy: someone in charge making the rules, someone who profits not by participating but by taking a chunk of the transaction. Instead of reciprocity—relations involving thanks, later contributions, mutual obligation, and ties extending across time since no one interaction is ever a complete relationship—there is an immediate "squaring up" of cash for product.<sup>123</sup>

This is not to say that writing for money is wrong, or less valuable than writing for free. Monetary incentives are often useful,<sup>124</sup> and there can be community and creativity in paid markets. There is room for dialogue on new

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122. NAT'L TELECOMM. & INFO. ADMIN., REQUEST FOR COMMENTS ON DEPARTMENT OF COMMERCE GREEN PAPER, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY, NO. 130927852-3852-01, COMMENTS OF ANONYMOUS 2–3 (Nov. 13, 2013), available at <http://www.uspto.gov/ip/global/copyrights/Anonymous.pdf>.

123. Andrew Leonard, "*Sharing Economy*" Shams: *Deception at the Core of the Internet's Hottest Businesses*, SALON (Mar. 14, 2014), [http://www.salon.com/2014/03/14/sharing\\_economy\\_shams\\_deception\\_at\\_the\\_core\\_of\\_the\\_internets\\_hottest\\_businesses/](http://www.salon.com/2014/03/14/sharing_economy_shams_deception_at_the_core_of_the_internets_hottest_businesses/).

124. See Vohs et al., *supra* note 110, at 211 (noting that money "leads to a perspective on the world that emphasizes inputs and outputs with an expectation of equity" and increases striving for results).

ways of melding creativity and commerciality. Going forward, if there is to be compensation for some forms of fanworks, one crucial issue will be whether creators are getting a fair share of the return for subjecting themselves to copyright owners' control.<sup>125</sup>

For this Article's purposes, however, the key point is that noncommercial fanworks protected by fair use and commercialized fanworks are not interchangeable, whether at the individual level or in terms of creative communities. There are communities in which intrinsic rewards are both important and vulnerable to crowding out by money. *Both* kinds of opportunity, free and paid, should be options, especially for developing artists who aren't able to earn a living in the paid market and can benefit disproportionately from other forms of reward. Noncommercial communities encourage more creators to enter, as well as more diversity of content, than commercial communities (where newcomers are, after all, competitors). Licensing's incentivizing virtues come with costs, so we should protect diverse sources of support for creativity—including noncommercial communities distinct from market exchanges.

### 3. Competition: Distorting the Market for Professional Creative Works

Kindle Worlds may also have structural effects on the market for individual creators. This new form of licensing has the potential to drive down the return to authors who do seek to compete in the commercial market. Professional writers have noted that rather than being like conventional fan fiction, Kindle Worlds is more like the established market for authorized tie-in novels for franchises such as *Star Trek*, *Star Wars*, and

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125. See ZELIZER, *supra* note 112, at 293 (“We should stop agonizing over whether or not money corrupts but instead analyze what combinations of economic activity and caring relations produce happier, more just, and more productive lives. It is not the mingling that should concern us but how the mingling works. If we get the causal connections wrong, we will obscure the origins of injustice, damage, and danger.”). For some good discussions of commercializing noncommercial fandom, see, e.g., Nele Noppe, *Why We Should Talk about Commodifying Fan Work*, 8 TRANSFORMATIVE WORKS & CULTURES (2011), <http://journal.transformativeworks.org/index.php/twc/article/view/369> (emphasizing that commercialization is worth considering only in a context in which the gift economy also survives); Suzanne Scott, *Rereading Fan Culture: The Regifting Economy of Ancillary Content Models*, 3 TRANSFORMATIVE WORKS & CULTURES (2009), <http://journal.transformativeworks.org/index.php/twc/article/view/150/122> (discussing the risks of exploitation through commercial entities’ “regifting” a constrained version of fandom to the public).

the like. But unlike tie-in authors, Kindle Worlds authors need be paid nothing in advance.<sup>126</sup> Hugo-winning writer John Scalzi sums up his concerns:

I would caution anyone looking at this to be aware that overall this is not anywhere close to what I would call a good deal. Finally, on a philosophical level, I suspect this is yet another attempt in a series of long-term attempts to fundamentally change the landscape for purchasing and controlling the work of writers in such a manner that ultimately limits how writers are compensated for their work, which ultimately is not to the benefit of the writer.<sup>127</sup>

*The Vampire Diaries*, a franchise participating in Kindle Worlds, provides a lesson in the use of competing pieceworkers to drive down prices to the detriment of individual creators and to the benefit of Amazon as middleman: Alloy, the packager who owns the rights to the series, initially hired L.J. Smith to write the books, but fired and replaced her over creative differences. But she still loves the characters she created so much that she's taken to Kindle Worlds to finish the story the way she wanted, even though her royalties are low and much of the revenue goes to the company that fired her. An Alloy representative's description of the affordances of Kindle Worlds encapsulates the way in which copyright ownership is being used to minimize the return to creative contributions: "[o]ne of the benefits of Kindle Worlds is that *any fan, even the author of the original work, can participate.*"<sup>128</sup> In the new economy, all creators will apparently survive on micropayments. (Of course, unpaid fan creativity can also be seen as competing with paid writing—but, as I argued above, noncommercial works and communities have some significant differences that deserve legal support even as we support well-paid creativity as well.)<sup>129</sup>

Even if its compensation scheme were closer to traditional royalty amounts, Kindle Worlds would be of concern because its exclusivity

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126. John Scalzi, *Amazon's Kindle Worlds: Instant Thoughts*, WHATEVER (May 22, 2013), <http://whatever.scalzi.com/2013/05/22/amazons-kindle-worlds-instant-thoughts/> (noting Kindle World's potentially significant effects on the existing media tie-in market and professional writers who participate in that market).

127. *Id.*

128. Alter, *supra* note 83 (emphasis added).

129. Cf. Livia Penn, *Two Really Good Reasons Why Kindle Worlds is Bullshit*, DREAMWIDTH (May 23, 2013, 6:23 AM), <http://liviapenn.dreamwidth.org/530961.html> ("I keep seeing people saying 'you'll get 20% to 35% of the profit. And that's better than nothing?' (Well, sidebar: I don't get 'nothing' from writing fanfic. If you're not a fanfic writer who shares their fic with a community of readers, it would take me another two thousand words to explain what you \*do\* get, but trust me. It isn't nothing.'").

promotes monopolization of the market for creative works.<sup>130</sup> Amazon has a vested interest in making content exclusive, and thus unavailable to nonusers of its platform—the Kindle ebook reader or Kindle app.<sup>131</sup> People who post fan fiction online make their works available to anyone around the world with Internet access;<sup>132</sup> Kindle Worlds authors can only make their works available to others within the Amazon universe, and they can't make their stories available for free. People who do want to read more stories about their favorite characters, and who might otherwise have gone elsewhere and discovered fan communities, may instead be guided into Amazon's control. To the extent that monopolization of delivery and publishing systems is bad for authors in general, Amazon's ambitions are dangerous to all authors.

### III. THERE MUST BE SOME WAY OUT OF HERE

The previous Part explained that none of these three schemes to replace fair use are what they seem. Despite the promises of those who claim that licensing could and should supplant fair use, current fair use doctrine remains sound even in a pervasively digital world. The always-license model inevitably entails pervasive suppression of expression, further threats to privacy and to the individual and social benefits of noncommercialized communities, and

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130. For a general discussion of the monopolizing effect of Kindle exclusivity, given Amazon's enormous share of the e-book market, see Parker Higgins, *Accepting Amazon's DRM Makes It Impossible to Challenge Its Monopoly*, TECHDIRT (May 28, 2014), <http://www.techdirt.com/articles/20140527/11461627373/accepting-amazons-drm-makes-it-impossible-to-challenge-its-monopoly.shtml>. Kindle Worlds content also raises preservation issues. While physical books can be preserved by archives and libraries, and while there are major efforts to preserve large online sites that are (or have been) freely accessible, Kindle Worlds is, like other Kindle content, legally off-limits for preservation. Public libraries may license certain Kindle books to provide them to their patrons, but they do not own or even deliver the licensed files from their own servers. This is also a competition issue in the sense that libraries and archives offer alternatives to market forces that discard everything without a sufficient present value, and allow audiences to access works even when individual audience members cannot pay.

131. Recently, Amazon bought a specialized comics app, Comixology, that was successful in bringing in more casual readers—something comics have struggled with for decades. Amazon quickly moved to degrade the user experience on Apple devices, presumably to make the Kindle relatively more attractive. Gerry Conway, *Gerry Conway: The ComiXology Outrage*, COMICBOOK.COM (Apr. 27, 2014), <http://comicbook.com/blog/2014/04/27/gerry-conway-the-comixology-outrage/>.

132. Filtering by repressive regimes excepted, though fan fiction often escapes filters. Fan fiction based on Western media is highly popular in China. See Liz Carter, *Benedict Cumberbatch Is a Gay Erotic God in China*, FOREIGN POLICY (Nov. 15, 2013), [http://www.foreignpolicy.com/articles/2013/11/15/erotic\\_benedict\\_cumberbatch\\_fanfiction\\_in\\_china](http://www.foreignpolicy.com/articles/2013/11/15/erotic_benedict_cumberbatch_fanfiction_in_china). Some bilingual speakers translate English stories for other Chinese-speaking fans, and native speakers also write their own stories, often at some personal risk due to Chinese repression of “pornography” and homosexual content.

constrained competition. Fair use, in contrast, supports independence and variety in individual works and also in the intermediaries and communities that support them.

These examples reinforce some key lessons. First, privately negotiated licenses can never be comprehensive.<sup>133</sup> Licenses will inevitably leave many creators out in the cold, especially noncommercial remixers.<sup>134</sup> To claim that licenses can replace fair use because *some* participants within each market are willing to license *most* of the time is to advocate the suppression of all fair uses that rely on works that aren't within the licensing scheme. Getty, Google, and Amazon are not outliers in covering only a subset of the existing content within their respective genres. Even the extremely vague and general promises regarding "user-generated content" in the European Union initiative "Licences for Europe—ten pledges to bring more content online"<sup>135</sup> covered only a tiny fraction of the creative industries, whereas remix cultures regularly bring in text, audio, video, and visual arts.<sup>136</sup> "In the music businesses, the one sector of copyrighted content headed to this model [of identifying and licensing everything], they are far from perfecting it despite nearly a century of good work towards it."<sup>137</sup> As much music as there is, there are exponentially more written texts and images.

Second, the power to suppress retained by each of these models that are marketed as available to everyone confirms that privately negotiated licenses will always retain censorship rights, thus leaving creators of transformative noncommercial works at risk of suppression.<sup>138</sup> The works that will be suppressed are precisely those that are the most expressive, critical, and necessary.<sup>139</sup> Licensors repeatedly tell prospective creators that they are

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133. Compulsory licensing, including extended compulsory licensing for orphan works, poses different issues.

134. OTW NTIA COMMENTS, *supra* note 52, at 67–69 (discussing unavailability of licenses for many forms of content, such as art and photography, and for many specific works even within genres in which licensing schemes allegedly exist).

135. *Licences for Europe*, EUROPEAN COMMISSION 6 (Nov. 13, 2013), [http://ec.europa.eu/internal\\_market/copyright/docs/licences-for-europe/131113\\_ten-pledges\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/licences-for-europe/131113_ten-pledges_en.pdf).

136. DEVIANTART NTIA COMMENTS, *supra* note 35, at 6–7.

137. *Id.* at 31.

138. True blanket licensing generally requires either legislative intervention (the statutory license for mechanical works) or judicial intervention (the antitrust consent decrees that shape ASCAP and BMI licensing).

139. OTW NTIA COMMENTS, *supra* note 52, at 69–71; see also, e.g., MARK DUFFETT, UNDERSTANDING FANDOM: AN INTRODUCTION TO THE STUDY OF MEDIA FAN CULTURE 176 (2013) ("Elvis Presley Enterprises offers another example of a media organization that has *incorporated and licensed* fan creativity on one hand—adding fan art at Graceland and turning fan artist Betty Harper's sketches into postcards—and simultaneously attempted to scotch or rein in fan expressions when they ran counter to its financial interest.") (citing TIM WALL,

supposed to “celebrate the story the way it is”<sup>140</sup> and “stay within the lines” of the copyright owner’s coloring book.<sup>141</sup> Classic defenses of fair use often focus on the individual uses that are banned by copyright owners. Although those uses may constitute a shrinking percentage of remixes in a license-everything world (bans on portraying a *G.I. Joe* character as a Yankees fan notwithstanding) simply because digital technologies have massively increased the total number of remixes, the impact of the most critical uses can be outsized. Thus, it’s still important to support transgressive reworkings, such as Alice Randall’s rewriting of *Gone with the Wind* to address the racism and sexual politics of the original.<sup>142</sup>

Third, creators benefit from the ability to escape pervasive data collection and excessively sanitized content platforms. People produce different kinds of works when they believe themselves to be under scrutiny.<sup>143</sup> A journal kept in school so that the teacher can read it will differ in content from letters to friends. A Kindle Worlds novella, for which the author can only be paid by handing over her real name and contact information to Amazon, or a post whose content hinges on a Getty embed, will be crafted with awareness of the controlling party, at least in the back of the creator’s mind. Fair use enables creators to set themselves free of copyright owners’ surveillance.

Fourth, fair use protects competition compared to a licensing-only world. A more standard competition story in copyright is about devices: fair use

STUDYING POPULAR MUSIC CULTURE 205–10 (2003)); Julie Levin Russo, *User-Penetrated Content: Fan Video in the Age of Convergence*, 48 CINEMA J. 125 (2009) (discussing earlier experiments with domesticating fanworks, including fanworks for *Battlestar Galactica*).

140. Simone Murray, “*Celebrating the Story the Way It Is*”: *Cultural Studies, Corporate Media, and the Contested Utility of Fandom*, 18 CONTINUUM: J. MEDIA & CULTURAL STUDIES 7 (2004).

141. *The Amazing Fan-Powered Media Event*, FANLIB 3, [http://fanlore.org/w/images/4/42/FanLib\\_info.pdf](http://fanlore.org/w/images/4/42/FanLib_info.pdf) (from marketing material for a for-profit, licensed-material-only site released in 2003) (accessed June 19, 2014):

#### MANAGED & MODERATED TO THE MAX

All the FANLIB action takes place in a highly customized environment that YOU control.

As with a coloring book, players must “stay within the lines”

Restrictive player’s terms-of-service protects your rights and property

Moderated “scene missions” keep the story under your control

Full monitoring & management of submissions & players

Automatic “profanity filter”

Completed work is just 1st draft to be polished by the pros.

142. Suntrust Bank v. Houghton Mifflin Co., 268 F.3d 1257 (11th Cir. 2001).

143. See, e.g., Julie E. Cohen, *Examined Lives: Informational Privacy and the Subject as Object*, 52 STAN. L. REV. 1373, 1425 (2000); Sonia K. Katyal, *Privacy vs. Piracy*, 7 YALE J.L. & TECH. 222, 316–34 (2005); Daniel J. Solove, *A Taxonomy of Privacy*, 154 U. PA. L. REV. 477, 493–94 (2006).

enabled Sony to escape liability as the manufacturer of the VCR, a device with substantial noninfringing uses. (It's worth noting that one of the alternatives to fair use suggested by Sony's opponents was some sort of blanket licensing scheme.)<sup>144</sup> The VCR then proved a huge economic boon to the movie industry, even as Sony's Betamax technology fell to the more flexible VHS. Freedom spurred innovation as competitors fought in the marketplace. By contrast, devices that existing content industries controlled have usually been so weighted down with anti-consumer features that they fail. When was the last time you used a digital recorder subject to the Audio Home Recording Act and its mandatory royalty scheme?<sup>145</sup>

Fair use has other competition-protecting features as well. Licensing protects monopolies by creating higher barriers to entry than fair use. For example, when Google was sued for scanning hundreds of thousands of library books, it initially supported a settlement that required it to pay licensing fees, but that was rational for many reasons, including the fact that it created significant barriers to entry for potential competitors.<sup>146</sup> By contrast, the finding that scanning in order to create snippets and analyze the books for content was fair use allows other entities to do the same thing,<sup>147</sup> even though most probably won't have Google's resources.

Finally, these new initiatives to control all uses have made more salient the fact that monopolies aren't just bad for welfare in general; they're bad for creators. When we defend fair use, it is also necessary to consider communities of practice, from which many fair uses arise.<sup>148</sup> Shakespeare emerged from a vibrant community of playwrights and actors. Most likely, so will his next successor. Widespread, freewheeling environments in which everything is up for reuse and transformation are what enable the best creators to learn and succeed. If only the most transgressive and unpopular themes can escape licensing, then even if they successfully do so, their creators will be isolated from the interactions and incentives that a larger community of transformative users can offer.

Alternative, unlicensed forms of infrastructure, not just individual works, are important for creative freedom. A blogger on WordPress can format and

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144. *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 972 (9th Cir. 1981).

145. See *Audio Home Recording Act of 1992*, 17 U.S.C. §§ 1001–1010 (2012).

146. Ariel Katz, *Fair Use for the Google Goose; Fair Use for the Book Gander*, ARIEL KATZ (Nov. 26, 2013), <http://arielkatz.org/archives/2992/>.

147. See *Authors Guild v. Google, Inc.*, 770 F. Supp. 2d 666 (S.D.N.Y. 2011).

148. See PATRICIA AUFDERHEIDE & PETER JASZI, RECLAIMING FAIR USE: HOW TO PUT BALANCE BACK IN COPYRIGHT (2011); Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525 (2004).

transform images she uploads any way she likes, and can swap tips and tricks with others like her to improve her work—unless Getty embeds take over. Specialized video sites with subcultural or niche appeal can use the DMCA to protect against copyright liability and allow the development of fair use and other norms—unless Content ID screening becomes a requirement.<sup>149</sup> As Francesca Coppa, one of the founders of the nonprofit Organization for Transformative Works, says:

Today, when I talk about the importance of fan writing, I don't just mean fiction and nonfiction: I mean contracts and code. In the old days, fans self-published their fiction . . . , they distributed their own VHS cassettes and digital downloads, and they coded and built their own websites and created their own terms of service. Today, enormous commercial entities—YouTube, Amazon, LiveJournal, Wattpad, Tumblr—own much of this infrastructure.<sup>150</sup>

As Coppa points out, none of these new services

has anything like the track record of the average fandom or fannish institution; consider how much younger they are than Sherlock Holmes, Doctor Who, or even Supernatural fandom [which began in 2004]. In the best case, these companies may fail and become a disruptive force in relatively stable and long-term communities; in the worst case, they may exploit and betray their users.<sup>151</sup>

The Internet is littered with the corpses of business models that were supposed to last a very long time—including models specifically designed to exploit noncommercial creativity.<sup>152</sup>

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149. See IN MEDIAS RES, <http://mediacommmons.futureofthebook.org/imr/> (curated scholarly collection of significant multimedia works, including video); cf. Darnell Witt, *Staff Blog: Copyright Match on Vimeo*, VIMEO (May 21, 2014), <https://vimeo.com/blog/post:626/> (discussing video site Vimeo's recent decision to go beyond the DMCA and filter audio content, with an appeals system for mistaken decisions whose contours are as yet undefined).

150. Francesca Coppa, *Participations: Dialogues on the Participatory Promise of Contemporary Culture and Politics*, 8 INT'L J. COMM. 1069, 1072 (2014).

151. *Id.*

152. See, e.g., FANLIB, <http://fanlore.org/wiki/FanLib/> (last visited May 14, 2014) (recounting the launch, and subsequent disappearance, of a venture capital-funded initiative designed to commercialize fan fiction on behalf of content owners and allow fan authors to win content owner-run sweepstakes). Lucasfilms once offered Star Wars fans free web space on starwars.com, as well as “unique” authorized content for their sites, but only under the condition that whatever they created would be owned by the studio. See HENRY JENKINS, CONVERGENCE CULTURE 152, 156–57 (2006). Today, starwars.com still exists, but the free web space for fans is gone.

When a gold rush ends, the result is stripped hills and ghost towns, not communities and thriving ecosystems. The new licensing gold rush risks the same consequences if we don't defend permissionless alternatives to licensing. Current doctrine correctly recognizes that copyright owners' willingness to license, control, or monetize a use does not mean that the use is unfair if unauthorized. Indeed, even countries that don't have a fair use defense have increasingly recognized the merits of protecting certain unauthorized uses. In the United Kingdom, for example, the government proposed to change copyright law to make clear that the availability of a license isn't an absolute bar to certain unauthorized uses. Other factors are also relevant to whether a use constitutes a permissible fair dealing: "the terms on which the licence is available, including the ease with which it may be obtained, the value of the permitted acts to society as a whole, and the likelihood and extent of any harm to right holders."<sup>153</sup> Thus, the government rejected the argument that the "mere availability of a licence should automatically require licensing a permitted act."<sup>154</sup>

Despite copyright owners' claims that this time is different, we've seen this show before. Markets are transforming, as they regularly do. But fair use shouldn't contract in response.

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153. *Modernising Copyright: A Modern, Robust and Flexible Framework*, U.K. GOVERNMENT 13 (2012), <http://www.ipo.gov.uk/response-2011-copyright-final.pdf>.

154. *Id.*



# COPYRIGHTABLE SUBJECT MATTER IN THE “NEXT GREAT COPYRIGHT ACT”

R. Anthony Reese<sup>†</sup>

## ABSTRACT

The drafters of the Next Great Copyright Act will have to establish the subject matter that their statute will protect. Currently, the 1976 Copyright Act protects a very broad range of subject matter, though its reach is not unlimited. Perfume, for example, falls outside all of the categories of subject matter protected in the current statute.

The question of what subject matter copyright law protects has been largely, though not entirely, uncontroversial in recent years, and this Article does not propose that the Next Great Copyright Act expand or contract copyright’s subject matter. Instead, it draws on experience under the current act and its predecessor (the 1909 Copyright Act) to offer lessons to guide legislators in drafting a new statute’s subject-matter provisions.

Most importantly, Congress should expressly and exhaustively enumerate in the statute all of the categories of subject matter that it intends to protect. Congress should not delegate authority to the courts or the Copyright Office to find other, unenumerated categories of subject matter copyrightable. In the past, Congress appears to have left open the possibility that subject matter not enumerated in the statute—such as, for example, perfume under the 1976 Act—might nevertheless be copyrightable, either by writing a statute (the 1909 Act) that could be read to protect every type of authorship that the Constitution authorizes Congress to protect or by indicating (in the 1976 Act) that the statutory list of categories of copyrightable subject matter is nonexhaustive. The Next Great Copyright Act should reject both approaches.

In addition to identifying all of the categories of authorship that it wishes to protect, Congress should statutorily define each enumerated category, and should do so with sufficient breadth that rapid technological developments do not quickly make the definitions obsolete. The current statute, in contrast to the 1909 Act, demonstrates how this can be done.

Finally, Congress should make clear that works of authorship incorporating preexisting material—in particular, compilations of preexisting material—are copyrightable only if they come within one of the expressly enumerated categories.

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Following these principles in establishing the subject matter protected by the Next Great Copyright Act would improve upon the 1976 Act's provisions and would resolve a number of uncertainties generated by the current statutory language.

## TABLE OF CONTENTS

I.	<b>INTRODUCTION .....</b>	<b>1490</b>
II.	<b>THE EVOLUTION OF COPYRIGHTABLE SUBJECT MATTER.....</b>	<b>1492</b>
III.	<b>INTERNATIONAL OBLIGATIONS ON SUBJECT MATTER TO PROTECT.....</b>	<b>1496</b>
IV.	<b>FOUR PRINCIPLES FOR REVISION.....</b>	<b>1498</b>
A.	CONGRESS SHOULD ENUMERATE ALL CATEGORIES OF WORKS THAT THE STATUTE PROTECTS .....	1499
1.	<i>Whether to Protect Additional Subject Matter Implicates Policy Questions Best Resolved by Congress.....</i>	1502
2.	<i>Congress Can Better Tailor Protection for New Subject Matter.....</i>	1504
3.	<i>Judicial or Administrative Recognition of New Subject Matter Creates Problems If Congress Disagrees .....</i>	1511
4.	<i>Congress Can Allow Judicial and Administrative Flexibility without Protecting Unenumerated Categories of Authorship .....</i>	1512
5.	<i>Courts and the Copyright Office Have Generally Declined Congressional Invitations to Recognize Copyright in Statutorily Unenumerated Subject Matter.....</i>	1517
B.	CONGRESS SHOULD NOT EXHAUST ITS CONSTITUTIONAL COPYRIGHT POWER .....	1521
C.	CONGRESS SHOULD DEFINE ALL ENUMERATED CATEGORIES OF PROTECTED WORKS.....	1525
D.	CONGRESS SHOULD IDENTIFY COMPILATIONS AND DERIVATIVE WORKS AS SUB-TYPES OF THE ENUMERATED CATEGORIES OF PROTECTED WORKS.....	1529
V.	<b>CONCLUSION .....</b>	<b>1532</b>

### I. INTRODUCTION

Register of Copyrights Maria A. Pallante has called for considering a comprehensive revision of current U.S. copyright law to produce the “Next Great Copyright Act.”<sup>1</sup> Drafting this Next Great Copyright Act will require defining the scope of subject matter protected by the Act. This key aspect of framing a revised copyright statute will determine what can and cannot be

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1. Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUM. J.L. & ARTS 315 (2013).

protected by copyright and will represent Congress's judgment about which creations by authors need copyright's protection and which should remain free from claims of ownership that would restrict copying.

Not everything within copyright's subject matter will actually be protected by copyright, of course. Under the current statute, while copyright protects "works of authorship," not every work of authorship qualifies—only works that are both original and fixed in a tangible medium of expression can actually obtain copyright.<sup>2</sup> But the statutory articulation of subject matter provides the threshold: under current law, if something does not constitute a work of authorship, then it cannot be protected by federal copyright. Thus, for example, if someone today claims copyright protection in a perfume, that claim will be rejected if a perfume is not a work of authorship. Defining the subject matter of copyright law will thus be an important task for the drafters of a revised copyright statute because it will establish which creations may be protected by copyright, and which may not.

The last time Congress undertook a wholesale revision of the copyright statute (producing the 1976 Copyright Act), the question of whether to extend copyright protection to sound recordings was a major issue.<sup>3</sup> While much controversy surrounds many aspects of the present copyright statute and current proposals for reform, there is, at least at the moment, no comparable issue regarding which types of authorial creations should be

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2. 17 U.S.C. § 102(a) (2012). In the copyright context, "original" means that a work is both independently created by its author and minimally creative. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 345 (1991). A work is sufficiently fixed when it is embodied in a material object for a period of more than transitory duration. 17 U.S.C. § 101 (2012) ("fixed"). The requirement that a work be "original" in order to be protected is constitutional, *Feist Publ'ns, Inc.*, 499 U.S. at 345–51, so whichever categories of subject matter Congress chooses to protect in the Next Great Copyright Act, it will need to protect only works in those categories that are original. Whether the Constitution empowers Congress only to protect fixed works, or whether it can also grant copyright in unfixed works, remains a matter of some controversy. See, e.g., 3 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 17.6.1, at 17:56 (3d ed. 2005–2014) (concluding "[t]here is little doubt that [unfixed] performances . . . are 'writings' in the constitutional sense for, beyond literalism, there is nothing in the mechanical act of fixation to distinguish writings from nonwritings"); *U.S. v. Martignon*, 492 F.3d 140, 145 (2d Cir. 2007) (accepting United States' contention that live performances are outside the scope of Congress's copyright power because they are not fixed).

3. See, e.g., Barbara Ringer, *The Unauthorized Duplication of Sound Recordings* (Study No. 26), in STAFF OF S. COMM. ON THE JUDICIARY, 86TH CONG., COPYRIGHT LAW REVISION: STUDIES PREPARED FOR THE SUBCOMMITTEE ON PATENTS, TRADEMARKS AND COPYRIGHTS OF THE COMMITTEE ON THE JUDICIARY, STUDIES 26–28, at 2–8, 21–37 (Comm. Print 1961) (discussing uncertainty of protection for sound recordings under the 1909 Act and legislative proposals between 1925 and 1951 to extend copyright to sound recordings).

protected by copyright. This Article therefore does not examine whether any particular type of creation should be added to, or removed from, the scope of statutory subject matter in the Next Great Copyright Act. Instead, this Article surveys what subject matter copyright law currently protects, how the law evolved to its current state, and what subject-matter obligations international agreements on copyright law impose on the United States. This Article then proposes four principles to guide the drafters of the Next Great Copyright Act in framing the act's subject-matter provisions.

Three principles address how Congress should approach the basic issue of how to statutorily define what is, and therefore what is not, subject to copyright protection. First, the central and most substantial principle calls on Congress to expressly enumerate in the copyright statute all of the categories of works that are protected and not to draft the statute to grant courts or the Copyright Office the power to recognize copyright in works that fall outside those enumerated categories. The next two principles are more minor and corollary to the first. Congress should not exhaust its constitutional power over copyright; it should affirmatively decide which categories of works to protect, rather than simply granting protection to everything that constitutes the "Writing" of an "Author" under the Constitution's Copyright Clause. And Congress should define each category of copyrightable works to which it grants statutory protection. This will allow Congress to ensure that the categories are defined broadly enough that the definitions will not rapidly become obsolete in the face of technological developments, while still giving those that administer the copyright statute—courts and the Copyright Office—guidance as to what each category does and does not include.

The final principle turns from the general question of how to define what can be protected by copyright to the more specific issue of compilations and derivative works. This fourth principle calls on Congress to grant copyright protection to a compilation or a derivative work only if that work falls within one of the expressly enumerated categories of protectable works and not simply to provide copyright protection for any authorial creation that can meet the statutory definition of "compilation" or "derivative work." This will reduce the likelihood that those categories could be used as a backdoor by which subject matter that is otherwise not expressly granted copyright protection could nonetheless obtain it.

## II. THE EVOLUTION OF COPYRIGHTABLE SUBJECT MATTER

The subject matter protected by U.S. copyright law has expanded gradually, but quite substantially, since Congress adopted the first copyright statute. The 1790 Copyright Act granted protection only to books, maps, and

charts.<sup>4</sup> Congress extended protection to “historical or other prints” in 1802.<sup>5</sup> In the 1831 revision, Congress granted copyright to musical compositions and restated the protection for prints as extending to “any print or engraving” or, in some instances, to “any print, cut, or engraving.”<sup>6</sup> The first express mention of dramatic works came in 1856, when Congress provided that a copyright for “any dramatic composition” would include the right to publicly perform the composition;<sup>7</sup> dramatic compositions had apparently already been within the Copyright Act’s subject matter as “books.”<sup>8</sup> “[P]hotographs and the negatives thereof” were granted protection in 1865.<sup>9</sup> The 1870 revision consolidated the subject matter of copyright protection as “any book, map, chart, dramatic or musical composition, engraving, cut, print, or photograph or negative thereof, or . . . painting, drawing, chromo, statue, statuary, and . . . models or designs intended to be perfected as works of the fine arts.”<sup>10</sup>

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4. Copyright Act of May 31, 1790, ch. 15, § 1, 1 Stat. 124, 124 (repealed 1831). (The very first Anglo-American copyright law, the Statute of Anne, had covered only books. Statute of Anne, 1710, 8 Ann., c. 19 (Eng.). For a discussion of the scope of this term, and later developments in copyrightable subject matter under British law, see Pamela Samuelson, *Are Gardens, Synthetic DNA, Yoga Sequences, and Fashions Copyrightable?*, at 4–5, [http://www.law.berkeley.edu/files/Samuelson\\_Oct\\_14\\_cop\\_subject\\_matter.pdf](http://www.law.berkeley.edu/files/Samuelson_Oct_14_cop_subject_matter.pdf) (last visited May 16, 2014).) Nineteenth-century courts in the United States gave a broad construction to the term “book,” not limiting the term to the conventional bound volume but instead interpreting it to include, for example, single printed sheets. See, e.g., *Clayton v. Stone*, 5 F. Cas. 999 (C.C.S.D.N.Y. 1829) (No. 2,872); *Drury v. Ewing*, 7 F. Cas. 1113 (C.C.S.D. Ohio 1862) (No. 4,095); see also *EATON S. DRONE, A TREATISE ON THE LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS IN GREAT BRITAIN AND THE UNITED STATES* 142–44 (1879). The liberal construction had limits, however. Thus, courts refused to consider product labels as “books” within the protection of the statute. See, e.g., *Scoville v. Toland*, 21 F. Cas. 863, 864 (C.C.D. Ohio 1848) (No. 12,553); *Coffeen v. Brunton*, 5 F. Cas. 1184, 1184 (C.C.D. Ind. 1849) (No. 2,946). This broad construction of the statutory term book continued through the use of the term in the 1909 Act. See *infra* note 93 and *infra* text accompanying note 107.

5. Act of Apr. 29, 1802, ch. 36, § 2, 2 Stat. 171, 171 (repealed 1831).

6. Copyright Act of Feb. 8, 1831, ch. 16, § 1, 4 Stat. 436, 436 (repealed 1870). Musical compositions had in some instances been registered for copyright protection, apparently as “books,” prior to 1831. See *Clayton v. Stone*, 5 F. Cas. 999, 1000 (C.C.S.D.N.Y. 1829) (No. 2,872); *FEDERAL COPYRIGHT RECORDS 1790–1800*, at xvi (James Gilreath ed., 1987); Frederick R. Goff, *The First Decade of the Federal Act for Copyright, 1790–1800, in ESSAYS HONORING LAWRENCE C. WROTH* 101, 107–08, 109 n.1 (Frederick R. Goff ed., 1951); William F. Patry, *Copyright and Computer Programs: It’s All in the Definition*, 14 CARDOZO ARTS & ENT. L.J. 1, 24 (1996).

7. Act of Aug. 18, 1856, ch. 169, 11 Stat. 138, 138 (repealed 1870).

8. Jessica Litman, *The Invention of Common Law Play Right*, 25 BERKELEY TECH. L.J. 1381, 1401 (2010).

9. Act of Mar. 3, 1865, ch. 126, § 1, 13 Stat. 540, 540 (repealed 1870).

10. Copyright Act of 1870, ch. 230, § 86, 16 Stat. 212, 212 (repealed 1909). The 1870 Copyright Act was reenacted in the Revised Statutes in 1873. Rev. Stat. § 4952 (1873).

When Congress completed its next general revision of the copyright law and produced the 1909 Copyright Act, it granted copyright protection to “all the writings of an author.”<sup>11</sup> In addition to this very general statutory statement of the works protected, the 1909 Act was also more specific in detailing that applications to register copyright in a work should specify in which of a closed list of classes the work belonged, and listed the following classes:

- books, including composite and cyclopædic works, directories, gazetteers, and other compilations;
- periodicals, including newspapers;
- lectures, sermons, addresses prepared for oral delivery;
- dramatic or dramatico-musical compositions;
- musical compositions;
- maps;
- works of art, models or designs for works of art, and reproductions of a work of art;
- drawings or plastic works of a scientific or technical character;
- photographs; and
- prints and pictorial illustrations.<sup>12</sup>

The statute expressly provided that this list of classifications “shall not be held to limit” the Act’s grant of protection to “all the writings of an author.”<sup>13</sup>

Just three years later, Congress amended the 1909 Act and added to the list of specified administrative classes two new classes: “motion-picture photoplays” and “motion pictures other than photoplays.”<sup>14</sup> The final expansion of subject matter under the 1909 Act came in 1971, when

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11. Copyright Act of Mar. 4, 1909, ch. 320, § 4, 35 Stat. 1075, 1076 (repealed 1976); *see also* Staff of N.Y.U. Law Review, *The Meaning of “Writings” in the Copyright Clause of the Constitution (Study No. 3)*, in STAFF OF S. COMM. ON THE JUDICIARY, 86TH CONG., COPYRIGHT LAW REVISION: STUDIES PREPARED FOR THE SUBCOMMITTEE ON PATENTS, TRADEMARKS AND COPYRIGHTS OF THE COMMITTEE ON THE JUDICIARY, STUDIES 1–4 (Comm. Print 1960).

12. Copyright Act of Mar. 4, 1909, ch. 320, § 5, 35 Stat. 1075, 1076–77 (repealed 1976).

13. As discussed below, see *infra* text accompanying notes 101–107 and 123–133, courts and the Copyright Office did not read the 1909 Act in all instances to provide copyright protection for subject matter that fell outside all of the categories listed in section 5 but arguably within the scope of “all the writings of an author” in section 4.

14. Act of Aug. 24, 1912, ch. 356, 37 Stat. 488, 488 (1912) (repealed 1976).

Congress amended the Act to add “sound recordings” as another administrative class of works.<sup>15</sup>

The last general revision of U.S. copyright law produced the 1976 Act, which in section 102(a) describes the basic subject matter protected under current copyright law as “works of authorship.”<sup>16</sup> The Act, however, does not affirmatively define the term “works of authorship.”<sup>17</sup> Instead, as originally enacted, it stated that works of authorship “include” seven specific categories listed in the statute:

- literary works;
- musical works;
- dramatic works;
- pantomimes and choreographic works;
- pictorial, graphic, and sculptural works;
- motion pictures and other audiovisual works; and
- sound recordings.<sup>18</sup>

In 1990, Congress amended section 102(a) to add architectural works as an eighth protected category.<sup>19</sup> The impetus for this amendment was largely a

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15. Pub. L. No. 92-140, 85 Stat. 391 (1971) (repealed 1976). In 1939, Congress had revised the class identified in section 5(k) from “prints and pictorial illustrations” to read “prints and pictorial illustrations including prints or labels used for articles of merchandise.” Act of July 31, 1939, ch. 396, § 2, 53 Stat. 1142 (1939) (repealed 1976).

16. 17 U.S.C. § 102(a) (2012). For a detailed examination of the consideration of issues of subject matter in the revision process that produced the 1976 Act, see Pamela Samuelson, *Are Gardens, Synthetic DNA, Yoga Sequences, and Fashions Copyrightable?*, at 12–20, [http://www.law.berkeley.edu/files/Samuelson\\_Oct\\_14\\_cop\\_subject\\_matter.pdf](http://www.law.berkeley.edu/files/Samuelson_Oct_14_cop_subject_matter.pdf) (last visited May 16, 2014).

17. “The phrase ‘original works of authorship,’ which is purposely left undefined, is intended to incorporate without change the standard of originality established by the courts under the present copyright statute.” H.R. REP. NO. 94-1476, at 51 (1976) [hereinafter 1976 HOUSE REPORT]. This article does not consider the meaning of the term “work,” separately from the term “work of authorship.” On that question, *see generally* Paul Goldstein, *What Is a Copyrighted Work? Why Does It Matter?*, 58 UCLA L. REV. 1175 (2011); Michael J. Madison, *The End of the Work As We Know It*, 19 J. INTELL. PROP. L. 325 (2012).

18. 17 U.S.C. § 102(a)(1)–(8) (2012). (The category of architectural works was added by the Architectural Works Copyright Protection Act, Pub. L. No. 101-650, Title VII, 104 Stat. 5089, 5133 (1990).) Compare with Berne Convention for the Protection of Literary and Artistic Works, Sept. 28, 1979, S. Treaty Doc. No. 99-27 [hereinafter Berne Convention], which identifies “literary and artistic works” in Article 1 as the subject matter of protection under the treaty. Article 2(1) then states that this phrase “shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression,” and then offers a long list of examples. Berne Convention, *supra*, art. 2(1).

19. Architectural Works Copyright Protection Act, Pub. L. No. 101-650, Title VII, 104 Stat. 5089, 5133 (1990).

desire to bring U.S. law into closer conformity to the requirements of the Berne Convention, which the United States had joined in 1988.<sup>20</sup>

### III. INTERNATIONAL OBLIGATIONS ON SUBJECT MATTER TO PROTECT

As the experience with architectural works indicates, in deciding what subject matter to protect in the Next Great Copyright Act, Congress should ensure that the subject-matter provisions of a revised copyright act satisfy international copyright obligations. The United States belongs to a number of international agreements that require U.S. copyright law to protect certain subject matter. These agreements thus provide some substantive guidance as to what particular subject matter copyright law should protect, at least if the United States wants to comply with its international obligations.<sup>21</sup>

The subject matter currently protected by the 1976 Act generally appears to meet these international requirements. The Berne Convention requires adhering countries to protect “the rights of authors in their literary and artistic works,”<sup>22</sup> and explains that this phrase “shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression.”<sup>23</sup> This expansive and rather general statement of the

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20. H.R. REP. NO. 101-735, at 19–20 (1990).

21. As a technical matter, most of these international agreements require that the United States grant protection in specified subject matter to nationals of the *other* nations that have signed those agreements, and would technically permit the United States to withhold such protection from U.S. citizens. See PAUL GOLDSTEIN & BERNT HUGENHOLTZ, INTERNATIONAL COPYRIGHT 38 (2d ed. 2010) (“The Convention’s minimum standards do not apply in the country of origin . . . .”); 1 SAM RICKETSON & JANE C. GINSBURG, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND § 6.53, at 278 (“[S]o long as a member state affords the minimum Berne protections to authors whose countries of origin are in *other* Union states, it can provide far less to authors whose works originate in that state.”). But the United States has not generally drawn any distinction between U.S. authors and foreign authors with respect to what subject matter is protected by U.S. copyright law.

22. Berne Convention, *supra* note 18, art. 1.

23. Berne Convention, *supra* note 18, art. 2(1). The Convention also requires protection for “[t]ranslations, adaptations, arrangements of music and other alterations of a literary or artistic work.” Berne Convention, *supra* note 18, art. 2(3). Protection for derivative works satisfies this requirement, but does not call for protection of additional categories of subject matter, since protectable derivative works fall within the enumerated categories. Similarly, the requirement to protect “[c]ollections of literary or artistic works such as encyclopedias and anthologies which, by reason of the selection and arrangement of their contents, constitute intellectual creations” is met by protection for compilations, which again fall within the already enumerated categories. Berne Convention, *supra* note 18, art. 2(5). The Universal Copyright Convention provides that each contracting state “undertakes to provide for the adequate and effective protection of the rights of authors and other copyright proprietors in literary, scientific and artistic works, including writings, musical, dramatic and

subject matter that Berne nations must protect is fleshed out by a long list of examples, all of which seem to be encompassed in categories currently enumerated in section 102(a)—literary works;<sup>24</sup> musical works;<sup>25</sup> dramatic works;<sup>26</sup> pantomimes and choreographic works;<sup>27</sup> pictorial, graphic, and sculptural works;<sup>28</sup> motion pictures and other audiovisual works;<sup>29</sup> and architectural works.<sup>30</sup>

The TRIPS Agreement and the WIPO Copyright Treaty contain their own obligations to protect additional enumerated subject matter and, again, current U.S. law appears to meet those obligations. Both agreements require signatories to protect computer programs as literary works,<sup>31</sup> which section 102(a) currently does.<sup>32</sup> They also both require protecting compilations of

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cinematographic works, and paintings, engravings and sculpture.” Universal Copyright Convention art. 1, July 24, 1971, 25 U.S.T. 1341. The Convention thus does not appear to require protecting any subject matter beyond that required by the Berne Convention. See GOLDSTEIN & HUGENHOLTZ, *supra* note 21, at 44, 194–95 (describing the list of protected subject matter under the UCC as “similar” to and “tarser” than that under the Berne Convention).

24. *See* Berne Convention, *supra* note 18, art. 2(1) (“books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature”).

25. *See* Berne Convention, *supra* note 18, art. 2(1) (“musical compositions with or without words”).

26. *See* Berne Convention, *supra* note 18, art. 2(1) (“dramatic or dramtico-musical works”).

27. *See* Berne Convention, *supra* note 18, art. 2(1) (“choreographic works and entertainments in dumb show”).

28. *See* Berne Convention, *supra* note 18, art. 2(1) (“works of drawing, painting, architecture, sculpture, engraving, and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science”).

29. *See* Berne Convention, *supra* note 18, art. 2(1) (“cinematographic works to which are assimilated works expressed by a process analogous to cinematography”).

30. *See* Berne Convention, *supra* note 18, art. 2(1) (“works of . . . architecture . . . ; . . . illustrations, maps, plans, sketches and three-dimensional works relative to . . . architecture . . . ”).

31. Agreement on Trade-Related Aspects of Intellectual Property Rights art. 10(1), Apr. 15, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS]; WIPO Copyright Treaty, art. 4, Dec. 20, 1996, S. Treaty Doc. No. 105-17 2186 U.N.T.S. 121, [hereinafter WIPO Copyright Treaty]. The Berne Convention might independently require protection for computer programs if a computer program constitutes a “production in the literary, scientific [or] artistic domain,” Berne Convention, *supra* note 18, art. 2(1), which appears to be uncertain, and computer programs are not expressly listed as an example of a protected category in the Berne Convention. *See, e.g.*, GOLDSTEIN & HUGENHOLTZ, *supra* note 21, at 102–05. The express requirements in TRIPS and the WIPO Copyright Treaty thus remove any uncertainty as to the international obligation to extend copyright to computer programs.

32. 1 GOLDSTEIN, *supra* note 2, § 2.15.2, at 2:190–91.

data “which by reason of the selection or arrangement of their contents constitute intellectual creations.”<sup>33</sup> Again, current law meets this requirement by specifying that the subject matter of copyright includes original (i.e., minimally creative) compilations.<sup>34</sup> The TRIPS Agreement also requires member states to protect some rights in phonograms,<sup>35</sup> and the grant of copyright protection to sound recordings<sup>36</sup> fulfills this requirement.

In sum, the subject matter currently protected under the copyright statute appears to meet the international copyright obligations of the United States, such that a revised copyright statute would not need to grant protection to any currently unprotected subject matter in order to comply with those obligations.<sup>37</sup> At the same time, though, any revision that removed protection from any currently protected subject matter might place the United States out of compliance with our international obligations.<sup>38</sup>

#### IV. FOUR PRINCIPLES FOR REVISION

As noted above, this Article does not take up the question of whether any particular type of authorial creation should be added to, or removed from, the scope of statutory subject matter in a revised copyright act.<sup>39</sup>

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33. TRIPS, *supra* note 31, art. 10(2); WIPO Copyright Treaty, *supra* note 31, art. 5.

34. 17 U.S.C. § 103(a) (2012).

35. TRIPS, *supra* note 31, art. 14(2).

36. 17 U.S.C. § 102(a)(7) (2012).

37. The United States has also entered into a number of bilateral or regional free-trade agreements which impose copyright-related obligations, but the provisions of these agreements do not seem to require protecting any subject matter not currently protected under U.S. law. *See, e.g.*, U.S.-Australia Free Trade Agreement, chapter 17; U.S.-Bahrain Free Trade Agreement, chapter 14; U.S.-Chile Free Trade Agreement, chapter 17; U.S.-Colombia Free Trade Agreement, chapter 16; U.S.-Central America Free Trade Agreement, chapter 15; U.S.-Jordan Free Trade Agreement, article 4; U.S.-Korea Free Trade Agreement, chapter 18; U.S.-Morocco Free Trade Agreement, chapter 15; U.S.-Oman Free Trade Agreement, chapter 15; U.S.-Panama Free Trade Agreement, chapter 15; U.S.-Peru Free Trade Agreement, chapter 16; U.S.-Singapore Free Trade Agreement, chapter 16.

38. Removing protected subject matter would not *necessarily* do so. For example, although the United States protects sound recordings as copyrightable works, many other nations meet their international obligations regarding sound recordings by protecting them not under copyright but under a “neighboring rights” regime. GOLDSTEIN & HUGENHOLTZ, *supra* note 21, at 54, 230–40. Thus, the United States could comply with its international obligations and remove sound recordings from copyright protection, as long as it were to provide alternative, neighboring-rights-like protection. Most other currently protected categories of subject matter, though, must be protected by copyright in order to comply with the Berne, TRIPS, and the WIPO treaties.

39. There are not currently any significant debates underway regarding the possibility of adding new subject matter to copyright’s protection, unlike in the revision process leading up to the 1976 Act, when the issue of copyright protection for sound recordings was a major issue.

Instead, this Article proposes four principles to guide how the subject-matter provisions of the Next Great Copyright Act should be crafted.

A. CONGRESS SHOULD ENUMERATE ALL CATEGORIES OF WORKS THAT THE STATUTE PROTECTS

The first and most significant principle that should guide any revision of copyright law's subject-matter provisions is that the statute should expressly enumerate all of the categories of works to which Congress chooses to grant copyright protection and should not extend protection to an open-ended and undefined category of works.

This approach would depart from that of the current statute. Section 102(a) of the 1976 Copyright Act currently describes the basic subject matter of copyright law as “works of authorship,”<sup>40</sup> and extends protection to all “original works of authorship fixed in any tangible medium of expression.”<sup>41</sup> However, the statute never defines the term “works of authorship.”<sup>42</sup> Instead, it states that “works of authorship *include*” eight specific categories listed in the statute: literary works; musical works; dramatic works; pantomimes and choreographic works; pictorial, graphic, and sculptural works; motion pictures and other audiovisual works; sound recordings; and architectural works.<sup>43</sup> Because the statutory definitions provide that the term “including” is “illustrative and not limitative,”<sup>44</sup> the statutory term “works of authorship” *can* include works that do not fall within any of the categories enumerated in section 102(a).<sup>45</sup>

Any number of creative human endeavors may produce results which arguably do not fall within any of the enumerated categories of works of

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40. 17 U.S.C. § 102(a) (2012).

41. *Id.* In the copyright context, “original” means that a work is both independently created by its author and minimally creative. *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 345 (1991). A work is sufficiently fixed when it is embodied in a material object for a period of more than transitory duration. 17 U.S.C. § 101 (2012) (“fixed”).

42. “The phrase ‘original works of authorship,’ which is purposely left undefined, is intended to incorporate without change the standard of originality established by the courts under the present copyright statute.” 1976 HOUSE REPORT, *supra* note 17, at 51.

43. 17 U.S.C. § 102(a)(1)–(8) (2012) (emphasis added).

44. 17 U.S.C. § 101 (2012) (“including”).

45. 1976 HOUSE REPORT, *supra* note 17, at 51 (“Authors are continually finding new ways of expressing themselves, but it is impossible to foresee the forms that these new expressive methods will take. The bill does not intend either to freeze the scope of copyrightable subject matter at the present stage of communications technology or to allow unlimited expansion into areas completely outside the present congressional intent. Section 102 implies neither that that subject matter is unlimited nor *that new forms of expression within that general area of subject matter would necessarily be unprotected.*”) (emphasis added) (as corrected by 122 CONG. REC. H10727 (daily ed. Sept. 21, 1976)).

authorship but which might nonetheless arguably constitute “works of authorship.” Copyright protection offers many benefits to the copyright owner—an automatically vested long-lived right to exclude most other people from making most uses of the copyrighted work without getting (and usually paying for) the copyright owner’s permission. So people who create things that have not traditionally been thought of as copyrightable works may try to claim copyright in their creations. Consider two examples drawn from actual cases. Should we recognize a claim that a particular yoga pose (or a sequence of poses) is copyrightable?<sup>46</sup> Or a claim that an artistically planted flowerbed is protected by copyright?<sup>47</sup> And one can imagine potential copyright claims in many other kinds of creations that seem to fall outside of the statute’s enumerated categories. At least one European court has extended copyright protection to perfumes, so a perfumer might try to claim that a perfume is copyrightable in the United States.<sup>48</sup> Chefs and restaurateurs are increasingly paying attention to the possibility of intellectual property protection,<sup>49</sup> so one could imagine a potential claim of copyright in a newly created culinary dish or cocktail, or even in the particular set of items available on a restaurant’s menu.<sup>50</sup> The sophistication required to produce a fine wine or a craft beer might lead a vintner or brewer to claim her creation as a work of authorship. Some companies that put on fireworks displays are fierce rivals, and perhaps one company’s copying of another company’s

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46. See, e.g., Bikram’s Yoga Coll. of India, L.P. v. Evolution Yoga, L.L.C., 105 U.S.P.Q. 2d (BNA) 1162 (C.D. Cal. 2012); Registration of Claims to Copyright, 77 Fed. Reg. 37,605 (Jun. 22, 2012).

47. See, e.g., Kelley v. Chicago Park Dist., 635 F.3d 290, 292–95 (7th Cir. 2011).

48. See Kamil Koelman, *Copyright in the Courts: Perfume as Artistic Expression?*, WIPO MAGAZINE, Oct. 2006, at 2; see also Charles Cronin, *Genius in a Bottle: Perfume, Copyright, and Human Perception*, 56 J. COPYRIGHT SOC’Y. U.S.A 427 (2009); Thomas G. Field, Jr., *Copyright Protection for Perfumes*, 45 IDEA 19 (2004).

49. See, e.g., Pete Wells, *Chef Sues over Intellectual Property (The Menu)*, N.Y. TIMES, Jun. 27, 2007, at A1, A16; Tatiana Schlossberg, *Popular Snack on India’s Streets Is at Heart of Manhattan Court Fight*, N.Y. TIMES, Aug. 2, 2014, at A15.

50. See, e.g., Christopher J. Buccafusco, *On the Legal Consequences of Sauces: Should Thomas Keller’s Recipes Be Per Se Copyrightable?*, 24 CARDOZO ARTS & ENT. L.J. 1121 (2007); Caroline Reefs, *Sweet or Sour: Extending Copyright Protection to Food Art*, 22 DEPAUL J. ART TECH. & INTELL. PROP. L. 41 (2011); see also Kim Seng Co. v. J & A Imps., Inc., 810 F. Supp. 2d 1046 (C.D. Cal. 2011) (claiming protection on a traditional Vietnamese dish of a bowl of rice sticks topped with egg rolls, grilled meat, and assorted garnishes as a “food sculpture”). The sculptural or pictorial elements of a particular culinary dish—such as, for example, a cake or cookie shaped and decorated like a cartoon character or a modernist artwork (see, e.g., *Rothko Cookies*, PIXEL WHISK, <http://www.pixel-whisk.com/2012/06/rothko-cookies.html> (last visited Aug. 17, 2014))—may be protectable under current law in the category of pictorial, graphic, and sculptural works.

display could lead to a suit claiming copyright in a fireworks display.<sup>51</sup> Other examples of potentially protectable works that fall outside of the enumerated categories include typography,<sup>52</sup> digital recordings of smells,<sup>53</sup> the design of golf courses,<sup>54</sup> tactile enhancements to books,<sup>55</sup> sports plays or routines, amusement park rides (such as rollercoasters), nonhabitable three-dimensional structures (e.g., highway bridges, cloverleafs, canals, dams, etc.),<sup>56</sup> body parts altered by cosmetic surgery,<sup>57</sup> invented languages,<sup>58</sup> and garden designs and other works of landscape architecture.

Under the current statute's open-ended use of the term "works of authorship," claims of copyright in any of these types of arguably authorial creations could potentially be recognized as valid by means of a judicial or administrative decision that the creation constitutes a work of authorship, even if the creation does not fall within one of the statute's expressly enumerated categories of protected works.<sup>59</sup> A court or the Copyright Office

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51. See Bobby Kerlik, *Judge Tosses Lawsuit Between Fireworks Rivals Zambelli, Pyrotecnico*, PITTSBURGH TRIBUNE-REVIEW (Nov. 11, 2010), [http://www.pittsburghlive.com/x/pittsburghtrib/news/pittsburgh/s\\_708880.html](http://www.pittsburghlive.com/x/pittsburghtrib/news/pittsburgh/s_708880.html) (reporting on dispute over alleged violation of noncompete clause when employee of one fireworks company left to work for a rival company); see also Sam Scott, *Scripting a Big Bang: 'Oohs' and 'Aahs' Without All the Work*, STANFORD MAG., July/Aug. 2012, at 40.

52. A claim that the design of a typeface is a copyrightable "work of authorship" outside of the currently enumerated categories would face a particular hurdle to acceptance because the legislative history of the current statute expressly states that the Congressional drafters did "not regard the design of a typeface . . . to be a copyrightable 'pictorial, graphic, or sculptural work' within the meaning of" the 1976 Act and had "considered, but chosen to defer, the possibility of protecting the design of typefaces." 1976 HOUSE REPORT, *supra* note 17, at 55. Given this express statement that the drafters did not view typeface design as protectable under the current statute, it would be difficult to interpret typeface design as a copyrightable "work of authorship."

53. See, e.g., Stephen Williams, *Plug-and-Play Aromas at Your Keyboard*, N.Y. TIMES, Jan. 20, 2011; William Grimes, *Now on the PC Screen: Scent of a Kitchen*, N.Y. TIMES, Sep. 13, 2000, at F1; Charles Platt, *You've Got Smell!*, WIRED, Nov. 1999, at 256.

54. Cf. Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526 (5th Cir. 1998) (finding trade dress protection in appearance of golf holes).

55. See, e.g., Elise Hu, *Sensory Fiction: Books That Let You Feel What The Characters Do*, NPR ALL TECH CONSIDERED (Feb. 6, 2014), <http://www.npr.org/blogs/alltechconsidered/2014/02/06/272044748/sensory-fiction-books-that-let-you-feel-what-the-characters-do/>.

56. See, e.g., H.R. REP. NO. 101-735, at 20 (1990).

57. See, e.g., Guy Trebay, *The Man Behind the Face*, N.Y. TIMES, Mar. 30, 2014, at ST1, 15, 17 (Dr. Frederic Brandt, cosmetic dermatologist, noted that "I approach each face with a visual perception, an *artistic* perception and a medical perception.") (emphasis added).

58. See, e.g., Amy Chozick, *Athbilezar? Watch Your Fantasy World Language*, N.Y. TIMES, Dec. 12, 2011, at A1, A3; Adi Robertson, *Can you own a language?*, THE VERGE (Aug. 13, 2014), <http://mobile.theverge.com/2014/8/13/5998273/who-owns-a-language-wikipedia-palaw-a-kan-i-raises-old-debate/>.

59. Claims to typefaces or nonhabitable three-dimensional structures would be less likely to succeed because of express statements by Congress in 1976 and 1990 that it had

could render any of these human creations copyrightable without any further action by Congress.

The Next Great Copyright Act should end this invitation to courts and agencies to find copyright protection for creations that fall outside the categories of protected works that Congress has enumerated, and should instead expressly limit the statutory scope of copyrightable subject matter to the categories of works that Congress expressly identifies. As the following sections explain, Congress is the appropriate and best-positioned actor to determine what should and should not be protected by copyright, both because the scope of copyrightable subject matter is a policy question best answered by the elected legislature and because Congress is better equipped to appropriately tailor any protection it decides to grant.<sup>60</sup>

*1. Whether to Protect Additional Subject Matter Implicates Policy Questions Best Resolved by Congress*

Once international obligations regarding subject matter have been met, the decision whether to extend copyright protection to any particular subject matter should be based primarily on whether copyright protection is needed in order to encourage greater production or dissemination of such subject matter—or rather, whether any need for copyright protection outweighs any costs that such protection would impose. Indeed, that is the question that Congress has at one point or another asked and answered, at least implicitly, about all of the subject matter protected by U.S. copyright law today.

Congress is generally better positioned to answer that question than is a court or the Copyright Office. A court would consider the question in the context of a live controversy over a particular creation, in which the creator would like to claim copyright in order to stop another party from copying that creation. This very context might lead a court, relying in part on intuitions about those who reap where they have not sown, to incline toward recognizing the plaintiff's claimed creation as a "work of authorship" within copyright's protection.<sup>61</sup> As Benjamin Kaplan noted about copyright litigation generally:

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affirmatively decided *not* to grant copyright protection to those classes of works. 1976 HOUSE REPORT, *supra* note 17, at 55; H.R. REP. NO. 101-735, at 20 (1990).

60. For a discussion of the advantages and disadvantages of "open list" and "closed list" approaches to copyrightable subject matter in the European context, see Tanya Aplin, *Subject Matter*, in RESEARCH HANDBOOK ON THE FUTURE OF EU COPYRIGHT 49–76 (Estelle Derclaye ed., 2009).

61. See Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149, 151–56 (1992). Gordon suggests that a "common law trend toward granting new intellectual property rights has been fueled" in part by "an intuition of

Our gaze should not be confined to *this* plaintiff and *this* defendant. If the contest is conceived as being thus restricted, a court out of understandable sympathy would be inclined to hold for the plaintiff whenever the defendant was shown to have made any recognizable use of the plaintiff's contribution. That would be a very mistaken attitude. There is a further diffused public interest necessarily involved.<sup>62</sup>

At the very least, the litigation context tends not to provide the court with the information that would be useful in addressing the larger policy question beyond any issue of fairness in the individual case: whether we need to protect those who author and distribute this type of creation against unauthorized copying in order to generate the production and dissemination of a socially desirable amount and variety of these creations.

The Copyright Office, which would presumably decide such questions in response to an application by a creator to register a claim of copyright in a creation falling outside the statute's enumerated categories, might be in a better position than a court to look objectively at the larger policy question beyond the individual application. For example, the Office could, by publishing a proposal to amend its regulations to reflect any proposed decision on the registrability of a type of creation not previously viewed as registrable, attract public comments that could provide it with information useful to deciding the larger policy question. It is not clear, though, that the decision weighing that evidence and ultimately concluding whether copyright protection is warranted should rest with the Copyright Office instead of Congress, even if the Copyright Office could gather evidence as well as Congress could. Weighing the costs and benefits of extending copyright protection requires deliberation and an affirmative decision about the ultimate desirability of extending protection. That deliberation and decision ought to rest with the political organ that embodies the broadest representation of the public and its interests, which means that the decision should be legislative, rather than administrative or judicial.

An example of Congress weighing these larger policy considerations in deciding whether to extend copyright protection emerged in the decision to grant protection to architectural works in 1990. The House Judiciary Committee report on the bill that added architectural works to section 102(a)

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fairness—a norm often linked to natural rights—that one should not ‘reap where another has sown.’” *Id.* at 156. As Benjamin Kaplan pointed out, such an intuition on the part of a court may be at best incomplete: “[I]f man has any ‘natural’ rights, not the least must be a right to imitate his fellows, and thus to reap where he has not sown.” BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 2 (Columbia Univ. Press 1967).

62. KAPLAN, *supra* note 61, at 76.

explained that an “architectural work” was originally defined as “the design of a building *or other three-dimensional structure*,” but that the italicized phrase was eventually deleted:

This phrase was included in [an earlier bill] to cover cases where architectural works [are] embodied in innovative structures that defy easy classification. Unfortunately, the phrase also could be interpreted as covering interstate highway bridges, cloverleafs, canals, dams, and pedestrian walkways. The Subcommittee examined protection for these works, some of which form important elements of this nation’s transportation system, and determined that copyright protection *is not necessary to stimulate creativity or prohibit unauthorized reproduction.*<sup>63</sup>

Whether or not copyright protection is needed “to stimulate creativity”—or is sufficiently needed to outweigh any costs that copyright protection would impose (such as, in this example, costs of operating a transportation infrastructure)—is a question that Congress, given its representative character and electoral accountability, is generally better positioned to answer than is a court or the Copyright Office.

## 2. *Congress Can Better Tailor Protection for New Subject Matter*

Congress should specifically decide whether to extend copyright to any new category of subject matter not only because the legislature is the appropriate site for the policy choices involved in such a decision but also because Congress has better tools at its disposal to tailor any protection that it grants. In particular, Congress can better account for notice and retroactivity concerns in granting protection and has more options with respect to the form and scope of protection.

### a) Notice and Retroactivity Concerns

Congress is better positioned than courts or the Copyright Office to deal with issues of notice and retroactivity if copyright is to be extended to a type of creation falling outside the statute’s currently enumerated categories.

If a form of expression isn’t completely new, any particular work in that form (at least any successful work) may well have been copied by some third party once its creator has made it public. Consider, for example, perfume, which has traditionally been understood in the United States as outside the

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63. H.R. REP. NO. 101-735, at 19–20 (1990) (emphasis added).

subject matter of copyright.<sup>64</sup> A perfumer may well find that its successful perfume has been copied by competitors.<sup>65</sup> As a matter of copyright law, of course, that copying would be perfectly lawful: copyright law in no way restricts anyone from copying a creation that is not subject to copyright protection.

What if a perfumer sues a copying competitor, claiming that the competitor's copying infringes a copyright in the copied perfume? Under the current statute, the court could determine that perfume constitutes a "work of authorship" and therefore the plaintiff's perfume comes within the subject matter of copyright protection under the 1976 Act.<sup>66</sup> The court could then conclude that the defendant's act of copying the perfume infringed the plaintiff's exclusive right to reproduce its copyrighted perfume, and could thus hold the defendant liable for copyright infringement. Indeed, if the suing perfumer were to succeed in claiming copyright in its fragrance, anyone who had copied that perfume at any time within the three-year statute of limitations on civil infringement suits<sup>67</sup> could be held liable for copyright infringement, even though at the time the copying occurred, everyone regarded perfume as uncopyrightable under the statute. After all, even someone who in complete good faith copies material she reasonably and genuinely believes to be unprotected by copyright law can be liable for copyright infringement if it turns out that the material she copied was protected, because copyright law imposes liability without regard to the mental state with which the infringer copied the copyrighted work.<sup>68</sup> And, of

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64. The copyright status of perfume elsewhere is somewhat unclear. A recent decision in France has confirmed that perfume is not subject to copyright protection in that country, while a decision in the Netherlands found that copyright law in that nation does protect perfume. GOLDSTEIN & HUGENHOLTZ, *supra* note 21, at 195.

65. See, e.g., Smith v. Chanel, Inc., 402 F.2d 562 (9th Cir. 1968).

66. To qualify for protection, the plaintiff's perfume would have to meet the statutory standards of originality and fixation. The fragrance would appear to meet the statutory definition of fixation, as it is embodied in a material object—the liquid that constitutes the perfume—from which it can be perceived for a period of more than transitory duration. See, e.g., Cartoon Network LP, LLLP v. CSC Holdings, Inc., 536 F.3d 121 (2d Cir. 2008); MAI Sys. Corp. v. Peak Computer Inc., 991 F.2d 511 (9th Cir. 1993). If the plaintiff created the fragrance itself, without copying it from other fragrances, and if the fragrance was minimally creative, then the fragrance would satisfy the originality requirement. Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 345 (1991).

67. 17 U.S.C. § 507(b) (2012). Even if the perfumer had failed to sue copying competitors for many years, laches would apparently not bar the assertion of copyright claims that accrued within the statute of limitations. Petrella v. Metro-Goldwyn-Mayer, 134 S. Ct. 1962 (2014).

68. See, e.g., R. Anthony Reese, *Innocent Infringement in U.S. Copyright Law: A History*, 30 COLUM. J.L. & ARTS 133, 175–83 (2007). Remedies, though, can be affected by the infringer's mental state. *Id.*

course, for any work—in this case, any perfume—first published after February 28, 1989,<sup>69</sup> copies of the work (presumably, in this case, the bottles of the perfume) need not have carried any notice of a claim of copyright.<sup>70</sup> And if the plaintiff perfumer were to prevail on an infringement claim against the defendant in the case establishing perfume as copyrightable, it is hard to see why the plaintiff would not prevail on claims against other copying competitors in subsequent litigation. Even if a court were to conclude that perfume constitutes a “work of authorship” entitled to copyright protection under the statute, penalizing as copyright infringers those who copied other people’s perfumes when those perfumes were uniformly understood to be outside the scope of subject matter protected by copyright seems unfair. But limiting the court’s decision to prospective application would seem quite difficult.

And the retroactive effect of a court decision recognizing one perfumer’s fragrance as copyrightable would seem to extend beyond that particular perfume and that particular producer. At least in the absence of a declaratory judgment action, a plaintiff perfumer’s infringement claim seeking a determination that the copied perfume is copyrightable would necessarily involve a work created and made publicly available before the date on which the court ultimately decided that a perfume could constitute a work of authorship. It is not clear what principle would allow a court to grant protection to a perfume that the plaintiff created before the date of the decision recognizing perfume as copyrightable while also denying protection to perfumes that others created before that same date.

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69. This is the date the Berne Convention Implementation Act amendments to the 1976 Act took effect and made the placement of proper copyright notice on published copies or phonorecords of copyrighted works entirely optional. 1 GOLDSTEIN, *supra* note 2, § 3.4, at 3:41–42.

70. 17 U.S.C. §§ 401–402 (2012). Indeed, even before the 1976 Copyright Act was amended to make notice optional, it is not clear that a published copy of a perfume would have had to bear a copyright notice in order to preserve any copyright protection in the perfume. The 1976 Act as originally enacted only contained provisions requiring notice on “visually perceptible copies,” *Id.* § 401, and on “phonorecords of sound recordings,” *Id.* § 402, and perfume would appear to fall in neither category.

Of course, in order for the original perfume producer to bring an infringement claim, at least if the perfume constituted a “United States work” as defined in the statute, it would have to have registered the claim of copyright, or have attempted to do so and had the attempt rejected by the Copyright Office. *Id.* § 411(a). Such registration, however, could be made after the competitor had begun copying the perfume, so the requirement for registration as a prerequisite to suit would not necessarily provide a copying competitor with advance notice of the claim of copyright in the perfume. In any event, it seems unlikely that competing perfume producers would check the Copyright Office’s registration records before deciding whether to copy another producer’s perfume, given that perfume has widely been understood not to be copyrightable under current U.S. law.

Congress, of course, is well positioned to take into account issues of fair notice to potential copiers and to avoid imposing liability retroactively when it decides to extend copyright protection for the first time to a previously unprotected form of expression. For example, if Congress were to decide that perfume warranted copyright protection and were to amend the statute to extend protection to perfume, it could provide that such protection would only extend to perfumes created on or after the amendment's effective date. Indeed, throughout its history, Congress has generally extended copyright protection to new categories of subject matter only prospectively. For example, when Congress in 1971 amended the 1909 Act to grant protection to sound recordings, it protected only sound recordings fixed on or after February 15, 1972,<sup>71</sup> and in the 1976 Act Congress left the many sound recordings that had been made prior to that date to whatever protection existed under state law.<sup>72</sup> Similarly, when Congress extended protection to architectural works as a separate category of works of authorship in 1990, it essentially limited protection only to "any architectural work created on or after the date of the enactment of this Act."<sup>73</sup> And throughout the nineteenth century, when Congress expanded the scope of copyright protection to include new forms of expression—whether newly enabled by technological development (such as photographs) or newly recognized from among long-established forms of expression (such as musical compositions)—it generally granted protection only prospectively, to works created (or at least first

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71. Sound Recording Amendment Act of 1971, Pub. L. No. 92-140, § 3, 85 Stat. 391, 392 (1971) (repealed 1976).

72. 17 U.S.C. § 301(c) (2012). See also REGISTER OF COPYRIGHTS, U.S. COPYRIGHT OFFICE, FEDERAL COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS 13–14 (2011).

73. Architectural Works Copyright Protection Act, Pub. L. No. 101-650, § 706(1), 104 Stat. 5089, 5134 (1990). With respect to architectural works that were unconstructed and embodied in unpublished plans on the Act's effective date, Congress provided that the work would be protected from the effective date only until Dec. 31, 2002, unless the work was constructed by that date. *Id.* at § 706(2). This treatment was consistent with the approach that the 1976 Act originally took to existing, unpublished works of authorship that had been protected under state law but were brought into federal copyright protection for the first time by the 1976 Act. See 17 U.S.C. § 303(a) (2012); R. Anthony Reese, *Public but Private: Copyright's New Unpublished Public Domain*, 85 TEX. L. REV. 585, 588–91 (2007).

published) after the enactment of the law extending protection.<sup>74</sup> So if new categories of subject matter, such as perfume, are to be recognized, they should be recognized by Congressional action, which can appropriately address the timing of that recognition.

b) Calibrating the Scope of Protection Granted

Another reason why Congress, rather than the Copyright Office or the courts, should decide whether to extend copyright protection to creations not already within the statute's enumerated categories is that if Congress decides to grant protection, it can simultaneously determine the appropriate scope of protection for such creations.

If copyright protection were extended to perfumes, which exclusive rights would the owner of the copyright in a particular perfume have? For example, would the copyright owner have the right to block any derivative work based on that perfume? If a court decision were to recognize a perfume as a copyrightable "work of authorship" falling outside any of the statute's enumerated categories of works, that decision would seem to grant the derivative work right to copyrighted fragrances. The copyright statute grants copyright owners three exclusive rights—to reproduce the work in copies or phonorecords, to distribute copies or phonorecords of the work, and to prepare derivative works based on the copyrighted work—for every kind of

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74. See, e.g., Act of Mar. 3, 1865, ch. 123, § 1, 13 Stat. 540 (repealed 1870) (extending copyright protection to "photographs and the negatives thereof *which shall hereafter be made?*") (emphasis added); Copyright Act of Feb. 8, 1831, ch. 16, § 1, 4 Stat. 436, 436 (repealed 1870) (extending copyright protection to any musical composition "which may be now made or composed, and not printed and published, or shall hereafter be made or composed"). But see Copyright Act of May 31, 1790, ch. 15, § 1, 1 Stat. 124, 124 (repealed 1831) (allowing copyright for works previously created as part of initial creation of federal copyright system). The 1912 amendment to the 1909 Act adding express provisions for copyright protection in motion pictures was silent as to whether it applied to works created before or only after the enactment of the amendment, but motion pictures had already been treated as copyrightable as photographs, so it is not clear that the amendment was extending protection to a new form of copyrightable subject matter. Act of Aug. 24, 1912, ch. 356, 37 Stat. 488, 488 (1912) (repealed 1976).

Presumably Congress might also take account of fairness and retroactivity concerns by extending copyright to works produced *before* the effective date on which Congress grants copyright protection to works in the newly protected form of expression but providing protections to "reliance parties" who had copied such works at a time when such copying did not constitute copyright infringement. Congress took this approach when it restored copyright in foreign works that had fallen into the public domain in the United States for failure to comply with formalities required by U.S. law prior to March 1, 1989. 17 U.S.C. § 106A (2012); see *Golan v. Holder*, 132 S. Ct. 873 (2012) (upholding constitutionality of copyright restoration provisions). But Congress has not generally used this approach when recognizing new types of subject matter as copyrightable.

copyrighted work, regardless of the category of subject matter in which that work falls.<sup>75</sup> As a result, a judicial (or administrative) decision that a fragrance constitutes a work of authorship would allow a perfume's copyright owner to enjoy the reproduction, distribution, and derivative work rights.<sup>76</sup>

Judicial recognition of perfume as a "work of authorship" would thus automatically confer the derivative work right. But if perfume is copyrightable, should a perfume copyright owner have the right to block any derivative work based on that perfume? If Congress, rather than a court, were considering whether to extend copyright protection to a perfume, it might determine that granting perfume copyright owners protection against other people creating derivative versions of their copyrighted perfumes would be unwise. Congress, for example, might decide that courts would find it too difficult to determine whether an allegedly infringing perfume constitutes an "adaptation" of another, copyrighted perfume. And if Congress decided to limit the scope of copyright protection for perfume, it could simply withhold the derivative work right entirely from perfume, as it withheld the public performance right from sound recordings and the public display right from architectural works when it granted copyright protection to those types of works.<sup>77</sup>

Congress could instead decide to grant the derivative work right to fragrances but to limit that right. Congress took this approach for sound recordings in the 1976 Act. While section 106(2) grants the derivative work right to all copyrighted works (including sound recordings), section 114(b) provides that in the case of sound recordings, the derivative work right "is limited to the right to prepare a derivative work in which the actual sounds fixed in the sound recording are rearranged, remixed, or otherwise altered in

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75. 17 U.S.C. § 106(1)–(3) (2012).

76. The perfume copyright owner would not, however, enjoy any public performance or public display rights under sections 106(4), (5), or (6). Those rights are extended only to specified subsets of section 102(a)'s enumerated categories of works, and perfume clearly does not come within any of those categories. *See* 17 U.S.C. § 106(4) (2012) (extending public performance right only to literary, musical, dramatic, and choreographic works and to pantomimes and motion pictures and other audiovisual works); *id.* § 106(6) (extending digital audio transmission public performance right only to sound recordings); *id.* § 106(5) (extending public display right only to literary, musical, dramatic, and choreographic works, to pantomimes, to pictorial, graphic, and sculptural works, and to individual images of motion pictures and other audiovisual works).

77. 17 U.S.C. §§ 106(4), 114(a), 106(5) (2012). The 1976 Act has never granted the general exclusive right of public performance to sound recordings, though in 1995 Congress granted sound recording copyright owners a limited exclusive right to publicly perform their works by means of a digital audio transmission. *Id.* §§ 106(4), 106(6).

sequence or quality.”<sup>78</sup> Similarly, when Congress granted protection to architectural works in 1990, it simultaneously enacted specific limits on the scope of the reproduction, distribution, and derivative work rights in those works.<sup>79</sup> Specific limitations on the copyright owner’s rights might well be justified for forms of expression to which copyright protection is newly granted, and Congress could easily consider such limitations when deciding whether to grant such protection. But again, a court (or the Copyright Office) could not easily impose these limitations as part of a decision determining that an unenumerated form of expression constituted a statutorily protectable work of authorship.

Calibrating the scope of new protection for any type of authorial creation not expressly enumerated in the statute could also go beyond tailoring the exclusive rights and limitations applicable to that type of work. For example, even if Congress chose to grant copyright protection to perfume, it might grant protection for a relatively short term, or only on the condition of compliance with certain formalities.<sup>80</sup> Or, after examining the issues surrounding a particular type of possible subject matter, Congress might decide that the subject matter does not need copyright protection, but that it should receive some more tailored, *sui generis* form of protection against copying. Although such *sui generis* protection is not common in U.S. law, it is not unheard of. Protection short of full copyright already exists for semiconductor mask works and the designs of boat hulls.<sup>81</sup> *Sui generis*

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78. 17 U.S.C. §§ 106(2), 114(b) (2012). Section 114(b) also limits the reproduction right in sound recordings “to the right to duplicate the sound recording in the form of phonorecords or copies that directly or indirectly recapture the actual sounds fixed in the recording” and excludes from the copyright owner’s control “the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording.” *Id.* § 114(b).

79. 17 U.S.C. § 120(a) (2012) (allowing the making, distribution, and public display of pictorial representations of a constructed architectural work if the building embodying it is visible from a public place); *id.* § 120(b) (allowing the owner of a building embodying a copyrighted architectural work to alter or destroy the building without violating the derivative work right in the work).

80. To the extent that international copyright treaties do not require the United States to protect perfume, those treaties’ obligations to grant a minimum term or not to impose formalities would not apply to any copyright protection granted to perfume. *See, e.g.*, GOLDSTEIN & HUGENHOLTZ, *supra* note 21, at 156, 220; 1 RICKETSON & GINSBURG, *supra* note 21, § 8.14, at 412.

81. 17 U.S.C. §§ 901–914 (2012) (mask works); *id.* §§ 1301–1332 (boat hulls). Neither *sui generis* regime has been used much, at least in comparison to copyright.

protection has been proposed in the past for industrial designs generally,<sup>82</sup> and is currently under consideration for fashion design.<sup>83</sup> In considering whether to protect any particular new subject matter, Congress has the power to decide whether to bring that subject matter fully within the existing copyright regime, or whether to grant some other type of protection, which might, for example, last for a much shorter period of time or confer narrower rights.<sup>84</sup> A court or the Copyright Office, on the other hand, faced with a claim that the same subject matter constitutes a “work of authorship” already protected under the copyright statute, would have only a binary choice: the claimed work either is or is not protectable by copyright as a “work of authorship.” A judicial or administrative decision granting copyright protection to a form of expression not expressly enumerated in the statute may overprotect a type of subject matter that Congress would have found needed only a more tailored form of protection.

### *3. Judicial or Administrative Recognition of New Subject Matter Creates Problems If Congress Disagrees*

Even when Congress grants statutory copyright in an undefined, open-ended category such as “works of authorship,” the policy question as to whether a type of work (such as perfume) that falls outside all of the enumerated categories *should* be protected ultimately remains for Congress to determine. But allowing a court or the Copyright Office to answer the question first could complicate Congress’s ultimate determination.

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82. See Title II, S. 22, 94th Cong. (1976) (as passed by Senate, Feb. 19, 1976); 1976 HOUSE REPORT, *supra* note 17, at 49–50 (detailing repeated attempts at adopting *sui generis* protection for industrial designs). Past proposals for *sui generis* protection for databases would have offered protection under the Commerce Clause to subject matter that was outside of Congress’s Copyright Power. See, e.g., Collections of Information Antipiracy Act, H.R. 354, 106th Cong. (1999); Collections of Information Antipiracy Act, H.R. 2652, 105th Cong. (1997); Database Investment and Intellectual Property Antipiracy Act of 1996, H.R. 3531, 104th Cong. (1996). If enacted, this protection would not have represented a choice by Congress to offer a separate *sui generis* regime instead of full copyright protection, since Congress could not have offered copyright protection to facts in databases or to selections and/or arrangements of facts that were not minimally creative. *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 345–51 (1991).

83. See, e.g., Innovative Design Protection Act, S. 3523, 112th Cong. (2012); Design Piracy Prohibition Act, H.R. 2511, 112th Cong. (2011); Innovative Design Protection and Piracy Prevention Act, S. 3728, 111th Cong. (2010); Design Piracy Prohibition Act, H.R. 2196, 111th Cong. (2009); Design Piracy Prohibition Act, S. 1957, 110th Cong. (2007); Design Piracy Prohibition Act, H.R. 2033, 110th Cong. (2007); H.R. 5055, 109th Cong. (2006).

84. For example, Congress granted boat hull designs protection only for ten years, 17 U.S.C. § 1305 (2012), and excluded from infringement acts committed without certain types of knowledge, *id.* § 1309(c).

For example, if a court were to decide that perfume constitutes a protectable “work of authorship,” Congress, of course, could consider the issue itself, and it might determine that copyright protection for perfume is not justified. Congress could then amend the statute in order to clarify that perfume does not constitute a protectable “work of authorship.”<sup>85</sup> But how should Congress then deal with the claims of perfume copyright made after the judicial decision and before the Congressional amendment? What of any licensing agreements made in the interim, and the money that has changed hands in any transfers of perfume copyrights? Should Congress provide that those “interim” claims are not valid? If it does so, would that work a taking that would require compensation to owners of copyright in perfumes created before Congress had amended the statute? Should Congress instead preserve the “interim” claims but not recognize any copyright claim to any perfume created after the statute is amended, creating a patchwork of protected and unprotected fragrances?

Congress can avoid these problems by not giving courts or the Copyright Office the authority to recognize protection for unenumerated categories of works of authorship. And these problems do not arise in the inverse scenario. If copyrightable subject matter is limited to the categories of works enumerated in the statute, then if and when Congress takes up the question of copyright protection for an additional type of work, it would be writing on a blank slate, without any issues of “interim” copyright claims to address.

#### *4. Congress Can Allow Judicial and Administrative Flexibility without Protecting Unenumerated Categories of Authorship*

As the previous sections show, allowing courts or the Copyright Office to declare that copyright protects statutorily unenumerated types of creations presents a number of potential difficulties. Accepting those difficulties might nonetheless make sense if they were the necessary price for keeping Congress from frequently having to decide whether to amend the statute to grant protection to additional forms of expression. Before the 1909 Act, Congressional action was generally needed to recognize new copyrightable subject matter, because copyright statutes identified the subject matter under their protection in relatively narrow terms. When the statute protected only books, maps, charts, musical compositions, and prints and engravings, it would have been difficult to argue, for example, that sculptures or photographs were entitled to copyright protection, and amending the statute

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85. Congress might instead, as noted above, create a *sui generis* regime that it views as more appropriate than copyright if it is convinced that creators of perfumes need some protection.

was likely necessary to protect them. Modern copyright law should be more flexible, but such flexibility can be achieved without an open-ended Congressional grant of protection in unnamed categories of works of authorship.

Two kinds of flexibility seem important. First, for a form of creative expression that was known when Congress enacted the copyright statute (such as, for example, sandcastles), Congress may neither have expressly identified that form as copyrightable nor expressly indicated it was withholding protection from that form.<sup>86</sup> It seems unwise to require Congress to identify by name every particular form of creative expression to which it wishes to extend protection, and courts and the Copyright Office ought to have the flexibility to determine that a particular form of expression not specifically named in the statute is within the scope of copyright protection already granted by Congress.

Congress, though, can achieve this judicial and administrative flexibility without granting open-ended copyright protection to unnamed *categories* of works. Congress need merely continue the approach, taken in the 1976 Act, of enumerating the protected categories of authorship in broad, conceptual terms. For example, current law protects textual material primarily in the broad category of “literary works,” in contrast to the 1909 Act, which protected textual material primarily in the more narrow categories of books, including composite and cyclopædic works, directories, gazetteers, and other compilations; periodicals, including newspapers; and lectures, sermons, or addresses prepared for oral delivery.<sup>87</sup> And the current statute defines the category in very broad terms, as any work “expressed in words, numbers, or other verbal or numerical symbols or indicia.”<sup>88</sup>

Enumerating protected categories of authorship in broad, conceptual terms will extend protection to many authorial creations that may not have been conventionally considered copyrightable and that may not have been

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86. Such express indication could come in the statute itself, as in the definitions of many of the categories enumerated in § 102(a). Or it could come in the legislative history, as in the declaration in the 1976 House Report that the committee reporting the copyright revision bill “has considered, but chosen to defer, the possibility of protecting the design of typefaces.” 1976 HOUSE REPORT, *supra* note 17, at 55.

87. See Copyright Act of Mar. 4, 1909, ch. 320, § 5(a)–(c), 35 Stat. 1075, 1076 (repealed 1976). In both cases, some textual works, such as the dialog of a play or the lyrics of a song, would be protected primarily as dramatic or musical works, respectively. See also Pamela Samuelson, *Are Gardens, Synthetic DNA, Yoga Sequences, and Fashions Copyrightable?*, at 19, [http://www.law.berkeley.edu/files/Samuelson\\_Oct\\_14\\_cop\\_subject\\_matter.pdf](http://www.law.berkeley.edu/files/Samuelson_Oct_14_cop_subject_matter.pdf) (last visited May 16, 2014) (noting that the 1976 Act “shifted away from artifact-specific subject matters (e.g., books) to more abstract conceptions of them (e.g., ‘literary works’ . . .’)).

88. 17 U.S.C. § 101 (2012) (“literary works”).

expressly considered by Congress in drafting the statute, but that nonetheless fit within at least one of the broadly defined categories. Take the question of whether the current statute can protect a sandcastle. People were making sandcastles long before the 1976 Act was adopted, but there is no indication that Congress ever considered the copyrightability of sandcastles in its two decades of work on the 1976 Act. Nonetheless, it is relatively easy to conclude that a sandcastle is currently within the subject matter of copyright. Although the statute never mentions sandcastles expressly, it specifically grants protection to “pictorial, graphic, and sculptural works,” which it defines to include “three-dimensional works of fine, graphic, and applied art.”<sup>89</sup> A sandcastle seems to constitute a sculptural work<sup>90</sup> and to come within that term’s definition as a three-dimensional work of art. Any particular sandcastle, of course, would need to meet other requirements in order to obtain copyright protection—most importantly, the castle would need to be original and fixed.<sup>91</sup> But the analysis of whether the sandcastle’s creator is making a claim to something that constitutes a work of authorship within the scope of copyright protection seems relatively straightforward, given Congress’s grant of protection to the broadly defined category of pictorial, graphic, and sculptural works.

A second type of flexibility that seems desirable is the flexibility to protect creative works that are *embodied* in new technological forms that may have been unknown at the time that Congress enacted the copyright statute. Courts and the Copyright Office should be able to protect such works without the need for congressional amendment of the statute. Particularly in an age of rapid technological advances, it seems unwise to require Congress to affirmatively act to protect creative expression each time a new medium is developed to embody that expression. Again, however, Congress can provide this judicial and administrative flexibility by enumerating and defining the

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89. *Id.* § 101 (“pictorial, graphic, and sculptural works”).

90. The statute does not define “sculptural work,” but the Copyright Office has expressed a view on what constitutes sculptural authorship and that view seems to encompass a sandcastle: “If the expression is sculptural, the authorship could, for example, be expressed by means of carving, cutting, molding, casting, shaping, or otherwise processing the material into a three-dimensional work of sculpture.” U.S. COPYRIGHT OFFICE, COMPENDIUM II OF COPYRIGHT OFFICE PRACTICES § 503.02 (1984).

91. People create spectacularly elaborate sandcastles, which seem likely to qualify as independently created and minimally creative, and thus original. See, e.g., U.S. SAND SCULPTING CHALLENGE, <http://www.ussandsculpting.com/> (last visited Aug. 22, 2014); LUCINDA WIERENGA, SANDCASTLES MADE SIMPLE: STEP-BY-STEP INSTRUCTIONS, TIPS, AND TRICKS FOR BUILDING SENSATIONAL SAND CREATIONS (2009). Photographs of completed sandcastles would seem to satisfy the fixation requirement of 17 U.S.C. § 102(a).

protected categories of works of authorship in media- and technology-neutral terms.

Consider, for example, the question of whether a textual webpage or blog post is protectable by copyright. The World Wide Web was, of course, unknown when Congress adopted the 1976 Act.<sup>92</sup> Nevertheless, the statute makes it easy to conclude that the webpage is within copyright's subject matter. Again, this is in part because the statute enumerates and defines the protected categories of authorship in broad terms, and the text on the webpage easily satisfies the definition of a "literary work" as a work "expressed in words, numbers, or other verbal or numerical symbols or indicia."<sup>93</sup>

But does it matter that the text on the webpage may never have been printed on a piece of paper, the way more traditional literary works were? As the current statute demonstrates, new technological forms for storing and accessing authors' works need not pose problems of copyrightability that would require extending protection to unenumerated categories of works. The current definition of "literary works" itself encompasses those works "regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied."<sup>94</sup> Even without that portion of the definition,<sup>95</sup> the electronic

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92. The Copyright Office had, in the 1960s, foreseen the possible development of connected computer networks that could widely transmit copyrighted material. See R. Anthony Reese, *The Public Display Right: The Copyright Act's Neglected Solution to the Controversy over RAM "Copies"*, 2001 U. ILL. L. REV. 83, 99–100.

93. 17 U.S.C. § 101 (2012) ("literary works"). The question might have been more difficult if it had arisen under the 1909 Act. None of the administrative classes of protected works appears obviously to include the webpage. Only four classes covered texts, and the webpage would not likely constitute a dramatic composition or a lecture, sermon, or address prepared for oral delivery. Copyright Act of Mar. 4, 1909, ch. 320, § 5(c)–(d), 35 Stat. 1075, 1076 (repealed 1976). Perhaps the webpage could be protected as a periodical, *id.* § 5(b), though the Copyright Office interpretation of that classification required that issues of the periodical appear "at regular intervals of less than a year," which might or might not apply to the webpage. U.S. COPYRIGHT OFFICE, COMPENDIUM OF COPYRIGHT OFFICE PRACTICES § 2.3.2.I, 2-125 (1973) ("Periodicals registrable in Class B include newspapers, magazines, reviews, bulletins, etc. issued at regular intervals of less than a year, the successive issues bearing the same title (with a distinguishing number or date for each issue) and being similar in the general character of their subject matter."). The webpage seems most likely to be copyrightable under the 1909 Act only on a very broad reading of the statutory term "book"—broader than most ordinary understandings of that word—which the Copyright Office appears to have taken. See MARGARET NICHOLSON, A MANUAL OF COPYRIGHT PRACTICE FOR WRITERS, PUBLISHERS, AND AGENTS 74 (2d ed. 1956) (the term "books" in § 5(a) of the 1909 Act "includes almost any embodiment of an idea in readable form").

94. 17 U.S.C. § 101 (2012) ("literary works").

95. The definitions of audiovisual works and of sound recordings contain similar language. *Id.* § 101.

storage and display of the text on the webpage would not prevent the text from being a protectable literary work, since section 102 extends protection to works of authorship “fixed in any tangible medium of expression, *now known or later developed*, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device,”<sup>96</sup> and the computerized storage and display of the webpage would certainly meet that fixation requirement.

The 1976 Act is technology-neutral with regard to the physical form in which a work is embodied and accepts forms enabled by technologies developed after the statute was adopted (and even entirely unforeseeable to the statute’s drafters). The Act also enumerates the categories of protected works of authorship in broad, conceptual terms. As a result, changes in technology over the last forty years have not generally raised hard questions for determining what subject matter copyright protects. Indeed, despite the fact that the years since 1978 have seen enormous technological development in the ways in which authorial creativity is expressed and embodied, there has been remarkably little controversy over whether new digital forms of expression fall within copyright’s subject matter and little need for Congress to act to expand copyright’s subject matter to cover those new forms. Many other questions may arise—for example, is a videogame sufficiently fixed for protection if the displays change with every player’s game play?<sup>97</sup>—but the existing statute has happily had little trouble in recognizing new digital forms for embodying literary, musical, dramatic, pictorial, graphic, sculptural, and audiovisual works as protectable subject matter. And it has done so by reference to the enumerated categories of protectable works of authorship, rather than by interpreting the residual category of “works of authorship” to extend to some unenumerated form of expression.

This process shows every sign of continuing. Consider the immersive virtual-reality environments created by headsets such as the Oculus Rift, made by a company that Facebook acquired last year. The *New York Times* described the Rift as “a boxy set of goggles that envelops the eyes of its wearers, completely surrounding their field of view with high-resolution screens that create 3-D images.”<sup>98</sup> These images seem to fit comfortably within copyright under current law as “audiovisual works,” which the statute defines as

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96. *Id.* § 102(a) (emphasis added).

97. See, e.g., *M. Kramer Mfg. Co. v. Andrews*, 783 F.2d 421, 440–42 (4th Cir. 1986); *Stern Elecs., Inc. v. Kaufman*, 669 F.2d 852, 855–57 (2d Cir. 1982); *Williams Elecs., Inc. v. Artic Int’l, Inc.*, 685 F.2d 870, 873–74 (3d Cir. 1982).

98. Nick Wingfield & Vindu Goel, *Facebook in \$2 Billion Deal For Virtual Reality Company*, N.Y. TIMES, Mar. 26, 2014, at B1, B4.

works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.<sup>99</sup>

Thus, the broad scope of the statute's enumerated categories of works of authorship and the definitional acceptance of new technological forms for embodying creative expression significantly diminish the need for Congress to grant copyright protection to some residual undefined category of "works of authorship" in order to prevent the statute's coverage from being frozen at one particular technological moment.<sup>100</sup> To the extent that technological development enables a new form of authorial expression that falls outside all of the numerous and broadly defined categories of protected works enumerated in the statute, Congress (rather than the courts or the Copyright Office) *should* make the initial determination of whether copyright protection is appropriate for that new form of expression.

##### *5. Courts and the Copyright Office Have Generally Declined Congressional Invitations to Recognize Copyright in Statutorily Unenumerated Subject Matter*

Past experience suggests that an open-ended statutory designation of potentially copyrightable subject matter beyond specifically enumerated categories may not likely be interpreted as granting copyright protection to works outside those categories. Since 1909, the copyright statute has been drafted in ways that would allow courts and the Copyright Office to recognize as copyrightable types of subject matter that Congress did not expressly enumerate in the statute. For more than a century, however, neither the courts nor the Copyright Office has taken up these Congressional invitations.

In section 4 of the 1909 Act, Congress defined the statutory subject matter of copyright as "all the writings of an author,"<sup>101</sup> and expressly noted that the specific administrative classes of work identified in section 5 of the

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99. 17 U.S.C. § 101 (2012) ("audiovisual works").

100. If Congress's goal in using the open-ended term "works of authorship" was not "to freeze the scope of copyrightable subject matter at the present stage of communications technology," 1976 HOUSE REPORT, *supra* note 17, at 51 (as corrected by 122 CONG. REC. H10727 (daily ed. Sept. 21, 1976)), then Congress in fact seems to have achieved that goal better by its use of broad conceptual categories and technology-neutral definitions than by leaving "works of authorship" undefined.

101. Copyright Act of Mar. 4, 1909, ch. 320, § 4, 35 Stat. 1075, 1076 (repealed 1976).

statute “shall not be held to limit the subject-matter of copyright.”<sup>102</sup> Nevertheless, courts and the Copyright Office interpreted the 1909 Act as *not* extending protection to *all* of the “Writings” of “Authors” within Congress’s constitutional power to protect.<sup>103</sup> In particular, courts declined to read the statute’s broad declaration of subject matter as granting copyright protection to sound recordings, which were not a class specifically enumerated in the statute but which courts did view as “Writings” of “Authors” within Congress’s constitutional power.<sup>104</sup> Courts and the Copyright Office essentially viewed the scope of statutory subject matter under the 1909 Act as coextensive with the list of enumerated administrative classes.<sup>105</sup> As the Register of Copyrights observed in 1961, “[f]or all practical purposes, section 5 has operated as a list of the categories of works capable of being copyrighted.”<sup>106</sup>

Indeed, even when a new form of expression—the computer program—was enabled by technological advances unforeseen in the drafting of the 1909 Act, the Copyright Office did not register computer programs as a “writing” of an “author” within the meaning of section 4, but falling outside any of the enumerated administrative classes in section 5. Instead, the Office chose to register computer programs in the administrative class of “books,” noting that “a computer program, as far as classification for registration is concerned, is similar to a ‘book,’ in that it contains a series of instructions

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102. *Id.* § 5.

103. See Staff of N.Y.U. Law Review, *supra* note 11, at 74–76; Capitol Records, Inc. v. Mercury Record Corp., 221 F.2d 657, 661 (2d Cir. 1955).

104. Capitol Records, Inc. v. Mercury Record Corp., 221 F.2d 657, 660–61 (2d Cir. 1955). In addition, courts and the Copyright Office apparently did not read section 4’s grant of protection for “all the writings of an author” as extending protection to choreographic works that did not qualify in the expressly enumerated category of “dramatic works,” although such nondramatic choreographic works fall comfortably within the scope of Congress’s constitutional copyright power, as reflected by their accepted protection under the 1976 Act. Borge Varmer, *Copyright in Choreographic Works (Study No. 28)*, in STAFF OF S. COMM. ON THE JUDICIARY, 86TH CONG., COPYRIGHT LAW REVISION: STUDIES PREPARED FOR THE SUBCOMMITTEE ON PATENTS, TRADEMARKS AND COPYRIGHTS OF THE COMMITTEE ON THE JUDICIARY, STUDIES 26–28, at 94–96 (Comm. Print 1961).

105. STAFF OF H. COMM. ON THE JUDICIARY, 87TH CONG., COPYRIGHT LAW REVISION, REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 10 (Comm. Print 1961) [hereinafter REGISTER’S REPORT] (“[A]ll works that have been held copyrightable under the [1909 Act] can be fitted into the classes enumerated in section 5.”).

106. REGISTER’S REPORT, *supra* note 105, at 11. But see *Deutsch v. Arnold*, 98 F.2d 686, 688 (2d Cir. 1938) (concluding that a chart for analyzing handwriting “would seem to be a book [under Copyright Office regulations], but whether a book or not it certainly comes within the definition of ‘all the writings of an author’ described in Section 4 which is not limited to the classes in Section 5 because of the express terms of the latter section”).

related to the operation of a computer to achieve a particularized result; . . . it is really a ‘How to Do It’ book.”<sup>107</sup> However far the drafters of the 1909 Act intended “all the writings of an author” to extend beyond the enumerated administrative classes, those charged with interpreting the act did not read that phrase as generally protecting works outside of those classes.

In the 1976 Act, Congress again made it possible for a court or the Copyright Office to interpret the statute as granting copyright protection to subject matter not expressly enumerated in the statute. The 1976 Act abandoned the “all the writings of an author” formula, in order to make clear that Congress was not exhausting the full scope of its constitutional power.<sup>108</sup> But in defining copyright’s subject matter as “works of authorship,” and listing specific categories as illustrative but not limitative, Congress indicated that other, unenumerated categories of works of authorship *could* be recognized as copyrightable, and the legislative history confirms this statutory reading:

Authors are continually finding new ways of expressing themselves, but it is impossible to foresee the forms that these new expressive methods will take. The bill does not intend either to freeze the scope of copyrightable subject matter at the present stage of communications technology or to allow unlimited expansion into areas completely outside the present congressional intent. Section 102 implies neither that that subject matter is unlimited nor that new forms of expression within that general area of subject matter would necessarily be unprotected.<sup>109</sup>

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107. George D. Cary, *Copyright Registration and Computer Programs*, 11 BULL. COPYRIGHT SOC’Y 363, 366 (1964). Cary recounts the Copyright Office’s consideration of whether a computer program constituted the “writing” of an “author,” but he frames that consideration solely in terms of deciding whether a computer program was within the *constitutional* copyright power and not in terms of whether it constituted one of the “writings of an author” identified in section 4 of the 1909 Act as protected subject matter under the statute. *Id.* at 363–65.

108. 1976 HOUSE REPORT, *supra* note 17, at 51 (“In using the phrase ‘original works of authorship,’ rather than ‘all the writings of an author’ now in section 4 of the statute, the committee’s purpose is to avoid exhausting the constitutional power of Congress to legislate in this field, and to eliminate the uncertainties arising from the latter phrase. Since the present statutory language is substantially the same as the empowering language of the Constitution, a recurring question has been whether the statutory and the constitutional provisions are coextensive. . . . [C]ourts have indicated that ‘all the writings of an author’ under the present statute is narrower in scope than the ‘writings’ of ‘authors’ referred to in the Constitution. The bill avoids this dilemma by using a different phrase—“original works of authorship”—in characterizing the general subject matter of statutory copyright protection.”).

109. 1976 HOUSE REPORT, *supra* note 17, at 51 (as corrected by 122 CONG. REC. H10727 (daily ed. Sept. 21, 1976)).

The historic expansion of copyright has also applied to forms of expression which, although in existence for generations or centuries, have only gradually come to be recognized as creative and worthy of protection. . . . Although the coverage of the present statute is very broad, and would be broadened further by the explicit recognition of all forms of choreography, there are unquestionably other areas of existing subject matter that this bill does not propose to protect but that future Congresses may want to.<sup>110</sup>

The legislative history makes clear that, at least with respect to new forms of expression enabled by technological development, Congress intended neither to exclude those new forms categorically from copyright protection nor to include them automatically in copyright. The House Report, though, offers no guidance whatsoever on how to determine *whether* copyright protects creations in a particular new form of expression enabled by technological progress. Would granting protection constitute “unlimited expansion into areas completely outside the present congressional intent”?<sup>111</sup> Or would denying protection contradict Congress’s view that new forms of expression are not necessarily unprotected under the current statute? New forms of expression *might* constitute “works of authorship,” and thus be protectable by copyright—Congress just didn’t give the Copyright Office or the courts any guidance in how to decide, in any particular instance, *whether* the new expressive form is protectable.<sup>112</sup>

Nevertheless, to date no court has held that copyright protection under the current statute extends to a type of subject matter outside of all of the enumerated categories in section 102(a). And just two years ago the Copyright Office took the position that section 102 grants flexibility in interpreting “*the scope* of the categories designated by Congress in section 102(a)” but does “not delegate authority to the courts [or the Copyright Office] to create new categories of authorship.”<sup>113</sup> Instead, the Office

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110. 1976 HOUSE REPORT, *supra* note 17, at 51–52.

111. *Id.*

112. Pam Samuelson has suggested five criteria that courts and the Copyright Office should use to decide whether a work outside of all the enumerated categories should be a protectable “work of authorship.” Pamela Samuelson, *Are Gardens, Synthetic DNA, Yoga Sequences, and Fashions Copyrightable?*, at 20–23, [http://www.law.berkeley.edu/files/Samuelson\\_Oct\\_14\\_cop\\_subject\\_matter.pdf](http://www.law.berkeley.edu/files/Samuelson_Oct_14_cop_subject_matter.pdf) (last visited May 16, 2014). I have argued that the statute can be interpreted not to allow courts or the Copyright Office to find that forms of expression known to Congress at the time it adopted the 1976 Copyright Act but falling outside the statute’s enumerated categories constitute protectable “works of authorship.” R. Anthony Reese, *What Is a “Work of Authorship”?* (on file with author).

113. Registration of Claims to Copyright, 77 Fed. Reg. 37,605, 37,607 (Jun. 22, 2012).

concluded that Congress “reserved . . . to itself” the ability to recognize new categories of authorship and has announced that it will not register claims of copyright in material that falls outside all of the eight expressly enumerated categories.<sup>114</sup> For the reasons noted above, this interpretation seems like a prudent approach for the agency to adopt, though not one compelled by the language and legislative history of the statute. The experiment of giving courts leeway to recognize as copyrightable works that Congress did not expressly identify as such has thus been no more productive under the 1976 Act than it was under the 1909 Act.

In sum, for over a century, courts and the Copyright Office have remained extremely reluctant to tread new paths in the territory of copyrightable subject matter where Congress has not clearly marked the way. The 1976 Act’s approach of defining copyright’s subject matter using broad, technology-neutral categories has proven quite capable of giving courts and the Copyright Office sufficient flexibility to provide copyright protection to works embodied in new media of expression enabled by technological developments, as well as to older forms of expression apparently not expressly contemplated as copyrightable at the time the statute was framed. Given the potential problems described above with allowing courts or the Copyright Office to recognize additional *categories* of works of authorship as protectable, the advice of the Register of Copyright at the beginning of the last, quarter-century long statutory revision process seems equally relevant today: “[w]e believe that the extension of the copyright statute to entirely new areas of subject matter should be left to the determination of Congress rather than to the chance interpretation of an omnibus [statutory] provision.”<sup>115</sup>

#### B. CONGRESS SHOULD NOT EXHAUST ITS CONSTITUTIONAL COPYRIGHT POWER

My second proposed revision principle is a corollary of the first: because Congress should affirmatively decide which subject matter it wishes to protect by copyright, and should protect only that subject matter, Congress should not take the route of simply granting protection to all of the subject matter that the Constitution would empower it to protect. A common thread runs throughout the 225-year history of copyright in the United States: Congress has never effectively exercised the full subject-matter scope of its *constitutional* copyright power. This principle continues that approach, because

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114. *Id.* That policy statement expressly addresses only claims in *compilations* of materials that fall outside all of the enumerated categories, but its interpretive conclusion applies with equal force to noncompilations.

115. REGISTER’S REPORT, *supra* note 105 , at 11.

as discussed in Section III.A, simply granting blanket protection to everything that might qualify as copyrightable under the Constitution, without the opportunity to address issues of the need for protection (and the scope of and limits on that protection) for particular kinds of subject matter, may cause mischief.

The Constitution's Copyright Clause authorizes Congress to grant to "Authors" exclusive rights to their "Writings." Although opportunities for interpreting these terms have arisen only infrequently, the Supreme Court has on a few occasions addressed what constitutes an author's writing for purposes of the clause, both in considering Congressional grants (or the possibility of Congressional grants) of protection to relatively new forms of creative expression such as photographs<sup>116</sup> or sound recordings,<sup>117</sup> and also in delineating the subject matter of copyright protection from the subject matter of other types of intellectual property protection.<sup>118</sup> In those instances, the Court has generally interpreted the subject matter of Congress's copyright power quite generously. In *Burrow-Giles*, the Court read the word "Author" in the Intellectual Property Clause to mean "he to whom anything owes its origin; originator; maker; one who completes a work of science or literature,'"<sup>119</sup> and concluded that "[b]y writings in that clause is meant the literary productions of those authors," which include "all forms of writing, printing, engraving, etching, & c., by which the ideas in the mind of the author are given visible expression."<sup>120</sup> Nearly a century later, the Court expanded its understanding of "writings" beyond the "visible" to include "any physical rendering of the fruits of creative intellectual or aesthetic labor."<sup>121</sup> Under the Supreme Court's interpretations, then, the subject matter to which Congress can grant copyright protection is extremely broad.<sup>122</sup>

Congress, though, has apparently never granted copyright protection to all of the "Writings" of "Authors" that it *could* protect under the Constitution. Congress might have tried to do so in the 1909 Act, when it chose statutory language identical to the constitutional terms and granted

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116. *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 56–61 (1884).

117. *Goldstein v. California*, 412 U.S. 546, 561–62 (1973).

118. *Trade-Mark Cases*, 100 U.S. 82 (1879).

119. *Burrow-Giles*, 111 U.S. at 58 (1884) (quoting Worcester).

120. *Id.* (emphasis added).

121. *Goldstein v. California*, 412 U.S. 546, 561 (1973) (emphasis added).

122. The constitutional subject matter of copyright is not, however, unlimited. See, e.g., *Trade-Mark Cases*, 100 U.S. 82 (1879); *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340 (1991).

copyright protection to “all the writings of an author.”<sup>123</sup> Courts and commentators reading the 1909 Act faced the question of whether the statutory scope of subject matter under the act was coextensive with the scope of Congress’s constitutional power.

At least one copyright treatise took the position that the two were coextensive.<sup>124</sup> Learned Hand also took that position as a district judge in 1921, noting the expansive language of section 4 and the proviso that section 5’s enumerated administrative categories did not limit that expansive language: “[t]he act must therefore be understood as meaning to cover all those compositions which, under the Constitution, can be copyrighted at all.”<sup>125</sup> Three decades later, however, Judge Hand, on the Second Circuit, took a different view in a case involving phonograph records.<sup>126</sup> He concluded that a sound recording could indeed be a “Writing” of an “Author” that Congress *could* constitutionally protect by copyright. He explained that “[s]ection 4, if read literally, would leave no doubt that the Act covers all that can constitutionally be copyrighted,” and he noted (citing, among other sources, his own 1921 decision) that “it has been so assumed on occasions where the statute did not elsewhere disclose an opposite intent.”<sup>127</sup> But at least with respect to sound recordings, he concluded that

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123. Copyright Act of Mar. 4, 1909, ch. 320, § 4, 35 Stat. 1075, 1076 (repealed 1976). For a discussion of whether Congress in fact intended to exhaust its constitutional power, see Staff of N.Y.U. Law Review, *supra* note 11, at 74–76.

124. ARTHUR W. WEIL, AMERICAN COPYRIGHT LAW 181 (1917) (“Congress has, by using the very words which are used in the section of the Constitution from which it drew the power to pass this Act, shown its intention to exercise that power with respect to all matter in which it could allow copyright constitutionally.”).

125. *Reiss v. Nat'l Quotation Bureau, Inc.*, 276 F. 717, 718 (S.D.N.Y. 1921). At issue in *Reiss* was a book consisting of 6325 consecutively numbered coined five-letter pronounceable words with no meaning, for use in creating a cable code. *Id.* at 717–18. The constitutional analysis in *Reiss* does not really seem to address the issue of copyrightable *subject matter*, as there seems little doubt that the plaintiff’s work constituted a “book,” and Congress unarguably intended the 1909 Act to protect books, which were the first enumerated class in section 5 for registration purposes. Copyright Act of Mar. 4, 1909, ch. 320, § 5(a), 35 Stat. 1075, 1076 (repealed 1976). The real issue in *Reiss* seems to be whether this particular type of book—one that simply listed thousands of words with no meaning—was a book capable of copyright protection, and on that question, the court’s conclusion that the *standards* for copyright protection under the 1909 Act were identical to the constitutional standards seems unremarkable. *See, e.g., Feist Publ’ns, Inc.*, 499 U.S. at 344–51, 354–61 (1991) (concluding that 1976 Act provisions on standards for protectability and scope of protection for factual compilations were identical to those the Court identified in the Copyright Clause).

126. *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657, 664 (2d Cir. 1955) (Hand, J., dissenting).

127. *Id.* at 664 (Hand, J., dissenting) (citing, *inter alia*, *Reiss v. Nat'l Quotation Bureau, Inc.*, 276 F. 717 (S.D.N.Y. 1921) (Hand, J.)).

other provisions in the 1909 Act<sup>128</sup> implied a Congressional purpose in drafting the statute *not* to extend copyright protection to sound recordings despite the constitutional power to do so: “I think that the records [at issue in the case], though they are “Writings” under the Constitution, could not have been copyrighted under the [1909] Act.”<sup>129</sup>

Ultimately, the general view of courts,<sup>130</sup> the Copyright Office,<sup>131</sup> and commentators<sup>132</sup> seems to have been that the 1909 Act did not extend copyright protection to all subject matter that Congress could protect under the Constitution, evidenced at least by the refusal of courts and the Copyright Office to read the 1909 Act as protecting sound recordings. Actual case decisions involving other types of potentially protectable “writings” that did not come within the enumerated statutory classes appear to have been rare.<sup>133</sup>

Any remaining uncertainty about whether the copyright statute did protect everything Congress could protect ended in 1978. In adopting the 1976 Act, Congress made clear that the scope of subject matter protected under the statute is narrower than the full scope of constitutional subject matter. The legislative history of the 1976 Copyright Act expressly states that Congress deliberately chose not to exercise its full constitutional authority but chose instead to grant copyright only to a more limited subset of

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128. In particular, the compulsory mechanical license allowing the licensee to make a recording of a copyrighted musical composition.

129. *Capitol Records*, 221 F.2d at 665 (Hand, J., dissenting). Hand noted: “[t]rue, it is a serious matter to impose implied limitations upon the words of a statute that apparently express the deliberate purpose of exercising a constitutional power to its full scope; nevertheless, this appears to me to be an occasion when we are forced to do so.” *Id.*

130. *Capitol Records*, 221 F.2d at 660–62; see also Barbara Ringer, *The Unauthorized Duplication of Sound Recordings* (Study No. 26), in STAFF OF S. COMM. ON THE JUDICIARY, 86TH CONG., COPYRIGHT LAW REVISION: STUDIES PREPARED FOR THE SUBCOMMITTEE ON PATENTS, TRADEMARKS AND COPYRIGHTS OF THE COMMITTEE ON THE JUDICIARY, STUDIES 26–28, at 5–6 (Comm. Print 1961) (discussing cases prior to *Capitol Records* in which courts considered, but did not squarely face, the question).

131. Staff of N.Y.U. Law Review, *supra* note 11, at 75.

132. See Zechariah Chafee, Jr., *Reflections on the Law of Copyright: II*, 45 COLUM. L. REV. 719 (1945), 734–36 (concluding that Congress could protect phonograph records under the Constitution but that the 1909 Act should be interpreted not to protect them); 1 HERBERT ALLEN HOWELL & ALAN LATMAN, HOWELL’S COPYRIGHT LAW 16–17 (4th ed. rev. 1962); see also Barbara Ringer, *The Unauthorized Duplication of Sound Recordings* (Study No. 26), in STAFF OF S. COMM. ON THE JUDICIARY, 86TH CONG., COPYRIGHT LAW REVISION: STUDIES PREPARED FOR THE SUBCOMMITTEE ON PATENTS, TRADEMARKS AND COPYRIGHTS OF THE COMMITTEE ON THE JUDICIARY, STUDIES 26–28, at 6 (Comm. Print 1961) (“With two exceptions, virtually every commentator on the subject assumed or stated that performances and recordings are uncopyrightable” under the 1909 Act.).

133. See, e.g., the discussion of Reiss, *supra* note 125; see also text accompanying note 107, *supra* (computer programs).

constitutionally copyrightable material. The committee reports accompanying the 1976 Act explain that the phrase “works of authorship” is *not* synonymous with the constitutional terms “Writings” of “Authors.”<sup>134</sup> The drafters of the 1976 Act thus stated very clearly that the “works of authorship” protected under the statute do not encompass every writing of an author as those constitutional terms are understood.

So Congress appears never to have effectively granted copyright protection to every possible “Writing” that it could protect under the Constitution’s Copyright Clause. Instead, Congress has exercised its copyright power and actually granted copyright protection to particular kinds of “Writings”—particular subject matter—only when it has been persuaded that protection is necessary to encourage the creation and dissemination of a sufficient quantity and quality of such subject matter, or is necessary to fulfill the international copyright obligations of the United States, or both. In drafting a new copyright act, Congress should continue that approach and expressly enumerate which types of works the statute protects, rather than simply granting protection to every possible “Writing” that the Constitution empowers it to protect.

#### C. CONGRESS SHOULD DEFINE ALL ENUMERATED CATEGORIES OF PROTECTED WORKS

The third revision principle requires that in a revised Copyright Act Congress should define each category of works of authorship to which it grants protection. The current statute defines five of the eight enumerated

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134. The House Report explained the distinction and its motivation:

In using the phrase “original works of authorship,” rather than “all the writings of an author” now in section 4 of [the 1909 Act], the committee’s purpose is to avoid exhausting the constitutional power of Congress to legislate in this field, and to eliminate the uncertainties arising from the latter phrase. Since the present statutory language is substantially the same as the empowering language of the Constitution, a recurring question has been whether the statutory and the constitutional provisions are coextensive. If so, the courts would be faced with the alternative of holding copyrightable something that Congress clearly did not intend to protect [when it enacted the 1909 Copyright Act], or of holding constitutionally incapable of copyright something that Congress might one day want to protect. To avoid these equally undesirable results, the courts have indicated that “all the writings of an author” under the present statute is narrower in scope than the “writings” of “authors” referred to in the Constitution. The bill avoids this dilemma by using a different phrase—“original works of authorship”—in characterizing the general subject matter of statutory copyright protection.

1976 HOUSE REPORT, *supra* note 17, at 51.

categories of works, but Congress purposely left the categories of musical works, dramatic works, and choreographic works and pantomimes undefined because it felt that those categories “have fairly settled meanings.”<sup>135</sup> But the lack of statutory definitions can create difficulties for courts and the Copyright Office in ruling on claims of copyright, and definitions could provide useful Congressional guidance for making those decisions.

Consider, for example, the protected category of “pantomimes and choreographic works.” The statute contains no definition, and the legislative history provides only that “‘choreographic works’ do not include social dance steps and simple routines.”<sup>136</sup> That leaves substantial ambiguity about what the statute does protect as a choreographic work, and provides no guidance as to pantomimes. Does a sequence of yoga poses constitute a copyrightable choreographic work?<sup>137</sup> Do gymnastic routines, or synchronized swimming routines, constitute copyrightable choreographic works? What about “forklift ballet,” in which two or more of the vehicles are driven in synchronized formations?<sup>138</sup> And does a magician’s silent performance of a magic trick constitute a copyrightable pantomime?<sup>139</sup> The lack of a definition leaves courts and the Copyright Office with little guidance to help answer such questions. Or consider the protected but undefined category of “dramatic works.” A statutory definition might help resolve the question raised by the recent Ninth Circuit case of *Garcia v. Google*: does an actor’s performance itself constitute a “dramatic work” (or does it, at most, constitute an expressive contribution to a larger dramatic work or audiovisual work)?<sup>140</sup>

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135. *Id.* at 53.

136. *Id.* at 54. The Copyright Office has indicated its view that “a choreographic work must contain at least a minimum amount of original choreographic authorship” and that “[c]horeographic authorship is considered, for copyright purposes, to be the composition and arrangement of a related series of dance movements and patterns organized into an integrated, coherent, and expressive whole.” Registration of Claims to Copyright, 77 Fed. Reg. 37,605, 37,607 (Jun. 22, 2012).

137. See, e.g., *Bikram’s Yoga Coll. of India, L.P. v. Evolution Yoga, L.L.C.*, 105 U.S.P.Q.2d (BNA) 1162 (C.D. Cal. 2012); Registration of Claims to Copyright, 77 Fed. Reg. 37,605 (Jun. 22, 2012).

138. See, e.g., *Toyota Forklift Ballet*, YOUTUBE (Sept. 27, 2011), <http://www.youtube.com/watch?v=pbQmBLVyCWU>.

139. See, e.g., *Teller v. Dogge*, 110 U.S.P.Q. 2d (BNA) 1302, 1305–06 (D. Nev. 2014).

140. *Garcia v. Google, Inc.*, 766 F.3d 929 (9th Cir. 2014), *reb’re en banc granted*, 771 F.3d 647 (9th Cir. 2014). The case raises the question, but the majority opinion by the original three-judge panel does not squarely address it. The majority quotes section 102(a)’s grant of protection to “works of authorship” but says that once an artistic contribution is fixed, the “key question” is “whether it’s sufficiently creative to be protectible,” *id.* at 934, and refers to the “work” it is evaluating as the “actor’s performance,” *id.* at \*3 or “a dramatic performance” *id.* at 934 n.3. The dissent, by contrast, expressly concludes that an actor’s

Thinking about whether a fireworks display comes within any of the protected categories of authorship offers a concrete example of how helpful statutory definitions can be. The statutory definitions of literary works, sound recordings, motion pictures, and architectural works make it relatively easy to determine that those categories do not include fireworks displays, and such displays seem fairly clearly not to constitute musical works, even though that category is not defined.<sup>141</sup> But might a fireworks display qualify as an audiovisual work? Might the category of pictorial, graphic, and sculptural works cover fireworks? And what about dramatic works?

These questions seem easier to answer with respect to those categories that are defined in the statute. Congress defined audiovisual works as

works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.<sup>142</sup>

At the very least, fireworks don't seem to fit this definition because even if they "consist of a series of related images," they are not "intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment."<sup>143</sup>

The question is perhaps closer with respect to pictorial, graphic, and sculptural works, which are defined in relevant part in the following way:

"Pictorial, graphic, and sculptural works" include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship

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performance is not a work of authorship. It notes that "[t]he nature of [the] works [listed in § 102 as examples of copyrightable works] is significantly different from an actress's individual performance in a film, casting doubt on the conclusion that the latter can constitute a work." *Id.* at 941 (N.R. Smith, J., dissenting). It concludes that "the Copyright Act does not clearly place an acting performance within its sphere of copyrightable works." *Id.* at 942 (N.R. Smith, J., dissenting).

141. Musical works is the only undefined category from which it seems easy to exclude a fireworks display.

142. 17 U.S.C. § 101 (2012).

143. *Id.*

insofar as their form but not their mechanical or utilitarian aspects are concerned . . . .<sup>144</sup>

The definition is not exhaustive but instead lists items which the category includes. Fireworks displays are not among the specifically itemized works (photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings). That leaves the possibility that a fireworks display might be a three-dimensional work of fine, graphic, or applied art. Those terms have not generally been understood as including fireworks displays. It is possible that a court or the Copyright Office might disagree, but the definition at least provides a concrete illustration of Congressional intent as the basis for deciding what the term “pictorial, graphic, and sculptural works” means.

By contrast, the question of whether a fireworks display might constitute a “dramatic work” is more difficult to answer in the absence of a statutory definition. Fireworks do not seem to be “dramatic” in the sense of the dictionary definition “pertaining to drama or the theater.”<sup>145</sup> A fireworks display also might not be “dramatic” in the sense of the definition “[r]esembling a drama in emotional content or progression,”<sup>146</sup> though some fireworks displays for some viewers might well evoke emotional content more effectively than some plays. And a fireworks display might well be “dramatic” in the sense of “[s]triking in appearance or forcefully effective.”<sup>147</sup> Courts, of course, are not without interpretive tools to use in deciding what the term “dramatic works” means.<sup>148</sup> And the Copyright Office has adopted a definition for use in evaluating applications for copyright registration: “[a] dramatic composition is one that portrays a story by means of dialog or acting and is intended to be performed.”<sup>149</sup> A conventional fireworks display would seem not to meet that definition, as it would not seem to “portray a story.” But the task for courts and the Office would be easier if Congress provided a definition instead of leaving those who administer the statute to guess at one.

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144. *Id.*

145. AMERICAN HERITAGE DICTIONARY 423 (2d. coll. ed. 1982).

146. *Id.*

147. *Id.*

148. See, e.g., 1 GOLDSTEIN, *supra* note 2, § 2.9.1, at 2:104–05 (“Judicial decisions have defined ‘dramatic work’ to imply a story consisting of plot and incident in which the characters’ actions, usually with accompanying dialogue, advance the narrative.”); O’Neill v. Gen. Film Co., 152 N.Y.S. 599, 604 (1915) (“a work in which the narrative is told by dialogue and action, and the characters go through a series of events which tell a connected story”).

149. U.S. COPYRIGHT OFFICE, COMPENDIUM II OF COPYRIGHT OFFICE PRACTICES § 431 (1984).

As discussed above, the 1976 Copyright Act shows that statutory definitions of the categories of protectable works need not be particularly restrictive. The current statutory definitions are framed in broad, conceptual terms. They can easily accommodate new technological developments. For example, presentation software such as Microsoft PowerPoint, Apple Keynote, Prezi, and any similar program was unknown when the definition of “audiovisual works” was first proposed in 1966.<sup>150</sup> Indeed, the definition seems to have been intended to extend protection to decidedly older technologies such as “filmstrips, slide sets, and sets of transparencies.”<sup>151</sup> Nonetheless, the definition of “works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment” clearly encompasses presentations created and shown using such software. And definitions can be framed in ways that are broadly inclusive even in the absence of exhaustive enumeration. The definition of “pictorial, graphic, and sculptural works,” for example, never mentions quilt designs, and yet it seems clear that quilt designs are protectable as “two-dimensional . . . works of fine, graphic, [or] applied art,” and a search of the Copyright Office online registration records indicates that the Office registers claims of copyright in quilt designs. Defining by statute each protected category of authorship would provide guidance to courts and the Copyright Office in determining what is and isn’t protectable by copyright but need not unduly limit the forms of expression protected within each category.

#### D. CONGRESS SHOULD IDENTIFY COMPILENTS AND DERIVATIVE WORKS AS SUB-TYPES OF THE ENUMERATED CATEGORIES OF PROTECTED WORKS

The final proposed revision principle is that Congress should make clear that original compilations and derivative works are protectable if they come within any of the enumerated categories of protected subject matter but are not independently protectable if they do not fall within any of those categories.

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150. H.R. REP. NO. 89-2237, at 32, 47–48 (1966).

151. 1976 HOUSE REPORT, *supra* note 17, at 56. In this context, “slide sets” refers to a physical collection of photographic slides—individually mounted positive photographic images on a transparent film, capable of projection onto a screen—not the individual pages in presentation software which are commonly referred to as “slides.” These works do not necessarily come within the statutory definition of “motion pictures” because they do not necessarily, “when shown in succession, impart an impression of motion.” 17 U.S.C. § 101 (2012) (“motion pictures”).

The current statute is arguably ambiguous in its treatment of compilations and derivative works. Section 103(a) states that “[t]he subject matter of copyright as specified by section 102 includes compilations and derivative works.”<sup>152</sup> Of course, copyright’s subject matter as specified in section 102(a) includes both the general statement that copyright subsists in “original works of authorship” and the statement that the term “works of authorship” includes the enumerated categories. Section 103(a) might be read to mean that within each of the enumerated categories, copyright will protect any original work, including any original compilation or derivative work. For example, the protection of “literary works” means that copyright will extend to any original literary compilation (such as an anthology of poetry) and to any derivative literary work (such as a translation of a novel from Turkish to English, or a novelization of a motion picture).

But section 103(a) might instead be read to mean that the term “works of authorship” in section 102(a) includes, in addition to the categories expressly enumerated there, two additional categories: compilations and derivative works. This would mean that the current statute protects a compilation or derivative work even if the work does not come within any of the enumerated categories of works in section 102(a). Under this reading, as long as a work constitutes a compilation or a derivative work, it would be a “work of authorship” that can qualify for copyright protection if it meets the standards of originality and fixation.

This broader reading of section 103(a) would potentially allow for a substantial expansion of the scope of copyrightable subject matter beyond what is currently understood to be copyrightable, and likely beyond what Congress intended to protect, particularly with respect to compilations.<sup>153</sup> The statute defines a compilation as “a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.”<sup>154</sup> If this alone defines a protectable category of works of authorship, then many collections that do not fall within any of the

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152. 17 U.S.C. § 103(a) (2012).

153. The risk of expansion is less acute with respect to derivative works, at least as long as the category of “derivative works” is seen as including only works that incorporate some protectable expression from an underlying work of authorship. *See, e.g.*, 1976 HOUSE REPORT, *supra* note 17, at 57 (“the ‘preexisting work’ [on which a derivative work must be based] must come within the general subject matter of copyright set forth in section 102”). It seems more difficult to incorporate protectable expression *from* a work that falls within one of the eight enumerated categories *into* a form of creative expression (such as perfume or a fireworks display) that does not fall within any of them.

154. 17 U.S.C. § 101 (2012) (“compilation”).

expressly enumerated categories in section 102(a) may nonetheless be subject to copyright protection.

Take, for example, the operator of a botanical garden, which has carefully collected the plants that it grows on its grounds, has selected those plants from among the much larger universe of plants that it could grow, and has arranged those plants by deciding where to plant all of them. The statute offers no definition of “preexisting materials,” and the plain meaning of the term seems to include plants. If plants qualify as preexisting materials, then the botanical garden would seem to qualify as a compilation, at least if the selection or arrangement of the plants is sufficiently minimally creative to qualify as “original.” And if section 103(a) is read as granting copyright protection in any fixed, original compilation, the botanical garden is protected by copyright if the planting of the specimens on the garden’s grounds count as fixation.<sup>155</sup> This is true even though a botanical garden does not itself seem to fall within any of the expressly enumerated categories in section 102(a), and there is no indication that Congress intended botanical gardens to qualify as “works of authorship” under that section.<sup>156</sup> A similar conclusion might be drawn as to a zoo, or as to a museum’s collection of butterflies or geological specimens. If animals or butterflies or rocks constitute “preexisting materials,” then any original, fixed collection of those materials would constitute a copyrightable compilation. Under this reading, a photograph of the botanical garden that showed a substantial part of the original selection and arrangement of the collected plants would seem to constitute a *prima facie* infringement of the reproduction or derivative work rights of the owner of the copyright in the botanical garden as a compilation.<sup>157</sup>

Indeed, this approach could potentially allow a backdoor to protection for many of the items identified in Section III.A above as falling outside the

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155. The Seventh Circuit has taken the view that, at least in some circumstances, growing plants do not meet the statutory definition of fixation. *Kelley v. Chicago Park Dist.*, 635 F.3d 290, 302–06 (7th Cir. 2011). This view, however, has been subjected to substantial criticism. See, e.g., 1 GOLDSTEIN, *supra* note 2, § 2.4.1, at 2:46.2; Randal C. Picker, *A Walk in a Chicago Park*, THE MEDIA INSTITUTE (Apr. 27, 2011), <http://www.mediainstitute.org/IPI/2011/042711.php>.

156. Some elements of the botanical garden might come within some of the enumerated categories in section 102(a) and qualify for protection. Topiary, for example, might qualify as a sculptural work, and a bed of flowers planted in a pictorial or graphic pattern might constitute a pictorial or graphic work (as, for example, a flowerbed planted in the form of Mickey Mouse’s head at a Disney amusement park would likely constitute a copy of a pictorial work).

157. See, e.g., *Horgan v. Macmillan, Inc.*, 789 F.2d 157, 160–64 (2d Cir. 1986) (holding that still photographs could constitute infringing reproductions of, or derivative works based on, copyrighted choreographic work).

scope of the current enumerated categories of copyrightable subject matter. If a culinary dish is “preexisting material,” isn’t a chef’s choice of which dishes to serve in her restaurant a compilation fixed in the restaurant’s printed menu and therefore copyrightable as long as the selection is original? Does putting together the physical items needed to produce a fireworks display create a compilation, such that anyone else who puts together the same items in order to produce a similar display might be infringing on a copyright in the compilation, even if the fireworks display itself is not copyrightable?

The Copyright Office has recently announced that it interprets the existing statute not to grant protection for compilations unless the compiler’s effort “results [in] a work of authorship that falls within one or more of the eight categories of authorship listed in section 102(a).”<sup>158</sup> The Copyright Office’s interpretation of the statute, though, is not the only possible interpretation of how sections 101, 102(a), and 103(a) interact. Indeed, the Copyright Office admitted that “[t]he relationship between the definition of compilations in section 101 and the categories of authorship in section 102(a) has been overlooked even by the Copyright Office in the past,” which led the Office to issue “in error” registrations of claims of copyright in compilations that did not come within any of the expressly enumerated categories of works of authorship.<sup>159</sup> Thus, it seems sensible that Congress should, in revising the copyright statute, make clear that compilations are protectable only if they come within the expressly enumerated categories of protected works of authorship.

## V. CONCLUSION

From today’s vantage point, the drafting of the Next Great Copyright Act seems unlikely to involve substantial controversy over copyright’s subject matter, and the drafters do not seem likely to face demands for including new types of subject matter. While the subject-matter provisions of current law generally operate fairly well, they can, as this Article has suggested, be improved. If Congress in fact undertakes a general revision of U.S. copyright law, that process will present a rare opportunity to fine-tune all aspects of the law. Congress should be encouraged to take this opportunity for improvement and (1) eliminate the current statute’s open-ended grant of copyright in “works of authorship” outside the categories it enumerates as protected; (2) define all protected categories of works; and (3) clarify that

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158. Registration of Claims to Copyright, 77 Fed. Reg. 37,605, 37,607 (Jun. 22, 2012).

159. Registration of Claims to Copyright, 77 Fed. Reg. 37,605, 37,607–08 (Jun. 22, 2012).

compilations and derivative works must come within an enumerated category of protectable works in order to qualify for protection. These revisions would keep the authority for deciding which types of works should and should not be protected by copyright with Congress, while giving courts and the Copyright Office sufficient flexibility to interpret copyright law to apply to claims of copyright in works within the conceptual and media-neutral definitions of protectable works.



# LEGISLATING DIGITAL EXHAUSTION

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## ABSTRACT

The digital shift in distribution, from markets premised on disposing of physical artifacts to markets defined by data flows, is among the most important changes in the copyright landscape since the enactment of the 1976 Copyright Act. The disconnect between this new reality and our current statutory rules is particularly evident when it comes to the question of exhaustion. The first sale doctrine embodied within Section 109 was constructed around a mode of dispossession that is rapidly becoming obsolete. As a result, the benefits and functions it has long served in the copyright system are at risk. Building on our earlier work, this Article will argue that a meaningful exhaustion doctrine should survive the digital transition. After explaining the two primary hurdles to digital exhaustion under the existing statutory regime, we outline two possible approaches to legislating digital exhaustion, concluding that a flexible standards-based approach that vests considerable authority with the courts is the better solution.

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## TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION .....</b>	<b>1536</b>
<b>II.</b>	<b>THE EROSION OF EXHAUSTION.....</b>	<b>1539</b>
A.	THE PARTICULAR-COPY CONUNDRUM.....	1540
B.	OWNERSHIP AND THE LICENSING DEBACLE.....	1542
C.	SHORTCOMINGS OF THE CURRENT ACT .....	1544
<b>III.</b>	<b>LEGISLATING DIGITAL EXHAUSTION .....</b>	<b>1545</b>
A.	DIGITAL EXHAUSTION RULES .....	1546
B.	A DIGITAL EXHAUSTION STANDARD.....	1550

### I. INTRODUCTION

Register of Copyrights Maria Pallante's Next Great Copyright Act contemplates a number of shifts in copyright policy in response to the influence of digital technology on markets for protected works.<sup>1</sup> One centrally important, yet largely unexplored, question is the place of a first sale doctrine in copyright law's digital future.<sup>2</sup> In her remarks, Register Pallante rightly notes that the first sale doctrine—the rule that copyright holders cede their power to control various uses of a copy of a work after sale or transfer to a consumer—has been part of copyright law for more than a century and has been embraced by both the courts and Congress.<sup>3</sup> Yet when it comes to applying this rule to digital copies, she defers to the Copyright Office's 2001 Digital Millennium Copyright Act Section 104 Report, which recommended against digital first sale out of fears that transfers of works between consumers could “interfere[] with the copyright owners' control” over the right of reproduction.<sup>4</sup>

Nonetheless, the Register envisioned two scenarios for Congressional action. First, Congress could disavow the doctrine entirely, both because the practice of selling content had been displaced by “licensing” and because of the ease of digital duplication might somehow lead to use of exhaustion to enable mass infringement. This seems to be the opinion of Representative

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1. See Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUM. J.L. & ARTS 315 (2013).

2. *Id.* at 331–32.

3. *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908).

4. U.S. COPYRIGHT OFFICE, A REPORT OF THE REGISTER OF COPYRIGHTS PURSUANT TO § 104 OF THE DIGITAL MILLENNIUM COPYRIGHT ACT, at xix (2001).

Jerry Nadler, the ranking member on the House Subcommittee on Courts, Intellectual Property, and the Internet, who told the Association of American Publishers that the notion that consumers own the digital media that they buy from Apple, Amazon, or other retailers is “an extreme digital view.”<sup>5</sup> Alternatively, Register Pallante imagines Congress endorsing digital exhaustion as a rejection of a future copyright marketplace in which “everything is licensed and nothing is owned,” but only as long as copies could be “adequately policed” through measures “that would prevent or destroy duplicative copies.”<sup>6</sup>

As our previous work makes clear, we support the extension of copyright exhaustion and its associated consumer property interests to the digital marketplace.<sup>7</sup> Building on the work of earlier scholars, we have outlined the many benefits exhaustion provides consumers, creators, the public at large, and the copyright system itself. Although we do not intend to detail all of that work here, we will offer a few highlights to underscore what is at stake in this debate. By enabling secondary markets, exhaustion increases access to works by both lowering prices and increasing availability.<sup>8</sup> It aids in the preservation of old, abandoned, and censored works.<sup>9</sup> It protects consumer privacy in the acquisition, enjoyment, and transfer of works.<sup>10</sup> Particularly for digital works, exhaustion supports consumer-driven innovation as well as competition between content platforms.<sup>11</sup> Exhaustion can also be a powerful tool in justifying a range of noncommercial personal uses of copyrighted material by consumers.<sup>12</sup>

More recently we identified three core functions exhaustion plays in a healthy copyright system.<sup>13</sup> First, exhaustion preserves authorial incentives.

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5. Jeremy Greenfield, *Congressman Nadler: Copyright Law Won't Change This Year, Maybe Next*, DIGITAL BOOK WIRE (Mar. 19, 2014), <http://www.digitalbookworld.com/2014/congressman-nadler-copyright-law-wont-change-this-year-maybe-next/>.

6. Pallante, *supra* note 1, at 332.

7. Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 UCLA L. REV. 889 (2011); Aaron Perzanowski & Jason Schultz, *Copyright Exhaustion and the Personal Use Dilemma*, 96 MINN. L. REV. 2067 (2012); Aaron Perzanowski & Jason Schultz, *Reconciling Intellectual & Personal Property*, 90 NOTRE DAME L. REV. (forthcoming 2014).

8. *Digital Exhaustion*, *supra* note 7, at 894; Joseph P. Liu, *Ownning Digital Copies: Copyright Law and the Incidents of Copy Ownership*, 42 WM. & MARY L. REV. 1245, 1303, 1310–11, 1320–21, 1330–33, 1336 (2001) (privacy, access, preservation, transactional clarity); R. Anthony Reese, *The First Sale Doctrine in the Era of Digital Networks*, 44 B.C. L. REV. 577, 584 (2003) (access, preservation, privacy); Molly Shaffer Van Houweling, *The New Servitudes*, 96 GEO. L.J. 885, 898–905, 914–16 (2008) (transactional clarity and salience).

9. *Digital Exhaustion*, *supra* note 7, at 894; Liu, *supra* note 8; Reese, *supra* note 8.

10. *Digital Exhaustion*, *supra* note 7, at 894; Liu, *supra* note 8; Reese, *supra* note 8.

11. Liu, *supra* note 8; Van Houweling, *supra* note 8.

12. *Copyright Exhaustion and the Personal Use Dilemma*, *supra* note 7.

13. *Reconciling Intellectual & Personal Property*, *supra* note 7.

Because exhaustion applies when rightsholders dispose of lawfully made copies at prices they set, exhaustion encourages fair compensation in return for purchased copies.<sup>14</sup> Second, exhaustion preserves consumer incentives to participate in the legitimate copyright marketplace. Copyright asks consumers to pay supra-competitive prices for protected works, despite their widespread availability at near-zero marginal cost via unauthorized online sources of distribution. How do we convince consumers to make that choice? By making sure consumers have meaningful property rights in their purchases, exhaustion encourages them to participate in authorized transactions. If infringement liability and statutory damages are the sticks, exhaustion is one of the carrots. A book or a movie that carries with it the right of alienation is a more attractive value proposition than one that does not.<sup>15</sup> The ability to store, collect, curate, donate, or bequest one's media also provides incentives to invest in legitimate acquisition. In the non-digital world, we collect books, movies, paintings, and music that we can keep, pass on to friends, resell, or donate. If consumers cannot legally satisfy those expectations in a digital world, they may be more likely to opt out of the legal market and download content without paying for it. Third, exhaustion helps keep transaction costs low. Exhaustion is copyright's version of the *numerus clausus* principle; it limits the forms transactions can take and prevents the proliferation of idiosyncratic bundles of rights.<sup>16</sup> When rightsholders attempt to negate exhaustion with lengthy license agreements, consumer information costs increase dramatically. Such costs are highly inefficient for transactions often marketed as "purchases" and billed at ninety-nine cents each.

Without exhaustion, copyright law would lack any direct means to safeguard most of these benefits and functions.<sup>17</sup> But legislating digital exhaustion cannot and should not simply be an attempt to extend section

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14. See also John A. Rothchild, *Exhausting Extraterritoriality*, 51 SANTA CLARA L. REV. 1187 (2011) (discussing the "single-reward theory" underlying exhaustion).

15. For example, when Microsoft unveiled the Xbox One, it announced technology that would restrict the use of pre-owned games, potentially destroying a thriving secondary market and rendering games far less valuable to consumers. The outcry was immediate and deafening. After Sony made clear that its competing console would continue to support used games, Microsoft reversed course. See Don Mattrick, *Your Feedback Matters—Update on Xbox One*, XBOX WIRE (June 19, 2013), <http://news.xbox.com/2013/06/update/>.

16. See Christina Mulligan, *A Numerus Clausus Principle for Intellectual Property*, 80 TENN. L. REV. 235 (2012).

17. Those who are critical of exhaustion in the digital age argue that this is something akin to a natural evolution and that exhaustion not only has outlived its usefulness, it now undermines incentives for copyright owners to maximize the flexibility and availability of digital distribution technologies. See Jane C. Ginsburg, *From Having Copies to Experiencing Works: the Development of an Access Right in U.S. Copyright Law*, 50 J. COPYRIGHT SOC'Y U.S.A. 113 (2003).

109 from analog copies to digital ones. Our existing exhaustion rules were crafted with the particular characteristics of tangible copies and analog marketplaces in mind. As explained below, they are framed around deeply embedded assumptions that are on the verge of obsolescence. Building on our earlier work, this Article will argue that a meaningful exhaustion doctrine must be mindful of both the underlying functions the doctrine serves and the quickly shifting technological and market conditions under which it necessarily operates. After explaining the primary hurdles to digital exhaustion under the existing statutory regime, we outline two possible approaches to legislating digital exhaustion, concluding that a flexible standards-based approach that vests considerable authority with the courts is the better solution.

## II. THE EROSION OF EXHAUSTION

Much of the debate over a digital first sale doctrine arises from two developments in the copyright marketplace that necessitate a reconceptualization of copyright exhaustion.<sup>18</sup> The first is the shift in the once central role of particular identifiable copies in the distribution of protected works. Although copies have existed since the origins of copyright law, we are shifting quickly into a post-copy world, one where digital works exist as data flows and rarely reside in a material object for more than a transitory period of time, where copies blink into and out of existence on a nearly constant basis.<sup>19</sup> In such a world, expecting consumers, rightsholders, or regulators to keep tabs on individual copies is as useful as demanding that fish track the movements of particular drops of water. Temporary copies are the sea in which we all now swim. The second development is the adoption of licensing terms that purport to preclude ownership of digital goods. Although some courts in software cases have endorsed this effort, the gap between licensing terms and the economic realities of the consumer purchasing experience is widening. Notwithstanding licensing language, consumers intuitively understand the difference between owning, buying, and

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18. See *Reconciling Intellectual & Personal Property*, *supra* note 7.

19. See *id.*; see also 17 U.S.C. § 101 (2012) (“‘Copies’ are material objects, other than phonorecords, 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. The term ‘copies’ includes the material object, other than a phonorecord, in which the work is first fixed.”). Some courts have found that if a work only exists for a transitory period, it is not a “copy” under the Act. See Aaron Perzanowski, *Fixing RAM Copies*, 104 NW. U. L. REV. 1067 (2010).

selling content on the one hand, and renting it on the other,<sup>20</sup> and have grown accustomed to personal property interests in their media purchases. In fact, the very origin of exhaustion lies in the law's discomfort with restraints and servitudes on personal property.<sup>21</sup> These concerns are at odds with the idea that a consumer is a mere licensee without any property interest simply because a lengthy license agreement or unread terms of service document says so. These two developments amplify and exacerbate shortcomings in the current statutory exhaustion regime—one drafted with traditional analog distribution chains in mind.

#### A. THE PARTICULAR-COPY CONUNDRUM

Under current sections 109 and 117, exhaustion only applies to the owner of a “copy.” The copy has been an essential concept in copyright law for centuries.<sup>22</sup> However, changes in storage and distribution technologies, alongside shifting media consumption patterns, have profoundly altered the way we interact with copyrighted works. The tangible copy, once the primary means of distribution, has been displaced by cloud storage, streaming, and software-as-a-service. Copies were once finite, stable, and valuable. But today’s marketplace is characterized by ubiquitous, temporary instantiations of works that have diminished independent value. Copyright law has struggled to assimilate these developments.

Perhaps the most profound change has been the shift from the distribution of physical products to the exchange of networked information. We used to buy books printed on pages, movies stored on plastic discs, and

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20. See, e.g., Vikram Savkar, *The Connected Casebook Coming Soon from Wolters Kluwer Legal Education*, ASPEN LAW, <http://www.aspenlaw.com/connected/> (last visited May 18, 2014); Joel Johnson, *You Don’t Own Your Kindle Books, Amazon Reminds Customer*, NBC NEWS (Oct. 24, 2012, 7:43 AM), <http://www.nbcnews.com/tech/gadgets/you-dont-own-your-kindle-books-amazon-reminds-customer-f1C6626211/>; Mattrick, *supra* note 15; Letter from Mary Koelbel Engel, Assoc. Dir., Federal Trade Commission, to M. Sean Royall, Gibson, Dunn & Crutcher LLP (June 23, 2010), available at [http://www.ftc.gov/sites/default/files/documents/closing\\_letters/wal-mart-stores-inc./100623walmartletter.pdf](http://www.ftc.gov/sites/default/files/documents/closing_letters/wal-mart-stores-inc./100623walmartletter.pdf).

21. *Kirtsaeng v. John Wiley & Sons*, 133 S. Ct. 1351, 1363 (2013) (“The ‘first sale’ doctrine is a common-law doctrine with an impeccable historic pedigree. In the early 17th century Lord Coke explained the common law’s refusal to permit restraints on the alienation of chattels.”).

22. 1 Stat. § 124 (1790) (titled “An Act for the encouragement of learning, by securing the copies of maps, Charts, And books, to the authors and proprietors of such copies, during the times therein mentioned”); see also Miaoran Li, *The Pirate Party and the Pirate Bay: How the Pirate Bay Influences Sweden and International Copyright Relations*, 21 PACE INT'L L. REV. 281, 307 n.11 (2009) (discussing the quotation “To every cow belongs her calf, therefore to every book belongs its copy” from A.D. 541); Crown Revenues Act of 1553, 7 Edw. VI, c. 1, § 17 (Eng.), reprinted in 4 STATUTES OF THE REALM 161 (1819) (equating “copy” with “duplicate” in a statute regarding the regulation of treasury accounts).

music encoded in vinyl records. Today we obtain our media as a stream of bits accessed through the cloud. In almost every sector, including books, music, software, and games, digital sales are surpassing traditional physical transactions. Dramatic improvements in remote computational capacity and storage, along with increasingly fast and pervasive data connectivity, allow consumers to acquire, store, and access their media through the cloud. Consumers can choose between cloud storage services from Amazon, Apple, Dropbox, Google, and Microsoft, among others, at nearly no cost. But the cloud has moved beyond mere storage. Amazon's MP3 Store enables consumers to buy, save, and play their purchases directly from its Cloud Player without ever downloading a permanent file to their laptop or mobile device, let alone handling a plastic disc.<sup>23</sup> Software-as-a-service offerings, like Adobe Creative Cloud—the new home for Photoshop and other editing and layout programs—or the Google Apps suite of office productivity tools, prove that remotely accessed data and processing power can provide the functionality that once required the distribution of copies.<sup>24</sup> There are lots of reasons to celebrate this transition—e.g., convenience, efficiency, and environmental impact. But there are also reasons to be cautious as copyright law's balance between consumer and creator rights has been structured, in part, around the particular tangible copy.

These technological developments have been accompanied and partly driven by changing consumer preferences. As evidenced by the fact that close to half of Internet traffic is attributable to Netflix and YouTube, many consumers would rather access a library of streaming video titles than purchase or even rent tangible copies.<sup>25</sup> The popularity of Spotify, Pandora, and other streaming music services suggest the same might be true for music.<sup>26</sup> This transition from distribution to performance is evident in the videogame market as well. OnLive launched a cloud-based gaming platform in 2010.<sup>27</sup> And Sony has recently announced Playstation Now, a cross-

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23. See *Get Started with the Amazon MP3 Store & Cloud Player*, AMAZON, <http://www.amazon.com/b?node=2658409011> (last visited May 19, 2014).

24. See *Features: Tools and Services*, ADOBE, <http://www.adobe.com/products/creativecloud/tools-and-services.html> (last visited May 19, 2014); *Apps for Business*, GOOGLE, <http://www.google.com/enterprise/apps/business> (last visited May 19, 2014).

25. See Joan E. Solsman, *Netflix, YouTube Gobble Up Half of Internet Traffic*, CNET (Nov. 11, 2013), [http://news.cnet.com/8301-1023\\_3-57611722-93/netflix-youtube-gobble-up-half-of-internet-traffic/](http://news.cnet.com/8301-1023_3-57611722-93/netflix-youtube-gobble-up-half-of-internet-traffic/).

26. Lauren DeLisa Coleman, *Why Apple's iTunes Radio Isn't a Threat to Pandora or Spotify... Yet*, THE DAILY BEAST (Nov. 12, 2013), <http://www.thedailybeast.com/articles/2013/11/12/why-apple-s-itunes-radio-isn-t-a-threat-to-pandora-or-spotify-yet.html>.

27. See *About OnLive*, ONLIVE, <http://www.onlive.com/about/> (last visited May 19, 2014).

platform service that will allow subscribers to rent and stream games to consoles and mobile devices.<sup>28</sup> Taken together, these changes threaten to destabilize our understanding of the copy and its place in the copyright system.

#### B. OWNERSHIP AND THE LICENSING DEBACLE

The question of copy ownership has been central since the inception of copyright exhaustion.<sup>29</sup> However, it did not emerge as a main point of contention until the software era.<sup>30</sup> For a number of reasons—early uncertainty surrounding the availability of federal intellectual property protection, the prevalence of software embedded in leased hardware, and the recognition by early software companies of the advantages of restricting resale—software transactions typically included licensing terms that rendered ownership somewhat ambiguous.<sup>31</sup> Courts responded to these licensing efforts with a range of inconsistent approaches for determining whether consumers own the software they acquire.<sup>32</sup> Although some courts have embraced licensing as a means for rightsholders to escape the consequences of exhaustion, the effects of the licensing paradigm have been generally contained to the software industry. But as more traditional copyrighted works move to primarily digital models of distribution, and as more retailers of digital content insert restrictions into their terms of service, this approach could have ripple effects across the entire copyright economy.<sup>33</sup>

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28. See Brian Solomon, *GameStop Plunges After Sony Unveils PlayStation Now Streaming Service*, FORBES (Jan. 7, 2014), <http://www.forbes.com/sites/briansolomon/2014/01/07/gamestop-plunges-after-sony-unveils-playstation-now-streaming-service/>.

29. See, e.g., *Clemens v. Estes*, 22 F. 899 (C.C.D. Mass. 1885); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908).

30. See DOUGLAS E. PHILLIPS, *THE SOFTWARE LICENSE UNVEILED: HOW LEGISLATION BY LICENSE CONTROLS SOFTWARE ACCESS* (2009); Michael J. Madison, *Reconstructing the Software License*, 35 LOY. U. CHI. L.J. 275 (2003); Robert W. Gomulkiewicz & Mary L. Williamson, *A Brief Defense of Mass Market Software License Agreements*, 22 RUTGERS COMPUTER & TECH. L.J. 335 (1996); Mark A. Lemley, *Shrinkwraps in Cyberspace*, 35 JURIMETRICS J. 311 (1995).

31. Those licenses often claimed that the “software” was licensed not sold. But they failed to distinguish between the software as the intangible copyrighted work and the software as the particular copy embodied in material objects.

32. See *Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010); *UMG Recordings, Inc. v. Augusto*, 628 F.3d 1175 (9th Cir. 2011) (audio CD); *United States v. Wise*, 550 F.2d 1180, 1192 (9th Cir. 1977) (film prints); *Classic Concepts, Inc. v. Linen Source, Inc.*, Nos. 04-8088, 04-8457, 2006 U.S. Dist. LEXIS 96767, at \*49–50 (C.D. Cal. Apr. 26, 2006) (copyrighted design on a rug); *Old W. Realty, Inc. v. Idaho State Tax Comm’n*, 716 P.2d 1318, 1320–21 (Idaho 1986) (books); *Middlebrooks v. Comm’r*, 34 T.C.M. (CCH) 1187, at \*12–15 (T.C. 1975) (magazines).

33. See, e.g., *Savkar*, supra note 20.

Many copyright holders and retailers have already attempted to take the courts' imprimatur of software licenses as carte blanche to transmute any digital purchase into a non-exhausting transaction. Examples in the copyright marketplace of claims that consumers do not actually own the copies they buy are common.<sup>34</sup> Amazon's Kindle Store is among the largest sellers of ebooks in the United States. According to Amazon's Terms of Use, consumers who discover a book they would like to read and hit the "Buy now with 1-click®" button do not own the copy they download.<sup>35</sup> As those terms explain, "[u]nless specifically indicated otherwise, you may not sell, rent, lease, [or] distribute . . . any rights to the Kindle Content."<sup>36</sup> Apple's iTunes Store, the largest music retailer in the world, reflects a somewhat more conflicted characterization.<sup>37</sup> After describing its transactions as "purchases" and noting that "[a]ll sales . . . are final," Apple insists that consumers agree not to "rent, lease, loan, sell, [or] distribute" their purchases.<sup>38</sup> Amazon's competing MP3 store offers similar terms. Although Amazon's store "enables you to purchase digitized versions of audio recordings," your payment merely "grant[s] you a non-exclusive, non-transferable right to use the Music Content only for your personal, noncommercial purposes."<sup>39</sup> However, "you may not redistribute, . . . sell, . . . rent, share, lend, . . . or otherwise transfer or use the Music Content."<sup>40</sup>

This sort of restraint on alienation is inconsistent with copyright law's understanding of copy ownership and at odds with consumers' reasonable expectations of the word "buy." Rather than clarifying the central concept of ownership, as exhaustion has historically done, the proliferation of licensing

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34. See Mulligan, *supra* note 16, at 254 ("The Microsoft Office 2010 license . . . specifies that its software 'is licensed, not sold.' . . . Furthermore, Microsoft software marked 'Not for Resale' cannot be resold.").

35. See, e.g., Product Description Page of TENTH OF DECEMBER: STORIES, AMAZON, <http://www.amazon.com/Tenth-December-Stories-George-Saunders-ebook/dp/B008LMB4C2/> (last visited Feb. 4, 2014).

36. *Kindle Store Terms of Use*, AMAZON (Sept. 6, 2012), <http://www.amazon.com/gp/help/customer/display.html?nodeId=201014950>.

37. See Christine Monaghan, *iTunes Store Sets New Record with 25 Billion Songs Sold*, APPLE (Feb. 6, 2013), <http://www.apple.com/pr/library/2013/02/06iTunes-Store-Sets-New-Record-with-25-Billion-Songs-Sold.html>.

38. *iTunes Store Terms and Conditions*, APPLE (Sept. 18, 2013), <http://www.apple.com/legal/internet-services/itunes/us/terms.html>; see also Evan Hansen, *eBay Mutes iTunes Song Auction*, CNET NEWS (Sept. 5, 2003), <http://news.cnet.com/2100-1027-5071566.html> (noting the removal of an eBay auction of song purchased from iTunes).

39. *Amazon MP3 Store Terms of Use*, AMAZON (Aug. 13, 2013), <https://www.amazon.com/gp/help/customer/display.html?nodeId=200154280>.

40. *Id.*

as a means of describing digital-media transactions has only confused things further. Taken together, the shifting role of the copy and the growing acceptance of licensing suggest that the current legal framework is unlikely to provide the kind of flexibility necessary to extend exhaustion into the digital environment.

### C. SHORTCOMINGS OF THE CURRENT ACT

Instability in the concepts of the “copy” and “ownership” in the digital environment are further exacerbated by shortcomings in the current Copyright Act. First, it fails to define the sorts of transactions that trigger ownership and exhaustion. Sections 109 and 117 limit their exhaustion defenses to the “owner” of a copy. Ownership is the characteristic that distinguishes between the public at large and the subset of consumers who are entitled to the benefits of exhaustion. As such, ownership is a powerful limitation that helps alleviate fears of an unprincipled application of exhaustion rules that could enable widespread infringement. But while the Copyright Act defines *copyright* ownership, it lacks any definition of *copy* ownership and remains silent on the broader question of consumer property interests in media. Particularly in light of the concerns we express above over the ways licensing language obscures ownership interests, if Congress revisits exhaustion in the digital context, it should clarify the circumstances under which exhaustion applies. Given the rapidly diminishing role of the tangible copy, thinking strictly in terms of copy ownership is probably unproductive. But whether tied to particular copies or not, exhaustion depends on maintaining some identifiable form of consumer ownership.

Moreover, for a time, some courts and many legal scholars believed that our current copyright preemption doctrines were viable enough to keep clever contractual attempts to undermine ownership, and thus exceptions and limitations such as fair use and exhaustion, at bay.<sup>41</sup> Sadly, preemption no longer offers that promise, primarily because various courts have read section 301 to focus primarily on the question of whether state laws grant *rights* that are equivalent to any of the exclusive section 106 rights, not whether they attempt to negate any of the exceptions and limitations afforded under the Copyright Act.<sup>42</sup> Explicitly expanding preemption to include exceptions and limitations would ensure that exhaustion could not be so easily undermined by contractual terms.

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41. See Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CALIF. L. REV. 1111 (1999); *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255 (5th Cir. 1988).

42. See *Davidson & Assocs. v. Jung*, 422 F.3d 630 (8th Cir. 2005); *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317, 1325–26 (Fed. Cir. 2003).

Second, the existing statute defines the rights that ownership exhausts too narrowly. At its core, exhaustion reflects a decision that personal property interests trump intellectual property interests in some circumstances.<sup>43</sup> In the 1909 and 1976 Acts, the primary interface between those two sets of interests was the right to vend or distribute copies of the work. But the focus of exhaustion need not be confined to distribution. Section 109 also addresses exhaustion of the public-display right, and section 117 permits reproduction and creation of derivative works for computer programs.<sup>44</sup> Historically, copyright exhaustion evolved at common law in a way that recognized the importance of exhausting the reproduction and derivative work rights to the extent they interfered with the reasonable personal property interests of consumers.<sup>45</sup> Today, a singular focus on distribution is particularly inappropriate. A digital copy can rarely be transferred or perhaps even accessed without making another copy. In the realm of digital distribution, copies are not distributed from point A to point B; they are created and reproduced across the network and in the cloud on a near-constant basis. Consumers of these services no longer own or interact with any particular copy, but rather a stream of fungible instantiations of a work. A new exhaustion statute must shift its focus from distribution to account for the necessity of copying.

### III. LEGISLATING DIGITAL EXHAUSTION

Given the shortcomings of the current statutory language, we see two paths toward legislating digital exhaustion that track the basic distinction between rules and standards.<sup>46</sup> One is a detailed list of legislatively-crafted exceptions and counter-exceptions that spell out the rights reserved for consumers and those reserved for copyright holders. The second is a more flexible framework designed to give courts both guidance and significant leeway in determining the uses consumers can make of their purchases, while keeping in mind the interests of rightsholders. Below we outline these two approaches and assess their costs and benefits.

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43. See *Reconciling Intellectual & Personal Property*, *supra* note 6.

44. See 17 U.S.C. §§ 109, 117 (2012).

45. See *Digital Exhaustion*, *supra* note 6. Patent law has also approached its exhaustion regime similarly. See *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 631–32 (2008) (extending exhaustion from product to method patent claims when they embody essential features of the patented invention).

46. See generally Pierre J. Schlag, *Rules and Standards*, 33 UCLA L. REV. 379 (1985).

### A. DIGITAL EXHAUSTION RULES

The current statutory approach to copyright exhaustion is a largely rule-based one. Sections 109 and 117 spell out in considerable detail the rights of consumers to reproduce, alter, display, and alienate their purchases of copyrighted material.<sup>47</sup> In an effort to anticipate the wide range of uses consumers may make of their purchases, these rules draw fine distinctions between favored and disfavored behaviors on the basis of a number of factors: the type of work, the type of use, the identity of the user, and the legal relationship between the user and the work. The result is an elaborate inventory of permitted and prohibited uses, articulated with remarkable specificity.

For example, section 109 permits owners to display their copies to the public “either directly or by the projection of no more than one image at a time,” but only “to viewers present at the place where the copy is located.”<sup>48</sup> This provision enables a museum to hang a painting it owns in a gallery or to project an image of it to museum patrons, but prohibits the creation of a live video feed for the whole world to enjoy.

Of course, section 109 also includes the first sale rule, which permits copy owners “to sell or otherwise dispose of” their copies.<sup>49</sup> But that general grant of consumer rights is subject to a cascade of narrow exceptions and counter-exceptions. Congress determined that some types of works, namely phonorecords and software, were more vulnerable to the threat of rental markets.<sup>50</sup> So although anyone can sell or give away their music or software collections, section 109 prohibits rental, lease, or lending of such works.<sup>51</sup> But not all software was spared from the rental market. If a program happens to be a videogame or embedded in a “machine or product” it can still be rented, leased, or lent.<sup>52</sup> Further, Congress thought rental, lease, or lending would prove harmful only when done for “purposes of direct or indirect commercial advantage.”<sup>53</sup> Therefore lending of software and phonorecords between friends remains lawful, as does lending by nonprofit libraries, so long as “each copy of a computer program which is lent by such library has affixed to the packaging containing the program a warning of copyright.”<sup>54</sup>

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47. See 17 U.S.C. §§ 109, 117 (2012).

48. *Id.* § 109(c).

49. *Id.* § 109(a).

50. *Id.*

51. *Id.* § 109(b)(1)(A).

52. *Id.* § 109(b)(1)(B)(i).

53. *Id.* § 109(b)(1)(A).

54. *Id.* § 109(b)(2)(A).

Section 117 sets up an equally complex regime of carefully tailored consumer rights. Section 117 permits owners of copies of computer programs to make additional reproductions and derivative works for two purposes. First, consumers can create reproductions to the extent they are essential to the use of the program that they purchased.<sup>55</sup> Second, consumers can create them for archival purposes, subject to a requirement that “all archival copies are destroyed” once the consumer no longer has the right to possess the program.<sup>56</sup> The statute also extends familiar first sale concepts to copies and adaptations lawfully made by consumers. However, the sale, lease, or transfer of those copies and adaptations is subject to some important restrictions. Exact copies can be transferred so long as the original copy and any other rights in the program are transferred simultaneously.<sup>57</sup> Adaptations, however, require copyright-holder permission before they can be transferred.

The Next Great Copyright Act might embrace this approach. Congress could identify the most important use cases, determine whether they should fall within the scope of copyright exhaustion, and craft statutory language that reflects the necessary requirements and limitations. For example, Congress could begin with a baseline exhaustion rule that permits consumers who buy digital goods to transfer ownership of those purchases, even if that entails reproducing a file, but to also require the seller to delete all of her copies of, or otherwise disable her access to, the transferred content. Such an approach would track the existing framework in Section 117 for computer programs, which requires consumers to transfer or delete all of their copies of a program when transferring ownership. This general rule would allow consumers to sell unwanted tracks from iTunes, eBooks from Amazon, or videogames from the PlayStation Network, among other digital content. Although we see no strong justification for distinguishing between different types of works when it comes to resale rights, Congress could conceivably permit transfer of some works but not others. Congress might also place restrictions on the parties entitled to engage in resale. It could, for example, permit individual consumers to resell their digital purchases while prohibiting commercial resale operations.

Likewise, Congress could choose to permit, prohibit, or place limits on rental and lending. Much like it did with phonorecords and software, the legislature could identify certain classes of works the markets for which are particularly susceptible to the threat of secondary rental and lending business models. Works characterized by high prices and limited reusability, like

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55. *Id.* § 117(a)(1).

56. *Id.* § 117(a)(2).

57. *Id.* § 117(b).

college textbooks and industry reports, might be plausible candidates for such restrictions. However, the steep prices for such works might instead be interpreted as evidence that secondary markets are necessary to reduce barriers to access. Congress should distinguish between prices that reflect high upfront production costs and those driven by aggressive rent-seeking in determining whether rental restrictions are appropriate.

Aside from exempting specified types of works from consumer rental rights, Congress could impose a number of other restrictions. Again, it might distinguish between individual consumers and institutional actors and commercial aggregators. It might permit nonprofit lending but prohibit commercial lending. It might limit the number of times a consumer could lend her digital content, or the frequency with which it is lent, in order to introduce some of the transactional friction that characterized analog lending. Perhaps most promisingly, Congress might draw a distinction between private and public lending in much the same way the current Act differentiates between private and public displays and performances.<sup>58</sup> Under such a regime, a consumer could rely on statutory exhaustion when she lends her ebook to a close friend or relative, but not when she lends it to a stranger.

Beyond delineating the rights consumers would enjoy under an updated exhaustion regime, Congress would be wise to address the failure of the current act to meaningfully define the sorts of transactions that trigger exhaustion in the first place. The current statutory language hinges on copy ownership without bothering to define it. Assuming Congress is committed to a bright-line rule, there are a number to choose from. Exhaustion could be triggered by any transaction that requires no ongoing payments and results in perpetual possession of a copy or access to the work. Or Congress could adopt a rule that conditions exhaustion on the terms of license agreements attached to works. Or it could allow state law to settle the question of ownership.

Although our previous work makes clear that we would favor some outcomes over others, our goal here is not to detail or endorse any particular set of statutory exhaustion rules. Instead our aim is to provide a sketch of the sorts of inquiries Congress would need to undertake, and to underscore the specificity with which it would need to address them. Assuming Congress appropriately balances the rights of consumers, this rule-based approach promises certainty, stability, and predictability. As detailed as they are, the existing rules in sections 109 and 117 are reasonably straightforward. Litigants understand the scope of these exhaustion rules. Although threshold

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58. *Id.* §§ 101, 106.

questions like what constitutes a sale or whether a copy was “lawfully made” have proven the more common focus of disputes, the substantive limitations of these rules rarely require litigation.<sup>59</sup>

But certainty and predictability come at a cost. First, prescribing detailed exhaustion rules in the next Copyright Act runs the risk that Congress will strike the wrong balance between consumers and rightsholders. The recent SOPA fight notwithstanding,<sup>60</sup> consumers have not generally fared well in the copyright legislative process.<sup>61</sup> There is little reason to expect the process of crafting digital exhaustion rules would fully account for the collectively immense but widely dispersed interests of consumers in light of the highly concentrated economic interests of the rightholder lobby.

Assuming Congress manages an equitable balance of the relevant interests, a rule-based approach faces another difficulty—rigidity in the face of rapidly changing technology. Markets for digital goods have evolved quickly and appear poised to continue to do so. Pairing a dynamically shifting technological and market reality with inflexible rules is likely to quickly lead to statutory obsolescence.<sup>62</sup> Without frequent legislative intervention, these digital exhaustion rules may ossify and potentially discourage innovation in content delivery markets.

Perhaps even more troublingly, inflexible rules could distort innovation as developers scramble to shoehorn their offerings within the inevitable gaps in the statutory scheme. The Supreme Court’s recent struggle to make sense of *Aereo* is an instructive example of the sorts of unintentional incentives Congress can create through bright-line rules that fail to anticipate technological change.<sup>63</sup> *Aereo* offered consumers access to live and recorded broadcast television programming over the Internet. It owned vast numbers of tiny antennae, each dedicated to a single subscriber.<sup>64</sup> But unlike cable providers, *Aereo* paid broadcasters no licensing fees for the programming it

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59. See, e.g., UMG Recordings, Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011) (holding that delivery of free promotional CDs triggered the first-sale doctrine despite restrictive license); *Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010) (holding that license terms avoided the first-sale doctrine); *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013) (holding that copies manufactured outside of the United States were “lawfully made”).

60. See generally Edward Lee, *THE FIGHT FOR THE FUTURE: HOW PEOPLE DEFEATED HOLLYWOOD AND SAVED THE INTERNET—FOR NOW* (2013).

61. See Jessica Litman, *Revising Copyright Law for the Information Age*, 75 OR. L. REV. 19 (1996) (describing a legislative process dominated by industry insiders).

62. This challenge is not a new one. Copyright law has historically struggled to deal with new technologies legislatively. See Jessica Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275 (1989).

63. Am. Broad. Cos., Inc. v. *Aereo*, Inc., 134 S. Ct. 2498 (2014).

64. *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676 (2d Cir. 2013).

makes available to consumers.<sup>65</sup> Aereo's legal argument hinged on the technical design of its system. By providing an individual antenna that transmitted a dedicated content stream to each subscriber, Aereo maintained that it facilitated private performances that, unlike their public counterparts, did not require a license from the copyright holder.<sup>66</sup> Aereo's system was designed to take advantage of an arguable gap in the web of statutory rules that govern public performances, cable service, and secondary transmissions.<sup>67</sup> Whether we characterize its engineering choices as diligent efforts to comply with the law or as evidence of a plot to evade it, Aereo's decision to create a massively inefficient content delivery system was no doubt driven in large measure by the detailed—but dated—legal rules it was forced to navigate.

Ultimately, the Supreme Court rejected Aereo's interpretation of the public performance right.<sup>68</sup> In doing so, the Court showed little interest in the “technological differences” and “behind-the-scenes” details of the design of Aereo's system.<sup>69</sup> Since they did not change Aereo's “commercial objective” or “significantly alter the viewing experience of Aereo's subscribers,” the court avoided a close reading of the statutory language.<sup>70</sup> In doing so, the Court implicitly rejected a rigid rule-based system that would drive design decisions based on copyright minutiae. Such a scenario serves the interests of the public no better than those of rightsholders.

This is equally true of rigid digital exhaustion rules that would focus on technological details at the expense of broader policy concerns. Given the challenge of adapting a detailed set of exhaustion rules modeled on sections 109 and 117 to the likely shifting sands of digital content markets, we should consider a more flexible option.

## B. A DIGITAL EXHAUSTION STANDARD

The second approach to legislating digital exhaustion relies less on the current rules in sections 109 and 117 and more on the flexible framework for fair use embodied section 107.<sup>71</sup> Rather than spelling out in exacting detail a list of consumer dos-and-don'ts, this approach would signal congressional support for the basic notion that consumers have meaningful ownership

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65. *Id.*

66. *Id.* at 693.

67. See 17 U.S.C. §§ 101, 106, 111 (2012) (defining public performances, secondary transmissions, and cable systems).

68. Am. Broad. Cos., Inc. v. Aereo, Inc., 134 S. Ct. 2498 (2014).

69. *Id.* at 2501.

70. *Id.*; see also *id.* at 2508 (Scalia, J. dissenting).

71. 17 U.S.C. § 107 (2012).

rights in their digital content purchases. It would offer some guiding principles and concrete considerations, but would leave much of the heavy lifting in the capable hands of the courts. This tack trades certainty for flexibility and helps future-proof the next Copyright Act against a rapidly changing marketplace.

Courts have always been central in the creation and application of copyright exhaustion. The common law origins and development of first sale and other exhaustion doctrines are well documented.<sup>72</sup> The Supreme Court recently emphasized this history in *Kirtsaeng*, describing the first sale rule as “a common law doctrine with an impeccable historic pedigree” dating back to the early seventeenth century.<sup>73</sup> As a matter of animating principle, the first sale doctrine “finds its origins in the common law aversion to limiting the alienation of personal property.”<sup>74</sup> The earliest copyright exhaustion cases were decided in the 1880s.<sup>75</sup> Those cases distinguished between owners of books, who had a permanent right of possession, and those with limited, conditional possessory interests.<sup>76</sup> By the turn of the twentieth century, the fundamental notion of copyright exhaustion—that the exclusive rights to vend, copy, and adapt must sometimes yield to the legitimate rights of purchasers—was settled law.<sup>77</sup> Not surprisingly, when the Court decided *Bobbs-Merrill*, its first opinion on copyright exhaustion, it construed the Copyright Act in accordance with this existing common law.<sup>78</sup>

Thus, when Congress adopted the *Bobbs-Merrill* holding in the 1909 Act, it expressly did “not intend[] to change in any way existing law.”<sup>79</sup> Nor was the 1976 reformulation of the first sale doctrine intended to disturb the scope or operation of the law as “established by the court decisions and section 27

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72. *Digital Exhaustion*, *supra* note 7, at 889 (discussing the history of copyright exhaustion).

73. *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013).

74. *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1096 (3d Cir. 1988); *Digital Exhaustion*, *supra* note 7, at 909–14, 929–31.

75. In the patent context, courts addressed exhaustion decades earlier. *See Bloomer v. McQuewan*, 55 U.S. 539 (1852).

76. *Compare Clemens v. Estes*, 22 F. 899, 900 (C.C.D. Mass. 1885) (refusing to enjoin retail sales, reasoning that “defendants had a right to buy, or contract to buy, books from agents who lawfully obtained them by purchase from the plaintiff or his publishers”), *with Henry Bill Publ'g Co. v. Smythe*, 27 F. 914 (C.C.S.D. Ohio 1886) (enjoining the sale of books where the copyright holder’s agents, to whom no first sale had been made and title had not passed, delivered copies to booksellers rather than subscribers).

77. *Harrison v. Maynard, Merrill & Co.*, 61 F. 689, 691 (2d Cir. 1894); *accord Doan v. Am. Book Co.*, 105 F. 772, 776 (7th Cir. 1901); *Kipling v. G.P. Putnam's Sons*, 120 F. 631, 634 (2d Cir. 1903).

78. *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908).

79. H.R. REP. NO. 60-2222, at 19 (1909).

of the present law.”<sup>80</sup> Instead, the new language merely “restates and confirms” existing law.<sup>81</sup> In short, exhaustion originated and developed as a common law doctrine. Congress acknowledged and sought to preserve the role of the judicial branch, even as they enshrined the rule in the statute.<sup>82</sup> The fact that courts have always played a central role in shaping copyright exhaustion should give Congress confidence in their ability to decide such cases outside the confines of rigidly prescribed rules.

In much the same way Congress endorsed the common law doctrine of fair use without impeding its future development and its application to new facts,<sup>83</sup> Congress could legislate a flexible analytical framework for exhaustion that identifies the central factors courts should consider and trust courts to weigh the competing interests of consumers and creators in a way that serves the goals of the copyright system. Of course, fair use has its share of critics. Some claim it has become too permissive and threatens to become the rule rather than the exception. Others lament that courts focus too narrowly on the statutory factors, neglecting other considerations. Relatedly, some worry that the traditional four-factor analysis has been displaced by a single factor—transformation.

But the most common critique of fair use is that it leads to unpredictable and inconsistent outcomes that offer little by way of useful guidance. Lawrence Lessig has characterized fair use as nothing more than “the right to hire a lawyer.”<sup>84</sup> But this critique is overstated. Much of the unpredictability of fair use is a function of the dizzying array of factual scenarios this single flexible framework is asked to accommodate. Fair use shoulders everything from parodies, appropriation art, scholarly research, and news reporting, to

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80. H.R. REP. NO. 94-1476, at 79 (1976); S. REP. NO. 94-473, at 71 (1975).

81. H.R. REP. NO. 94-1476, at 79 (1976); S. REP. NO. 94-473, at 71 (1975). *See also* Quality King Distrib., Inc. v. L’anza Research Int’l, Inc., 523 U.S. 135, 152 (“There is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the doctrine to limit its broad scope.”).

82. Congress recognized the existing common law of exhaustion in much the same way it recognized fair use. *See* H.R. REP. NO. 94-1476, at 79 (1976); S. REP. NO. 94-473, at 71 (1975) (noting congressional intent intended “to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way”). Whether the courts have consistently embraced their common-law role in the ongoing development of fair use is a separate question. *See* WILLIAM PATRY, PATRY ON COPYRIGHT § 10:8 (2014) (noting that “initially after passage of the 1976 Act, courts lost sight of their common-law role”).

83. The 1976 Act explicitly acknowledged fair use for the first time, enshrining the four factors courts relied upon most often in deciding cases under the common law. H.R. REP. NO. 95-1476, at 65–66 (1976). Congress intended to embody this common-law history without impeding the future development of the fair use doctrine. *Id.*

84. LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY 187 (2004).

web caching, thumbnails, reverse engineering, and mass digitization. However, if we cluster fair use cases together on the basis of common factual predicates, more predictable patterns emerge.<sup>85</sup> Moreover, various best practices have emerged that also serve to guide the reasonable application of fair use in different contexts.<sup>86</sup> In contrast, the range of factual scenarios courts would be asked to address in the exhaustion context is considerably narrower. And by giving courts greater opportunity to analyze cases through the lens of exhaustion, we might ease some of the unreasonable burden that fair use is currently expected to shoulder.<sup>87</sup>

Rather than revealing the faults of a standards-based approach, fair use highlights the primary reasons for favoring exhaustion legislation that utilizes the advantages of common law reasoning. The current fair use framework has proven remarkably resilient and adaptable over the more than a century and a half since it was first articulated in *Folsom v. Marsh*.<sup>88</sup> Although it has perhaps been overworked at times, the fair use doctrine has managed to cope with an unyielding tide of new works, technologies, uses, and market structures. Fair use remains a workable, if imperfect, tool for courts to probe some of the essential policy concerns of copyright law: balancing the interests of creators against those of follow-on creators and the public at large. By following the fair use model of judicial decision making guided by congressional input, Congress could frame an exhaustion doctrine that explores another central question in copyright law: the relationship between the rights of creators and the rights of consumers who purchase their creations.

The first task for this framework is clarification of the ongoing license-versus-sale debate. When has a consumer made a purchase or otherwise engaged in the sort of transaction that results in the sort of property interest that trigger exhaustion? Again, we have written elsewhere about how we think courts should resolve this question. Here the main focus should be identifying the factors courts should consider, rather than calling for specific outcomes. There are three key factors courts should take into account:

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85. See Matthew Sag, *Predicting Fair Use*, 73 OHIO ST. L.J. 47 (2012); Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537, 2548–55 (2009); Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525, 1687 (2004);

86. *Best Practices*, CTR. FOR MEDIA & SOCIAL IMPACT, <http://www.cmsimpact.org/fair-use/best-practices/> (last visited July 29, 2009).

87. *Copyright Exhaustion & the Personal Use Dilemma*, *supra* note 7.

88. *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841).

1. The duration of consumer possession or access;
2. whether the payment structure is one-time or ongoing; and
3. the characterization of the transaction communicated to the consumer, including whether it is referred to as a sale or purchase.

These factors are largely familiar from the license-versus-sale caselaw. For the first factor, consumers who have perpetual or non-term-limited possession of, or access to, a work stand in a different relation to that work than a consumer who rented a copy for a day or a month. The greater the period of possession or access, the more appropriate exhaustion would seem to be. Under the second factor, consumers who receive possession or access in exchange for a one-time fee are more natural candidates for exhaustion than those whose access is conditioned on ongoing payments.

The third factor, however, may require some explanation. Some courts have held that rightsholders can avoid exhaustion by labeling the relevant transaction a “license”<sup>89</sup> or by asserting restrictions on use or alienation in a license agreement.<sup>90</sup> Although we agree that the nature of a transaction can be relevant to exhaustion, we do not think the courts’ inquiry should focus primarily on the language chosen by the agreement’s drafter. Like any self-interested party, copyright holders will inevitably attempt to characterize all transactions in their favor. And since so few of us actually read end user license terms—let alone negotiate them—these terms can hardly be read as a “meeting of the minds” between the consumer and the copyright owner. In fact, they often provide little information about how the transaction looks through the consumer’s eyes. In many instances, license agreements structured to avoid exhaustion accompany public-facing marketing that induces consumers to click a shiny button that says “Buy Now” or “Purchase.” Such marketing is often far more relevant to a consumer’s understanding of the transaction than the never-read fine print. Courts should be mindful then, not only of the limited utility of pre-drafted terms, but of the overall impression communicated to consumers about the nature of a transaction.

Though flexible, we think these factors give reasonably clear guidance. If applied consistently, they would offer consumers greater confidence about when they are buying something they can later alienate. Rightsholders could reliably structure transactions to avoid exhaustion by conditioning ongoing access on future payments, or by clearly communicating time-limited access.

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89. See, e.g., Microsoft Corp. v. Harmony Computers & Elecs., 846 F. Supp. 208, 213 (E.D.N.Y. 1994).

90. See Vernor v. Autodesk, Inc., 621 F.3d 1102 (9th Cir. 2010).

This would allow the continued development of rental, streaming, and subscription business models while simultaneously clarifying the choice between those delivery channels and true sales of digital content for consumers.

Assuming a sale that triggers exhaustion, courts would need to determine whether a consumer's subsequent actions are lawful. As we described above, a workable digital exhaustion doctrine cannot be limited to the distribution right alone. It should also permit limited acts of reproduction, and even the creation of derivative works, to the extent necessary to enable transfers on secondary markets across competing technology platforms. But purchasers of digital content should not be given free reign to copy and distribute their purchases indiscriminately. In assessing whether a consumer's invocation of exhaustion is appropriate, Congress could suggest that courts consider whether:

1. The consumer fully parted with possession of or access to the work;
2. the use deprives rightsholders of a fair return; and
3. the consumer has materially altered the underlying expression of the work at issue.

The first of these factors isolates the central feature of a lawful secondary transaction. Whether permanently or temporarily, resale or lending entails the seller transferring possession or access to the buyer. For digital goods no less than analog ones, such a transaction cannot result in an increase in the number of individuals who can simultaneously enjoy the work. Rather than try to legislate the myriad ways these transfers of possession and access might work in practice through statutory rules, this factor allows courts to focus on the end result—not the mechanics—of a transaction.

The second factor, much like the fourth fair use factor, considers the impact of the use on the incentives of rightsholders. This factor is consistent with the way courts have traditionally approached the question. They often justify exhaustion on the grounds that the rightsholder, having completed a sale, has been fairly compensated.<sup>91</sup> In the analog world, fair compensation

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91. See *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 854 (2d Cir. 1963) (noting that “the ultimate question embodied in the ‘first sale’ doctrine” is “‘whether or not there has been such a disposition of the article that it may fairly be said that the patentee [or copyright proprietor] has received his reward for the use of the article’”) (quoting *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942)); *Parfums Givenchy, Inc. v. C & C Beauty Sales, Inc.*, 832 F. Supp. 1378, 1389 (C.D. Cal. 1993) (“[T]he distribution right and the first-sale doctrine rest on the principle that the copyright owner is entitled to realize no more and no less than the full value of each copy or phonorecord upon its disposition.”); Burke & Van

was guaranteed by the rightsholder's ability to set the initial price and by the one-to-one nature of secondary transactions. But digital goods differ from their analog counterparts in ways that could not only disrupt existing pricing structures but also undermine incentives for digital distribution and, theoretically at least, investment in new creation. The physical world imposes limits not present in the digital one. Digital goods are more durable and easier to reproduce, at least in the short term.<sup>92</sup> Perhaps more importantly, the transaction costs of resale and lending are largely eliminated. Under these conditions, courts need the ability to safeguard against unanticipated secondary transactions that could undermine the primary markets for protected works. Distributed lending models, for example, could enable seamless, but non-simultaneous, use of an ebook by thousands of users at little or no cost. This factor would enable courts to interrogate the harmful effect such a platform could have on rightsholder incentives, and could encourage the evolution of balanced resale and rental models over time.

Finally, the third factor prevents exhaustion from becoming a back door to transformative uses better considered under fair use. To be effective in enabling robust secondary markets, copyright exhaustion should permit some limited adaptation by consumers. Just as section 117 allows consumers to adapt their computer programs to work with new hardware and software, courts could endorse format and platform shifting to the degree necessary to alienate or use lawfully acquired content. For example, if an Amazon customer wants to purchase a used Apple iBook, either the buyer or the seller might need to create a new copy in the appropriate format. Assuming such format shifting even constitutes the creation of a derivative work, this factor would help distinguish between technical adaptations and expressive transformations.<sup>93</sup> On the other hand, this factor would weigh against permitting fan edits based on the mere purchasing of the underlying raw material. For example, Topher Grace could not defend his eighty-five-minute edit of the three Star Wars prequels on the basis of exhaustion, no matter

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Heusen, Inc. v. Arrow Drug, Inc., 233 F. Supp. 881, 884 (E.D. Pa. 1964) ("[T]he ultimate question under the 'first sale' doctrine is whether or not there has been such a disposition of the copyrighted article that it may fairly be said that the copyright proprietor has received his reward for its use.").

92. See Reese, *supra* note 8, at 633–39 (noting the difficulties of preserving readable digital content in an environment in which languages, software, hardware, and file formats undergo rapid change).

93. See 17 U.S.C. § 101 (2012) (defining a "derivative work" as "a work based upon one or more preexisting works . . . in which a work may be recast, transformed, or adapted").

how many copies of *The Phantom Menace* he bought.<sup>94</sup> Annotations and commentary would fall somewhere in the middle under this factor. A user who has taken extensive notes on her ebook has arguably created a derivative, but probably has not materially altered the underlying expression.<sup>95</sup>

Ultimately we see these two multi-factor tests, or some variation on them, as the better route to legislating digital exhaustion. They allow Congress to steer the general direction of the copyright exhaustion, but return the doctrine to its judicial origins, where courts can exercise reasonable judgment to craft decisions that bring some measure of predictability and keep pace with the quickening rate of innovation in copyright markets. More importantly, this approach will engage courts in one of the fundamental questions with which copyright law will grapple in the coming decades—the relationship between creators and their customers.

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94. See Peter Sciretta, *Topher Grace Edited The ‘Star Wars’ Prequels Into One 85-Minute Movie and We Saw It*, SLASHFILM, <http://www.slashfilm.com/topher-grace-edited-star-wars-prequels-85minute-movie/> (Mar. 7, 2012).

95. See 17 U.S.C. § 101 (2012) (defining a “derivative work” to include a “work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship”).



# COPYRIGHT REFORM PRINCIPLES FOR LIBRARIES, ARCHIVES, AND OTHER MEMORY INSTITUTIONS

*David R. Hansen<sup>†</sup>*

## ABSTRACT

U.S. libraries, archives, and other memory institutions are stewards of some of the largest collections of copyrighted content in the world. These institutions hold billions of works, the vast majority of which have been created in the last century and are thus subject to copyright protection. This Article is about how these institutions interact with the copyright system and, in particular, how reforming section 108 of the Copyright Act—limitations on copyright for library and archive uses—can help these organizations in their efforts to preserve and make their collections more available to the world.

This Article examines the situations in which section 108 works, where it fails, and where libraries rely on other tools, such as fair use, for preserving, archiving, and distributing works. Understanding section 108 in this context helps to clarify its intended purpose and, in turn, principles for reform. Over the last several decades, it has become clear that policymakers and librarians view section 108's principal purpose as providing a useful, clear, and unambiguous exception that practicing librarians can employ to make decisions about the use of copyrighted works in situations that frequently recur in libraries, supplementary to decisions made under other limitations such as fair use. So far, section 108 has largely failed to fulfill that purpose. This Article identifies five long-term principles that help explain why section 108 has failed in certain respects and can help guide reform efforts to make section 108 more useful in the future.

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## TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION .....</b>	<b>1560</b>
<b>II.</b>	<b>LIBRARIES IN THE COPYRIGHT SYSTEM.....</b>	<b>1563</b>
	A. THE MECHANICS OF SECTION 108.....	1567
	B. LIBRARIAN AND POLICYMAKERS' APPROACHES TO SECTION 108.....	1571
	1. <i>The Judicial and Legislative Approach to Section 108.....</i>	1572
	2. <i>Library and Academic Approaches to Section 108.....</i>	1576
	C. SECTION 108 IN PRACTICE: THE GOOD AND THE BAD.....	1578
	1. <i>Areas Where Section 108 Performs Well.....</i>	1579
	2. <i>Section 108 Problem Areas.....</i>	1581
	D. LIBRARY USES UNDER OTHER LIMITATIONS ON COPYRIGHT.....	1586
<b>III.</b>	<b>REFORMING SECTION 108.....</b>	<b>1591</b>
	A. PRINCIPLES FOR REFORM.....	1591
<b>IV.</b>	<b>CONCLUSION.....</b>	<b>1594</b>

### I. INTRODUCTION

In 1945, MIT engineering professor Vannevar Bush published an article—now required reading for students of library and information science—titled *As We May Think*.<sup>1</sup> In it, Bush described, with remarkable prescience, the development of technology capable of compressing and storing vast amounts of information: “The *Encyclopoedia Britannica*,” he predicted, “could be reduced to the volume of a matchbox. A library of a million volumes could be compressed into one end of a desk.”<sup>2</sup> While Bush is praised for his foresight, he was wrong about key technical details; his system was predicated on massive enhancements to microfilm, which each of us would pore over at our desks through a machine he dubbed the “Memex.”<sup>3</sup>

*As We May Think* illustrates a familiar concern for copyright policymakers: how to facilitate innovation when the specific technology

1. Vannevar Bush, *As We May Think*, THE ATLANTIC MONTHLY (July 1, 1945), available at <http://www.theatlantic.com/magazine/archive/1945/07/as-we-may-think/303881/>.

2. *Id.*

3. *Id.* For a fascinating review of how Bush’s *As We May Think* vision took shape, see *The Brown/MIT Vannevar Bush Symposium*, Oct. 12–13, 1995, MEMEX AND BEYOND WEBSITE, [http://cs.brown.edu/memex/Bush\\_Symposium.html](http://cs.brown.edu/memex/Bush_Symposium.html) (last visited May 1, 2014).

directing innovation is unpredictable.<sup>4</sup> If recent copyright litigation teaches anything, it is that the technical details, of course, do matter.<sup>5</sup> These cases also illustrate the difficulty of balancing creator and user rights to promote creativity and innovation. Libraries that navigate the technical complexities of section 108 of the Copyright Act—“Limitations on exclusive rights: Reproduction by libraries and archives”—are particularly well acquainted with these challenges.<sup>6</sup> Drafted in the photocopier era, section 108 has long been targeted for updates to bring it, and the libraries that rely upon it, into the digital age.<sup>7</sup>

This Article is about how to reform section 108. It does so making three assumptions. The first is that section 108 is a small, integrated part of the current copyright system; therefore reform to section 108 will occur within the context of a larger set of copyright reform efforts that seek to update the Act as a whole.<sup>8</sup> The second is that the reform process will be lengthy and

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4. See Fred von Lohmann, *Fair Use as Innovation Policy*, 23 BERKELEY TECH. L.J. 829 (2008) (explaining how fair use has and can continue to mediate that balance); Dotan Oliar, *The Copyright-Innovation Tradeoff: Property Rules, Liability Rules, and Intentional Infliction of Harm*, 64 STAN. L. REV. 951 (2012) (approaching the question by assessing optimal investment in innovative technology versus optimal investment in creating new content); Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345 (2004) (discussing how to calibrate this balance with respect to file sharing systems and accompanying widespread online infringement).

5. See, e.g., Am. Broad. Cos., Inc. v. Aereo, Inc., 134 S. Ct. 2498 (2014); Capitol Records, LLC v. ReDigi Inc., 934 F. Supp. 2d 640, 645–56 (S.D.N.Y. 2013).

6. The Copyright Act, 17 U.S.C. § 102 (2012).

7. Even upon its enactment, Congress expressed some concern that section 108 might not meet its intended goals. It directed the Copyright Office, at five-year intervals, to “submit to Congress a report setting forth the extent to which this section has achieved the intended statutory balancing of the rights of creators, and the needs of users. The report should also describe any problems that may have arisen, and present legislative or other recommendations, if warranted.” *Id.* § 108(i) (1988) (repealed by Pub. L. No. 102–307, § 301, 106 Stat. 264 (1992)); see also SECTION 108 STUDY GROUP REPORT (2008), available at <http://www.section108.gov/docs/Sec108StudyGroupReport.pdf>; Laura N. Gasaway, *Amending the Copyright Act for Libraries and Society: The Section 108 Study Group*, 70 ALA. L. REV. 1331 (2007); Mary Rasenberger, *Copyright Issues and Section 108 Reform*, 34 COLUM. J.L. & ARTS 15 (2010).

8. Speakers at the symposium from which this Article originated explored a significant number of these issues. See *The Next Great Copyright Act—18th Annual BCLT/BTLJ Symposium*, BERKELEY LAW (April 3–4, 2014), <http://www.law.berkeley.edu/16296.htm>. Other recent efforts to catalog and offer options for reform include: Pamela Samuelson & Members of the CPP, *The Copyright Principles Project: Directions for Reform*, 25 BERKELEY TECH. L.J. 1 (2010); Pan C. Lee et al., *Introduction to the Copyright Reform Act*, PUBLICKNOWLEDGE.ORG, (Feb. 13, 2010), <https://www.publicknowledge.org/pdf/cra-introduction-02132010.pdf>. See generally WILLIAM PATRY, HOW TO FIX COPYRIGHT (2011) (exploring a number of different options for copyright reform); Pamela Samuelson, *Is Copyright Reform Possible?*, 126 HARV. L. REV. 740 (2013) (book review).

deliberate, both for section 108 and more generally.<sup>9</sup> The third is that legislative copyright revision is potentially risky for all stakeholders. Given the highly charged environment in which Copyright Act revision discussion exists,<sup>10</sup> the political wrangling required to pass a bill on this subject may result in a section 108 that is less useful than it is now. The history of section 108 illustrates that even well-meaning amendments, such as those made in the late 1990s to explicitly include “digital copies” under section 108 coverage and expand library use of works in their last twenty years of protection, can become bloated over the course of bill negotiations with administratively difficult safeguards that make the amendments unhelpful at best and make section 108 less useful than it was before at worst.

In light of those assumptions, this Article identifies a framework for section 108 reform that can help guide its development into an integrated part of the Copyright Act. This framework is not about specific textual modifications to the Act, though it does suggest a handful of changes.<sup>11</sup> Rather, this framework discusses the long-term purpose of section 108 and several principles for reform that are based on a broad view of how libraries operate within the copyright system to make both routine uses and innovative new uses of copyrighted works.

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9. We have already completed year one of a deliberate congressional review of the copyright system. *See* Press Release, House Judiciary Comm., Chairman Goodlatte Announces Comprehensive Review of Copyright Law (Apr. 24, 2013), <http://judiciary.house.gov/index.cfm/2013/4/chairmangoodlatteannouncescomprehensive reviewofcopyrightlaw/>. The committee held eight hearings in its first year. As a point of reference, the 1976 Act revision process started in earnest a full twenty years prior to its passage with the publication of a series of studies on copyright revision by the U.S. Copyright Office. *See Copyright Law Revision Studies*, U.S. COPYRIGHT OFFICE, <http://www.copyright.gov/history/studies.html> (last visited May 2, 2014).

10. Whether this is a new phenomenon or a longstanding challenge is a matter of perspective. One can observe, however, that former Register of Copyrights Barbara Ringer expressed similar concerns when she spoke these wise words over 40 years ago in the lead up to the passage of the 1976 Act:

[C]hanging any law is never an easy matter, and the case of copyright is made much more difficult by the religious fervor and theological arguments thrown at each other by the contending parties. The personal anger, the emotion, the presentation of viewpoints in stark black-and-white terms, are quite different in degree and character from what one might find in disputes over, say, admiralty or insurance law.

BARBARA A. RINGER, THE DEMONOLOGY OF COPYRIGHT 5 (1974), *available at* [http://www.copyright.gov/history/demonology\\_of\\_copyright.pdf](http://www.copyright.gov/history/demonology_of_copyright.pdf).

11. *See infra* Part III. These specific changes, informed by the principles identified below, largely align with specific proposals leveled by others, such as the Section 108 Study Group.

Part II of this Article examines how libraries use section 108 today and how section 108 and library practice fit within the overall copyright system. This Part explains why libraries find section 108 inadequate for many modern applications, primarily in the digital realm. It also explains why, while section 108 is useful in some situations, section 108 has never been the primary tool for either routine library uses of copyrighted works or for making new, innovative library and archive uses of copyrighted works.

Part III (reform principles) applies the lesson from Part II. It demonstrates that section 108 has been asked, but has failed, to provide library-like institutions with a useful, clear, and unambiguous exception that practicing librarians can employ to make decisions about the use of copyrighted works in recurring library situations. To address this problem, Part III proposes long-term reform principles that are complimentary to, and not a replacement for, other limitations and exceptions such as fair use. In short form, these principles are:

1. *Preserve library access to and the development of other limitations such as fair use* to secure the many routine and new uses of copyrighted works that are essential for current and future library services;
2. *Address issues unique to libraries, archives, and other memory institutions* to sharpen the focus of section 108 and allow development of issues common to all users—e.g., digital first sale—to go on undistorted;
3. *Favor simplicity and consistency* to allow practicing librarians to interpret and use section 108 without the need for outside legal advice;
4. *Reformulate limitations as technology neutral* to maintain section 108's continued validity in the face of inevitable new technology; and
5. *Embrace flexibility* to allow section 108 to adapt to changing circumstances while maintaining useful high-level guidelines about library practice.

As explained throughout this paper and especially in Part III, certain section 108 provisions have adhered to these principles with good results. In instances where section 108 has strayed from these principles, it has stumbled.

## II. LIBRARIES IN THE COPYRIGHT SYSTEM

This Part explains how section 108 works, the situations in which section 108 is useful for libraries, and the situations in which it fails, including specific references to the principles noted above. It also identifies some of the other limitations and exceptions that libraries often look to under the Copyright Act. The Copyright Act has remarkable solicitude for library and archive uses of copyrighted works. Sections 107 (fair use), 108 (limitations

for libraries and archives), 109 (first sale), 110 (face-to-face instruction and teaching), 121 (copies for print disabled users), 504(c)(2) (limitations on remedies for good faith asserters of fair use), and 602(a)(3)(C) (exception to import restrictions for library lending and archival purposes) are among the specific statutory exceptions designed to facilitate the types of uses that allow libraries to fulfill their missions. This substantial set of library protections is not surprising; Congress has clearly recognized that the constitutional purpose of copyright, to promote the “Progress of Science and the useful Arts,”<sup>12</sup> is furthered by library functions supporting research, scholarship, teaching, and learning.<sup>13</sup>

Indeed, even without legislative copyright reform, a steady stream of new technology has transformed the vision articulated in *As We May Think* into reality in the library:<sup>14</sup> the “microform revolution” that began in the 1940s,<sup>15</sup> the Xerox 914 in 1959,<sup>16</sup> magnetic tape storage systems in the 1960s and 1970s,<sup>17</sup> desktop computing in the 1980s, and the World Wide Web in the 1990s.<sup>18</sup> Today, the vast majority of new content purchased by large U.S. libraries is delivered to users electronically. In 2012, U.S. academic libraries alone spent an estimated \$1.6 billion on electronic resources access (both licensed and purchased), comprising nearly sixty percent of their materials expenditures for the year.<sup>19</sup>

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12. U.S. CONST. art. I, § 8, cl. 8.

13. See Elizabeth A. Hadzima et al., *How Flexibility Supports the Goals of Copyright: Fair Use and the U.S. Library Experience*, LIBRARY COPYRIGHT ALLIANCE 1–5 (2013), <http://www.librarycopyrightalliance.org/bm~doc/lca-flex-library-experience-15feb13.pdf> (describing the role of libraries in the United States with reference to copyright).

14. Throughout this Article, I frequently use “libraries” as shorthand for nonprofit libraries, archives, museums, and other memory institutions, which typically have as two of their main goals to preserve and make available their collections to users. I mean to distinguish these services as a large and important subset of information-providing services generally. See Michael Buckland, *What Kind of Science Can Information Science Be?*, 63 J. AM. SOC’Y INFO. SCI. & TECH. 1, 2 (2012). I recognize that these institutions have several important differences. When differences matter for copyright purposes, I point them out.

15. See generally MICHAEL R. GABRIEL & DOROTHY P. LADD, THE MICROFORM REVOLUTION IN LIBRARIES (1980) (discussing the technical development of micro-formats and their adoption by libraries).

16. See generally REPROGRAPHY AND COPYRIGHT LAW (Lowell H. Hattery & George P. Bush eds., 1964) (discussing the development and widespread use of photocopiers).

17. See generally GEORGE P. BUSH, TECHNOLOGY AND COPYRIGHT (1972) (reviewing literature and summarizing these developments).

18. See generally GROWING PAINS: ADAPTING COPYRIGHT FOR LIBRARIES, EDUCATION, AND SOCIETY (Laura N. Gasaway ed., 1997) (addressing copyright and changing technology in the library context).

19. See NAT’L CENT. FOR EDUC. STATISTICS & U.S. DEPT. EDUCATION, ACADEMIC LIBRARIES 2012: FIRST LOOK 12 (2014), available at <http://nces.ed.gov/pubs2014/2014038.pdf>.

Libraries have also digitized millions of items from their print collections for online access at tremendous cost: HathiTrust and the Digital Public Library of America are two highly visible examples.<sup>20</sup> Both are built upon the efforts of a great number of small and large libraries from across the United States.<sup>21</sup> Like most of the library community,<sup>22</sup> both organizations have been cautious in their approach to copyrighted works.<sup>23</sup> And while libraries and copyright holders have, for the most part,<sup>24</sup> agreed about digital preservation for copyrighted works,<sup>25</sup> agreement on access to these materials remains

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20. HATHI TRUST, <http://www.hathitrust.org/> (last visited Apr. 23, 2014); DPLA, <http://dp.la/> (last visited Apr. 23, 2014).

21. See, e.g., *HathiTrust Newsletter*, HATHI TRUST.ORG (Mar. 2014), [http://www.hathitrust.org/updates\\_march2014/](http://www.hathitrust.org/updates_march2014/) (listing the twenty-nine research libraries that have contributed content to HathiTrust); *Hubs*, DPLA, <http://dp.la/info/about/hubs/> (last visited Apr. 30, 2014) (describing the vast number of libraries that have contributed content through DPLA “Service Hubs” and “Content Hubs”). See also IMLS Digital Collections and Content, IMLS DCC, <http://imlsdcc.grainger.uiuc.edu/> (last visited May 2, 2014) (listing 1,231,917 digital items in 1739 collections from 1494 different institutions across the United States).

22. See, e.g., ASS’N OF RESEARCH LIBRARIES, FAIR USE CHALLENGES IN ACADEMIC AND RESEARCH LIBRARIES 5–6 (2010), available at [http://www.arl.org/storage/documents/publications/arlcsm\\_fairusereport.pdf](http://www.arl.org/storage/documents/publications/arlcsm_fairusereport.pdf); Kevin L. Smith, *Copyright Risk Management: Principles and Strategies for Large-Scale Digitization Projects in Special Collections*, 17 RESEARCH LIBRARY ISSUES (June 2012), available at <http://publications.arl.org/2ds1pl.pdf> (outlining a strategy for managing risk).

23. See *Copyright*, HATHI TRUST, <http://www.hathitrust.org/copyright/> (last visited May 2, 2014). The HathiTrust has played a very visible role as defendant in a major copyright lawsuit brought by the Authors Guild. See Authors Guild, Inc. v. HathiTrust, No. 12-4547-cv, slip op. at 1 (2d Cir. June 10, 2014). The HathiTrust uses litigated in that case, however, were not markedly more aggressive with respect to copyright than others in the community. See, e.g., PRUDENCE ADLER ET AL., ASS’N OF RESEARCH LIBRARIES, CODE OF BEST PRACTICES IN FAIR USE FOR ACADEMIC AND RESEARCH LIBRARIES (2012), available at <http://www.arl.org/storage/documents/publications/code-of-best-practices-fair-use.pdf> (identifying library community developed best practices in fair use related to several uses that are similar to HathiTrust’s, such as reproducing materials for disabled users and the development of databases to facilitate non-consumptive uses such as text mining).

24. The Authors Guild, for example, has taken the position that even library digital preservation without access constitutes copyright infringement that, it believes, is beyond the scope of fair use or other limitations and exceptions such as section 108. See Brief of Appellant, Authors Guild, Inc. v. HathiTrust, No. 12-4547-cv, slip op. at 31 (2d Cir. Feb. 25, 2013). The Second Circuit refrained from ruling on the legality of preservation for replacement purposes because it was unclear on appeal whether plaintiffs had standing to bring such a claim. See Authors Guild, Inc., No. 12-4547-cv, slip. op. at 31–32.

25. Librarians as a community have expressed considerable agreement about the appropriateness of digital preservation practices. See CODE OF BEST PRACTICES IN FAIR USE OF ORPHAN WORKS BY LIBRARIES, ARCHIVES, AND OTHER MEMORY INSTITUTIONS, Principle 1 (forthcoming 2014) (explaining that, within the library community, there was a high level of comfort with the idea that fair use supports digital preservation without any reservations).

elusive.<sup>26</sup> Thus, HathiTrust, for example, maintains a digital collection of several million volumes, but only around thirty-four percent are fully available online, all of which are in the public domain.<sup>27</sup> To return again to Vannevar Bush's 1945 article: "one needs not only to make and store a record but also be able to consult it . . . Even the modern great library is not generally consulted; it is nibbled by a few."<sup>28</sup> The great modern library of today has the technological opportunity and the goal of both preserving and providing "democratic access" to its collections.<sup>29</sup> With that goal in mind, many libraries are beginning to explore how to provide lawful access to copyrighted works online.<sup>30</sup> In large part, these efforts find support in doctrines such as fair use, rather than section 108.

Libraries recognize that settling for online access to only public domain or licensed digital content would exclude the largest part of their collections: works created in the twentieth century, most of which are treated as though protected by copyright (though many may, in fact, be in the public domain).<sup>31</sup>

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26. See Gasaway, *supra* note 7, at 1331 (noting the Study Group's agreement on preservation issues but not on access); Rasenberger, *supra* note 7 (providing more context to the Study Group's agreement on the perseveration issue).

27. *HathiTrust Dates*, HATHI TRUST, [http://www.hathitrust.org/visualizations\\_dates](http://www.hathitrust.org/visualizations_dates) (last visited Apr. 30, 2015).

28. Bush, *supra* note 1.

29. See Matt Enis, *Q&A: Dan Cohen on His Role as the Founding Executive Director of DPLA*, LIBRARY J. (Mar. 12, 2013), <http://www.thedigitalshift.com/2013/03/digital-libraries/qa-dan-cohen-on-his-role-as-the-founding-executive-director-of-dpla/>; Megan Geuss, *Exercises in Democracy: Building a Digital Public Library*, ARSTECHNICA.COM (Mar. 6, 2012), <http://arstechnica.com/information-technology/2012/05/exercises-in-democracy-building-a-digital-public-library/>.

30. See Geoffrey A. Fowler, *Libraries Have a Novel Idea*, WALL ST. J. (June 29, 2010), <http://online.wsj.com/news/articles/SB10001424052748703279704575335193054884632/> (describing the Internet Archive's ebook lending model that relies on copyright's first sale doctrine); Katie Fortney, *Braving the Present: Experience and Copyright Risk Assessment for Digitizing Recent Historical Collections*, 2013 ACRL PROCEEDINGS 84 (2013), available at [http://www.ala.org/acrl/sites/ala.org.acrl/files/content/conferences/confsandpreconfs/2013/papers/Fortney\\_Braving.pdf](http://www.ala.org/acrl/sites/ala.org.acrl/files/content/conferences/confsandpreconfs/2013/papers/Fortney_Braving.pdf) (explaining how the University of Santa Cruz moved forward with providing full online access to over 23,000 potentially in-copyright items in its Grateful Dead Archive under an assertion of fair use); Maggie Dickson, *Due Diligence, Futile Effort: Copyright and the Digitization of the Thomas E. Watson Papers*, 73 AM. ARCHIVIST 626, 636 (2010), available at <http://archivists.metapress.com/content/16rh811120280434/> (explaining how, after an extensive but ultimately unsuccessful search for copyright owners for thousands of works in a digital collection, the library decided to make the collection available online under the auspices of fair use).

31. Copyright status determinations are relatively straightforward for works published in the United States before 1923: all are in the public domain. See 17 U.S.C. § 304 (2012). But public domain determinations can be difficult and require extensive research for unpublished works, works published in the United States from 1923 to 1989, foreign published works after 1923, and a broad group of sound recordings. See Peter B. Hirtle, *Copyright Term and the Public Domain in the United States*, <http://copyright.cornell.edu/resources/publicdomain.cfm>

Library holdings exploded in size over that time period. As just one data point, WorldCat—a database of bibliographic information based on a subset of the records of over 72,000 libraries worldwide—has records for nearly 303 million unique library bibliographic records (manifestations).<sup>32</sup> Of those, over 225 million are for works created in the last 114 years.<sup>33</sup>

Thus, while copyright is certainly not the only legal obstacle confronting libraries today,<sup>34</sup> given the large number of copyrighted works in library collections and the challenges associated with using them, it is among the most significant. The Sections below explain how section 108 has both helped and failed to help libraries overcome those challenges.

#### A. THE MECHANICS OF SECTION 108

Many commentators have explained at length what section 108 does and how it is meant to function.<sup>35</sup> This Section gives just a brief introduction.

Section 108 applies to a narrow set of preservation and lending activities in which libraries and archives frequently engage. Through the application of several rules, stipulations, and exceptions to those stipulations, section 108 carves out a complex but workable framework for library reproduction and distribution of copyrighted works in a variety of common archival and lending situations.<sup>36</sup> Section 108 can be thought of as having four main parts:

1. eligibility;

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(last updated Jan. 1, 2014). Some libraries have begun to tackle the public domain status determinations for these categories of works. See *Copyright Review Management System*, UNIV. OF MICH. LIBRARY, <http://www.lib.umich.edu/copyright-review-management-system-imls-national-leadership-grant/> (last updated Mar. 17, 2013).

32. See OCLC, ANNUAL REPORT 2012–2013, at 14 (2013), available at <http://www.oclc.org/content/dam/oclc/publications/AnnualReports/2013/2013.pdf>.

33. See IFLA STUDY GROUP ON THE FUNCTIONAL REQUIREMENTS FOR BIBLIOGRAPHIC RECORDS, FUNCTIONAL REQUIREMENTS FOR BIBLIOGRAPHIC RECORDS: FINAL REPORT (2009), available at <http://www.ifla.org/publications/functional-requirements-for-bibliographic-records/>.

34. See, e.g., Laura Clark Brown & Nancy Kaiser, *Opening Archives on the Recent American Past: Reconciling the Ethics of Access and the Ethics of Privacy*, in DOING RECENT HISTORY: ON PRIVACY, COPYRIGHT, VIDEO GAMES, INSTITUTIONAL REVIEW BOARDS, ACTIVIST SCHOLARSHIP, AND HISTORY THAT TALKS BACK 59 (Claire Bond Potter & Renee C. Romano eds., 2012); see also *Legal and Ethical Implications of Large-Scale Manuscript Digitization Symposium*, UNC LIBRARIES (Feb. 12, 2009), <http://www2.lib.unc.edu/mss/archivalmassdigitization/index.html?section=publications>.

35. See, e.g., Gasaway, *supra* note 7 (explaining the section in detail and offering ideas about reform); *Unsupervised Copying Equipment*, COPYRIGHT ADVISORY OFFICE, COLUMBIA UNIVERSITY LIBRARIES, <http://copyright.columbia.edu/copyright/libraries-and-copyright/> (last updated July 30, 2009) (outlining Section 108 applications for libraries); *Copyright Crash Course*, UNIVERSITY OF TEXAS LIBRARIES, <http://copyright.lib.utexas.edu/l-intro.html> (last visited Apr. 30, 2014) (serving as a guide to fair use and Section 108 for libraries).

36. 17 U.S.C. § 108 (2012).

2. archival uses;
3. lending and user-request uses; and
4. additional limitations and enhancements.

*Eligibility:* Not every organization that calls itself a library or archive qualifies for protection under section 108. Section 108(a) states that eligibility extends only to a “library or archive”<sup>37</sup> that makes a single copy of a work that, so long as that library is (1) open to the public, or at least researchers in the field,<sup>38</sup> and that (2) copies are made without direct or indirect commercial advantage, and (3) copies include a notice about copyright protection.<sup>39</sup> Thus, for example, a commercial-news clipping service and a for-profit database of newspaper articles are ineligible for section 108’s protections.<sup>40</sup>

*Archival uses:* Section 108(b) and (c) allows eligible libraries to make up to three copies of a work for preservation and replacement purposes.<sup>41</sup> For preservation of unpublished works, section 108(b) allows for the reproduction and distribution of three copies if it is (1) “solely for purposes of preservation and security or for deposit for research use in another library,”<sup>42</sup> and (2) only if the copy is currently in the collections of the reproducing library.<sup>43</sup> An amendment accompanying the Digital Millennium Copyright Act (“DMCA”) in 1998 modified this section by allowing digital formats, albeit with several important limitations.<sup>44</sup> The amendment eliminated language regarding copies made “in facsimile form,” and added language providing that to qualify under the section digital formats may be used but must not be “otherwise distributed in that format and . . . not made available to the public outside of the premises of the library or archives.”<sup>45</sup>

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37. *Id.* Aside from the characteristics laid out in section 108(a), the Act does not define what constitutes a “library” or “archive.”

38. *Id.* Rights under section 108 apply equally to copies and phonorecords. *See id.* § 101 (defining those terms).

39. *Id.* § 108(a).

40. *See N.Y. Times Co. v. Tasini*, 533 U.S. 483, 503 n.12 (2001) (for-profit subscription electronic database not eligible for section 108 protection); *Pac. & S. Co. v. Duncan*, 572 F. Supp. 1186, 1195 n.8 (N.D. Ga. 1983), *rev’d on other grounds*, 744 F.2d 1490, 1495 n.6 (11th Cir. 1984) (commercial TV news clip service was not eligible under section 108(a)).

41. 17 U.S.C. § 108(b)–(c) (2012).

42. *Id.* § 108(b).

43. *Id.* § 108(b)(1).

44. Digital Millennium Copyright Act, § 404(2), Pub. L. No. 105–304, 112 Stat. 2829 (1998).

45. *See id.* at 2890. The DMCA also increased the numbers of copies permissible under section 108(b) and (c); the previous text provided for only one copy under each of these sections. That number was increased to three copies. 17 U.S.C. § 108(b)(2) (2012).

Section 108(c) covers published works, allowing libraries to make three replacement copies of published works that are damaged, deteriorating, lost or stolen, or are in obsolete formats.<sup>46</sup> A format is considered “obsolete” if “the machine or device necessary to render perceptible a work stored in that format is no longer manufactured or is no longer reasonably available in the commercial marketplace.”<sup>47</sup> Like section 108(b), section 108(c) stipulates that reproductions in digital formats may not be made available to the public outside the premises of the library or archives. Section 108(c) also stipulates that copies can only be made if, “after a reasonable effort,” the library or archive determines that an unused replacement copy cannot be obtained at a fair price.<sup>48</sup>

*Copies for users:* Section 108(d) and (e) allows libraries and archives to make copies for users. Section 108(d) permits the copying of an article or small excerpts of a copyrighted work.<sup>49</sup> It has three main stipulations:

1. the copy must become the property of the user,<sup>50</sup>
2. the library has no notice that the copy will be used for anything other than private study, scholarship, or research,<sup>51</sup> and
3. the library displays prominently a copyright notice.<sup>52</sup>

Section 108(e) allows for reproduction and distribution of an entire work, rather than just an excerpt or article, at the request of a user.<sup>53</sup> The three section 108(d) stipulations also apply here, but section 108(e) also requires that libraries or archives “first determine, on the basis of a reasonable investigation,” that a copy cannot be obtained at a “fair price.”<sup>54</sup>

*Additional limitations and enhancements—subsections (f), (g), (h) and (i):* Section 108(f) contains four important interpretive guidelines, which state that nothing in section 108 (1) shall be construed to impose liability on a library for the unsupervised use of reproduction equipment located on its premises so long as that equipment has a notice about copyright law; (2) excuses a requesting user from his or her own downstream uses; (3) limits the reproduction and distribution of an audiovisual news program (the so-called “Vanderbilt Television News Archive” exception); and finally—and most

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46. 17 U.S.C. § 108(c) (2012).

47. *Id.*

48. *Id.* § 108(c)(1).

49. *Id.* § 108(d).

50. *Id.* § 108(d)(1).

51. *Id.*

52. *Id.*

53. *Id.* § 108(e).

54. *Id.* Unlike section 108(c), section 108(e) does not state that the reasonable replacement be unused.

importantly—(4) affects the right of fair use as provided in section 107 or any contractual obligations the library assumes.<sup>55</sup>

Section 108(g) places some boundaries on section 108 copying. It limits the rights granted in section 108 to isolated and unrelated copying of a single work on different occasions.<sup>56</sup> Subsection (g)(1) adds a caveat about library knowledge—§ 108 is inapplicable if the library “is aware or has substantial reason to believe” that it is engaging in concerted reproduction of the same material, whether made at once or over a period of time, or made to one or multiple users.<sup>57</sup>

Subsection (g)(2) goes further—it states that section 108 is inapplicable if the library engages in systematic reproduction or distribution of copies under section 108(d) (copies or articles and excerpts made at the request of a user) without regard to whether the library had knowledge that it was doing so.<sup>58</sup> Subsection (g)(2) also makes clear that this limitation does not prevent a library from engaging in interlibrary loan arrangements whereby copies are made and sent to requesting libraries, so long as the interlibrary loan arrangement does not act as a substitute for a library subscription.<sup>59</sup> The National Conference on New Technological Uses of Copyrighted Works (“CONTU”),<sup>60</sup> established in 1978, attempted to define this interlibrary loan “no substitution” proviso by imposing a numerical rule: the so-called “rule of five.” The rule states that an interlibrary loan arrangement would have the effect of substitution when a library fills requests, in a given calendar year, for more than five copies of articles published within the last five years in a given periodical,<sup>61</sup> and no more than six copies of articles, chapters, or other small portions from any other type of work (e.g., a book) while that work is still

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55. *Id.* § 108(f).

56. *Id.* § 108(g).

57. *Id.*

58. *Id.* § 108(g)(2).

59. *Id.*

60. See *Final Report of the National Commission on New Technological Uses of Copyrighted Works*, DIGITAL LAW ONLINE, <http://digital-law-online.info/CONTU/PDF/index.html> (last updated Sept. 28, 2003).

61. CONTU explicitly declined to address articles that were published more than five years prior to the requesting date. See *Final Report of the National Commission on New Technological Uses of Copyrighted Works*, DIGITAL LAW ONLINE 55, 59 <http://digital-law-online.info/CONTU/PDF/Chapter4.pdf> (last updated Sept. 28, 2003) (“These guidelines specifically shall not apply, directly or indirectly, to any request of a requesting entity for a copy or copies of an article or articles published in any issue of a periodical, the publication date of which is more than five years prior to the date when the request is made.”).

protected by copyright.<sup>62</sup> While CONTU does not have the force of law, libraries have tended to follow its guidance.<sup>63</sup>

In contrast, section 108(h) attempts to expand library copying rights. When copyright terms were extended by twenty years through the 1998 Copyright Term Extension Act, Congress also added section 108(h). Section 108(h) allows libraries to make broad use of all types of copyrighted works for preservation, research, or scholarship, if that work is in its last twenty years of copyright protection.<sup>64</sup> Subsection (h) has two important stipulations:

1. section 108(h) does not apply if, after “reasonable investigation,” the work is found to be subject to normal commercial exploitation, is available at a reasonable price, or if the owner has provided notice to the Copyright Office that either of the preceding two conditions apply and
2. section 108(h) does not apply to uses by subsequent users.<sup>65</sup>

Finally, section 108(i) limits the types of works where section 108 applies. It provides that, except for the preservation and archiving provisions (§ 108 (b)–(c), (h)), none of the section 108 rights extend to musical works; pictorial, graphic, or sculptural works; or audiovisual works (except news).<sup>66</sup>

#### B. LIBRARIAN AND POLICYMAKERS’ APPROACHES TO SECTION 108

The paragraphs above describe a statute that gives libraries several important avenues for making clear-cut decisions about using copyrighted works. Section 108 also contains several significant provisions that are ambiguous, inconsistent, and overly restrictive when applied to modern library uses. The Sections below summarize how librarians and policymakers have approached these challenges under section 108 and how they have proposed reforms to section 108.

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62. *See id.*

63. *See* CHRISTINE FRUIN, ASS’N SOUTHEASTERN RESEARCH LIBRARIES, THE IMPACT OF COPYRIGHT ON THE RESOURCE SHARING PRACTICES OF ASERL LIBRARIES (2014), available at [http://www.aserl.org/wp-content/uploads/2014/05/Resource-Sharing-Practices-of-ASERL-Libraries\\_FINAL.pdf](http://www.aserl.org/wp-content/uploads/2014/05/Resource-Sharing-Practices-of-ASERL-Libraries_FINAL.pdf) (reporting on a survey of research library members about adherence to CONTU guidelines, among other things).

64. 17 U.S.C. § 108(h) (2012).

65. *Id.*

66. *Id.* § 108(i).

### 1. The Judicial and Legislative Approach to Section 108

It is worth noting first that, although the relationship between libraries and content holders has sometimes been described as “acrimonious,”<sup>67</sup> most serious questions about the applicability of section 108 to modern library uses have not been raised by copyright owners—at least not in litigation. Since the Copyright Act became effective in 1978, copyright holders have brought only a handful of cases against libraries,<sup>68</sup> with only a small subset approaching the subject matter of section 108. Westlaw reports only thirty opinions actually citing to section 108.<sup>69</sup> Of those, only two, *Authors Guild, Inc. v. HathiTrust* and *Ass'n of American Medical Colleges v. Carey*, have interpreted section 108 in a lawsuit involving a nonprofit library or archive.<sup>70</sup> While a handful of other cases have raised questions under section 108, such as who is eligible under section 108(a),<sup>71</sup> and the sort of factual evidence

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67. See generally Laura N. Gasaway, *Values Conflict in the Digital Environment: Librarians Versus Copyright Holders*, 24 COLUM.-VLA J.L. & ARTS 115 (2000) (describing the internal and external conflict between libraries and publishers).

68. See, e.g., *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199 (4th Cir. 1997) (addressing whether listing work in library catalog constituted “public distribution” under section 106(3)).

69. These cases and short summaries are listed in a table available at <http://drhansen.web.unc.edu/library-copyright-materials/section-108/section-108-cases/>. As of this writing, West’s KeyCite report lists thirty-nine cases. Three of those cases were published before the 1976 revision and so reference the previous section 108 under the 1909 Act, which addressed importation of copyrighted works. Another three are briefs submitted in cases and not the reported decisions themselves. Finally, another four are misquotes (e.g., an intended citation to section 108 of the Bankruptcy code, in title 11). This list does not necessarily capture every section 108 case; it likely excludes early unpublished decisions. See Deborah J. Merritt & James J. Brudney, *Stalking Secret Law: What Predicts Publication in the United States Courts of Appeals*, 54 VAND. L. REV. 71 (2001).

70. See *Authors Guild, Inc. v. HathiTrust*, No. 12-4547-cv, slip op. at 13 n.4 (2d Cir. 2014) (“[In light of the §108(f) savings clause], we do not construe section 108 as foreclosing our analysis of the Libraries’ activities under fair use, and we proceed with that analysis.”). The only other case is *Ass'n of American Medical Colleges v. Carey*, 728 F. Supp. 873 (N.D.N.Y. 1990) [hereinafter AAMC], *rev'd sub nom. Ass'n of Am. Med. Colls. v. Cuomo*, 928 F.2d 519 (2d Cir. 1991). The AAMC court dealt with the New York “Truth in Testing Act” that required testing organizations—in this case, the creators of the Medical College Admission Test (“MCAT”)—to disclose unpublished tests and make them available for use by the State Education Department, which the state had designated in its own law as an archive eligible under section 108(a). The AAMC court held that section 108 was not a defense for the state archive because, it concluded, “this exception would only apply to unpublished works which are properly in the possession of the archive in the first place.” *Id.* at 889.

71. See *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 503 n.12 (2001) (questioning whether publishers’ databases were “libraries” and pointing out that publishers’ databases do not fall within the section 108 “special authorizations”); *Pac. & S. Co. v. Duncan*, 572 F. Supp. 1186, 1195 n.8 (N.D. Ga. 1983), *rev'd on other grounds*, 744 F.2d 1490, 1495 n.6 (11th Cir. 1984) (commercial TV news clip service was not eligible under 108(a)); *Am. Geophysical Union v.*

required to satisfy section 108 requirements generally,<sup>72</sup> these cases have largely declined to interpret section 108. The vast majority of cases citing section 108 have done so merely for the proposition that it is in fact part of the Copyright Act and could potentially be raised, in appropriate circumstances, as a defense.<sup>73</sup> This is not to say that library practice under

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Texaco Inc., 802 F. Supp. 1, 3 (S.D.N.Y. 1992) (explaining that Texaco's article photocopying activities were not eligible for protection under section 108 primarily because they were done "solely for commercial advantage"), *aff'd*, 60 F.3d 913 (2d Cir. 1994).

72. Elsevier, Inc. v. Comprehensive Microfilm & Scanning Servs., Inc., 107 U.S.P.Q.2d 1056, 1064–67 (M.D. Penn. 2013) (questioning whether the "library fair use exception under Section 108" would apply to defendant Comprehensive Microfilm, who had a business relationship with a nonprofit library, but declining to answer the question on summary judgment without further factual inquiry).

73. See John Wiley & Sons, Inc., v. Kirtsaeng, 654 F.3d 210, 221 (2d Cir. 2011) (noting that section 108 is a limitation on copyright owners' rights), *rev'd on other grounds*, 133 S. Ct. 1351 (2013); Seoul Broad. Sys. Int'l, Inc. v. Sang, 754 F. Supp. 2d 564, 566 (E.D.N.Y. 2010) (misquoting section 501, but correctly noting that section 501, which includes a private cause of action for infringement, encompasses consideration of rights and limitations, including sections 106–122); Golan v. Gonzales, 501 F.3d 1179, 1195 (10th Cir. 2007) (quoting Eldred v. Ashcroft, 537 U.S. 186, 220 (2003), for the proposition that 108(h) exists and is considered an additional First Amendment safeguard), *aff'd sub nom.* Golan v. Holder, 132 S. Ct. 873 (2012); Milne *ex rel.* Coyne v. Stephen Slesinger, Inc., 430 F.3d 1036, 1038 (9th Cir. 2005) (noting that the Sonny Bono Copyright Term Extension Act amended section 108 along with other sections of the Act); Hotaling v. Church of Jesus Christ of the Latter-Day Saints, 118 F.3d 199, 204 (4th Cir. 1997) (noting that section 108 might be a viable defense in suit against a church library, but because it was not raised at the district court, it would not be addressed on appeal); Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 917 (2d Cir. 1994) (arguing that because section 108 exists but only applies in a narrow set of circumstances regarding photocopying, that fact implicitly suggests that Congress thought publishers should possess a general right to exploit the photocopying market); Richard Anderson Photography v. Brown, 852 F.2d 114, 119 (4th Cir. 1988) (comparing language under section 108 to various other sections to illustrate that Congress was not clear in their attempts to abrogate state sovereign immunity under the Act); Vault Corp. v. Quaid Software Ltd., 847 F.2d 255, 267 (5th Cir. 1988) (contrasting section 117 limitations for copying computer programs to the "detailed restrictions on copying as . . . in Sections 108 and 112"); Universal City Studios, Inc. v. Sony Corp. of Am., 659 F.2d 963, 967 (9th Cir. 1981) (citing section 108 limits on applicability to audiovisual works as evidence that "Congress has shown 'special solicitude for audiovisual works'" more generally and so that fact should be considered in the fair use analysis), *rev'd*, 464 U.S. 417 (1984); Penguin Grp. (USA) v. Am. Buddha, No. 13-cv-00497-HU, 2013 WL 6385916, at \*4 (D. Or. Dec. 16, 2013) (noting that §108 was one of the defenses raised on an unrelated motion regarding venue); Larson v. Warner Bros. Entm't Inc., No. 2:04-cv-08776-ODW(RZx), 2013 WL 1688199, at \*2 (C.D. Cal. Apr. 18, 2013) (noting that the Sonny Bono Copyright Term Extension Act amended section 108 along with other sections of the Act); Bridge Publ'ns Inc. v. F.A.C.T.Net, Inc., 183 F.R.D. 254, 257 (D. Colo. 1998) (noting that defendant raised a section 108 defense, but finding it unnecessary to reach that issue on motion for summary judgment); Coll. Entrance Examination Bd. v. Pataki, 889 F. Supp. 554, 558 (N.D.N.Y. 1995) (state law designed a state archive to qualify as an eligible archive under section 108); Coll. Entrance Examination Bd. v. Cuomo, 788 F. Supp. 134, 137 n.2 (N.D.N.Y. 1992) (state law designed a state archive to qualify as an eligible archive under section 108); United States

section 108 is not a concern for copyright owners; instead, the lack of cases on point may reflect the other significant obstacles to bringing and winning a lawsuit against most libraries.<sup>74</sup> Whatever the reason, the lack of cases illustrates that the concerns of copyright owners have not been serious enough to overcome those common litigation obstacles to bring a lawsuit.

For its part, Congress has not exhibited much concern about section 108 either. Section 108 has been amended five times since it was first enacted in 1976.<sup>75</sup> The first two amendments were minor revisions. In 1992, Congress

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v. Moran, 757 F. Supp. 1046, 1051 (D. Neb. 1991) (noting that section 108 exists and might be relevant with respect to criminal copyright defendant's assertion about his belief about the lawfulness of his conduct, though section 108 clearly did not apply in that case); T.B. Harms Co. v. Jem Records, Inc., 655 F. Supp. 1575, 1578 (D.N.J. 1987) (quoting the entirety of section 602, which cross references section 108, but not discussing or analyzing section 108); Atari, Inc. v. JS & A Grp., Inc., 597 F. Supp. 5, 10 (N.D. Ill. 1983) (noting for comparison that section 108, like section 117, allows for archival copying); Copyright Clearance Ctr., Inc. v. Comm'r, 79 T.C. 793, 802 (1982) (reviewing the history of the 1976 Act and section 108, in explaining why the Copyright Clearance Center was created); Universal City Studios, Inc. v. Sony Corp. of Am., 480 F. Supp. 429, 454 n.4 (C.D. Cal. 1979) (quoting commentator who points out that section 108 is an example of a statute that recognizes that the application of certain new technology for research and education uses should sometimes be permitted), *aff'd*, 464 U.S. 417 (1984); Encyclopaedia Britannica Educ. Corp. v. Crooks, 447 F. Supp. 2d 243, 250 n.8 (W.D.N.Y. 1978) (reviewing recent changes in the Copyright Act on request for preliminary relief in video recording case and explaining, in the context of a fair use assessment, that the section 108 news archiving provisions were a Congressional response to the courts' request for clarity on that subject).

74. There are many reasons why bringing suit against a library is not appealing for potential plaintiffs. In addition to the defenses against infringement themselves (which include section 108, fair use, first sale, and potentially others), libraries are generally insulated from high statutory damage awards under section 504(c)(2). In addition, the largest libraries at state institutions are protected against any prospective monetary awards by the sovereign immunity doctrine. *See, e.g.*, Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627 (1999) (holding that Congress cannot validly abrogate state sovereign immunity under the IP clause); Nat'l Ass'n of Bds. of Pharmacy v. Bd. of Regents of the Univ. Sys. of Ga., 633 F.3d 1297, 1315 (11th Cir. 2011) ("Congress may not abrogate the States' sovereign immunity pursuant to the Copyright and Patent Clause; therefore, NABP cannot rely on that clause to support its claim for damages . . . ."). There are also more practical reasons as well: federal litigation is expensive; making out a *prima facie* case of infringement is difficult—especially when challenging library projects that involve large numbers of works—because one must prove ownership of every work; and the optics of suing a highly-visible institution that serves the public are not appealing from a public-relations standpoint. *See, e.g.*, Cambridge Univ. Press v. Becker, 863 F. Supp. 2d 1190 (N.D. Ga. 2012) (failing to succeed on fifteen of the seventy-five claimed infringements in that case for failure to prove ownership).

75. For two extremely helpful articles on the development of section 108 and the legal regime that proceeded it, see Peter B. Hirtle, *Research, Libraries, and Fair Use: the Gentleman's Agreement of 1935*, 53 J. COPYRIGHT SOC'Y U.S.A. 545 (2006); MARY RASENBERGER & CHRIS WESTON, OVERVIEW OF THE LIBRARIES AND ARCHIVES EXCEPTION IN THE COPYRIGHT ACT: BACKGROUND, HISTORY AND MEANING (2005), available at [http://www.section108.gov/docs/108BACKGROUND PAPER\(final\).pdf](http://www.section108.gov/docs/108BACKGROUND PAPER(final).pdf).

eliminated the requirement that the Register of Copyrights provide regular reports, at five year intervals, on the extent to which section 108 has achieved its intended result.<sup>76</sup> The second was a technical amendment in 1997.<sup>77</sup> While this amendment is perhaps not an entirely fair illustration of Congress's level of interest in section 108, it is worth noting that Congress let "fair price" under section 108(e) exist officially as "fair price" for the first twenty years of the statute's existence until this amendment.

The third, fourth, and fifth amendments made several substantive changes to section 108. In 1998, through the DMCA, Congress altered subsections 108(b) and (c) to address digital uses. The amendment eliminated language regarding copies made in "facsimile form,"<sup>78</sup> and added language stipulating that section 108(b) and (c) applied only to copies made in digital formats that are not made available "to the public outside of the premises of the library."<sup>79</sup> This same amendment also allowed libraries to make replacement copies of works in "obsolete" formats.<sup>80</sup>

In the fourth amendment, as a concession for extending copyright protection for an additional twenty years under the Sonny Bono Copyright Term Extension Act of 1998, Congress added the current subsection (h), which allows libraries to make broad use of works that are determined to be in their last twenty years of protection.<sup>81</sup> Congress amended section 108 for a

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76. See Pub. L. No. 102-307, § 301, 106 Stat. 272 (1992). After the Register's first two reports, in 1983 and 1988, the Register recommended that the provision be either expanded so that the report requirements should either be expanded to consider new technological developments, or it should be delayed or eliminated altogether. See REPORT OF THE REGISTER OF COPYRIGHTS, LIBRARY REPRODUCTION OF COPYRIGHTED WORKS (17 U.S.C. § 108) 129 (Second Report, Jan. 1988).

77. The amendment corrected subsection 108(e). See Pub. L. No. 105-80, § 12(a)(4), 111 Stat. 1534 (1997).

78. The "facsimile form" language was thought to restrict reproduction in certain formats not encompassing digital reproductions. See, e.g., Information Infrastructure Task Force, White Paper: Intellectual Property and the National Information Infrastructure 85–86 (Sept. 1995) ("However, the copy or phonorecord must be in 'facsimile form.' A library may 'make photocopies of manuscripts by microfilm or electrostatic process, but [may] not reproduce the work in 'machine readable' language for storage in an information retrieval system.' Thus, the exemption does not appear to allow for preservation in electronic or digital form.") (quoting H.R. REP. NO. 94-1476, at 75 (1976)). Of course, this assertion was never tested in court, and similar white paper assertions about the inapplicability of copyright's limiting doctrines in the digital environment were met with considerable skepticism. See, e.g., Peter Jaszi, *Taking the White Paper Seriously*, excerpted from a presentation to the National Advisory Council (1996), reprinted in ASS'N OF RESEARCH LIBRARIES, COPYRIGHT AND THE NII: RESOURCES FOR THE LIBRARY AND EDUCATION COMMUNITY 67 (May 1996).

79. 17 U.S.C. § 108(b)–(c) (2012); Pub. L. No. 105-298, § 104, 112 Stat. 2829 (1998).

80. *Id.*

81. 17 U.S.C. § 108(h) (2012); Pub. L. No. 105-304, § 404, 112 Stat. 2889 (1998).

fifth and final time in 2005, changing §108(i) (limiting §108 applicability to certain types of works) to make clear that the section 108(h) addition from 1998 applied broadly to all types of copyrighted works.<sup>82</sup>

## 2. *Library and Academic Approaches to Section 108*

In contrast to the relative legislative and judicial inattention, librarians, academics, and policy advisors have significantly contributed to the public's understanding how section 108 works, how to interpret it, and how to make it better.<sup>83</sup> These reviews have two common threads. The first emphasizes that it is critically important to make library collections and services available in digital form. The rationale for this emphasis is varied: for preservation and promotion of culture, enhanced research opportunities, promotion of innovation, and "democratization of access," along with administrative goals, such as freeing libraries from the often costly physical storage constraints associated with aging library buildings.<sup>84</sup> The second common thread is that section 108 does not provide adequate means to achieve broad digital preservation and access to library collections. In light of these deficiencies, proposals for reform have largely focused on identifying the wide variety of specific current library uses that section 108 does not reach and proposing specific textual changes to the Act to address some of those uses.

More recently, the section 108 Study Group, convened by the Library of Congress and the Copyright Office and consisting of several librarians, archivists, curators, and copyright industry representatives,<sup>85</sup> met for two years between 2006 and 2008 to deliberate over needed changes to section 108. They ultimately produced the "Section 108 Study Group Report," which identified several sensible, if conservative, points on which section 108 should be revised.<sup>86</sup> The group also made several additional recommendations—many about access to copyrighted works—for which the diverse group was ultimately unable to come to consensus.<sup>87</sup>

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82. *Id.*

83. These reviews themselves, where useful, are cited throughout this paper. To give a sense of the sheer volume of the academic writing on this subject, Westlaw's KeyCite shows 621 law review articles citing to section 108. A search of Library, Information Science, and Technology Abstracts and Library Literature & Information Science database for "Section 108" returns ninety-four results.

84. See ROGER C. SCHONFELD, JSTOR: A HISTORY 9–11, 368–70 (2003) (discussing how the goal of saving space was a major factor in the development of JSTOR, a large online database of academic journals).

85. See *About the Section 108 Study Group*, SECTION 108 STUDY GROUP, <http://www.section108.gov/study.html> (last visited August 16, 2014).

86. SECTION 108 STUDY GROUP REPORT, *supra* note 7, at 31–131 (2008).

87. *Id.* at 113–31.

More recently, in 2013 Columbia University's Kernochan Center for Law, Media, and the Arts jointly sponsored, with the U.S. Copyright Office, a day-long symposium titled "Copyright Exceptions for Libraries in the Digital Age: Section 108 Reform."<sup>88</sup> Speakers reviewed the overall legal landscape, the areas where section 108 already applies, its potential expansion to reach mass digitization, and the basic conditions that might be imposed on library digitizing, maintaining, and making available copyrighted works.<sup>89</sup> The proceedings, published as a symposium issue of the Columbia Journal of Law and the Arts, are a transcript of the day's thoughtful discussions.<sup>90</sup>

The U.S. Patent and Trademark Office has also targeted section 108 as a possible area for reform. In December of 2013, it produced a green paper about copyright policy in the digital economy.<sup>91</sup> The paper took specific aim at updating section 108 in light of changes in technology, referencing the recommendations of the Section 108 Study Group.<sup>92</sup>

Finally, and perhaps most importantly, the Copyright Office has undertaken its own review of section 108. In 2011 the Office issued a report on its priorities and projects for the next several years.<sup>93</sup> The report specifically targets addressing section 108 reform as well as mass digitization and orphan works.<sup>94</sup> While it has not yet released any recommendations about section 108, the Copyright Office was a joint sponsor for the Columbia symposium, where some of its staff shared their views. In her keynote address, Register of Copyrights Maria Pallante helpfully explained her thoughts about options for section 108 reform:

First, keep section 108 as it is, whereby the Office fears that it will become an increasingly useless appendage to the Copyright Act, an exception so narrowly tailored to bygone technologies that it will be functionally irrelevant. Second, repeal section 108, leaving libraries and archives and the activities that they discharge to be governed by fair use. The Office feels that this choice would be

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88. *Symposium, Section 108 Reform*, KERNOCHEAN CTR. FOR LAW, MEDIA, AND THE ARTS, <http://web.law.columbia.edu/kernochan/symposia/section-108-reform> (last visited Apr. 30, 2014).

89. *Id.*

90. See *Symposium, Section 108 Reform*, 36 COLUM. J.L. & ARTS 527 (2013).

91. See generally DEP'T OF COMM., U.S. PATENT & TRADEMARK OFFICE, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY (2013), available at <http://www.uspto.gov/news/publications/copyrightgreenpaper.pdf>.

92. *Id.* at 23.

93. See generally U.S. COPYRIGHT OFFICE, PRIORITIES AND SPECIAL PROJECTS OF THE UNITED STATES COPYRIGHT OFFICE (2011), available at <http://www.copyright.gov/docs/priorities.pdf>.

94. *Id.* at 5–8.

unfair to both librarians and archivists, as well as to copyright creators and copyright owners, all of whom should be able to rely upon some concrete, unambiguous exceptions without having to consult an attorney or risk an infringement action every time an archivist makes multiple preservation copies or a librarian copies a fragile book for interlibrary loan. Third, reform section 108 so that it provides a balance, with a certain set of exceptions, updated for the digital era, that allow libraries and archives and museums to make the copies they need and to distribute those copies in ways that do not unduly harm the valid interests of rights holders.<sup>95</sup>

Register Pallante fairly categorizes the available possibilities for moving forward. Her remarks also make explicit several fundamental statements about what section 108 is expected to achieve, all of which are largely in line with assumptions in earlier reviews such as the Section 108 Study Group Report. These expectations about section 108's purpose should drive efforts for reform.

### C. SECTION 108 IN PRACTICE: THE GOOD AND THE BAD

The two Subsections below highlight the areas of practice in which section 108 performs well and where it fails. The good applications illustrate well the wisdom of fidelity to the overall purpose of section 108 in specific provisions, as well as the value of the five principles articulated at the outset of this article, to

1. preserve library access to and the development of other limitations such as fair use,
2. address issues unique to libraries, archives, and other memory institutions;
3. favor simplicity and consistency;
4. reformulate limitations as technology neutral; and
5. embrace flexibility.

The areas where section 108 fails tends to illustrate the pitfalls of straying from that purpose and those principles.

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95. Maria Pallante, *Session 1: The Legal Landscape*, 36 COLUM. J. L. & ARTS 527 (2013).

### 1. Areas Where Section 108 Performs Well

The primary virtue of section 108 as it exists today is that it adds a modicum of certainty for libraries that seek to make various recurrent uses of copyrighted works that are necessary for day-to-day operations.<sup>96</sup>

Section 108 gives relatively clear guidance about making individual, physical copies at the request of a user—including for interlibrary loan. This is no small part of current library practice: from 2012 to 2013, the Online Computer Library Center (“OCLC”) reported that its members conducted over 8.9 million interlibrary loan transactions.<sup>97</sup> Subsections 108(d), (e), (g), and (f) work together to address an issue that is largely unique to libraries and archives in a simple and consistent way, while preserving access to other limitations, such as fair use, for cases when libraries need it. These provisions are largely technology neutral (though certain wording makes application to digital works somewhat awkward, but not impossible, as noted below).

These provisions also serve as good examples of embracing flexibility while still providing high-level guidance. For interlibrary loan, the section 108(g) CONTU guidelines have long stood as a guidepost for libraries seeking to assess the appropriateness of their practices under that section. Through a combination of technology and library policy, libraries are also beginning to apply section 108(e) more consistently by standardizing how the library fulfills its obligation to “first determine, on the basis of a reasonable investigation,” that a copy cannot be obtained at a “fair price” before making a copy of an entire work.<sup>98</sup>

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96. See Melissa A. Brown, *Copyright Exceptions for Libraries in the Digital Age: U.S. Copyright Office Considers Reform of Section 108 (highlights from symposium)*, 74 COLL. & RES. LIBR. NEWS 199, 199–200 (2013), available at <http://crln.acrl.org/content/74/4/199.full.pdf+html> (“[A] key virtue of 108 is its potential to provide clear and specific guidance to practitioners on certain library activities, complementing and potentially reinforcing the flexible (some may add unpredictable) and fact-specific nature of fair use.”); *Section 108—Libraries and Archives*, UNIV. OF MICH. LIBRARY, <http://www.lib.umich.edu/copyright/section-108> (last visited May 3, 2014) (“Section 108 gives us some important flexibility as a library. For example, we can help you to borrow works from other libraries through interlibrary loan. For items we are unable to borrow, we can often get you portions of those works. For works in our collection, we can also provide copies of limited portions of those works - or we can get our copy of that work into your hands in most cases. These are important services we provide as your library in support of education, research, and scholarship.”).

97. See OCLC, ANNUAL REPORT 2012–2013, at 5 (2013), available at <http://www.oclc.org/content/dam/oclc/publications/AnnualReports/2013/2013.pdf>.

98. 17 U.S.C. § 108(e) (2012); see *GIST for ILLiad*, GETTING IT SYSTEM TOOLKIT, <http://www.gistlibrary.org/illiad/> (last visited May 3, 2014) (system for tying together interlibrary loan systems and acquisition/purchasing, to make decisions about commercial availability).

Other subsections that have adhered, at least in part, to these same principles, such as sections 108(b) (preservation of unpublished works) and 108(c) (replacement copies of published works), have proven useful for small-scale projects using traditional print collections. Aside from the initial analysis required to determine whether a given work was published,<sup>99</sup> applying section 108(b) can be straightforward, at least for physical copies.

Section 108(c) is more complex in that it requires libraries to (1) make a “reasonable effort” to determine if an unused copy is available, and (2) for copies of works in obsolete formats, address that statutory definition of obsolescence: where the machine necessary for displaying the copy is no longer manufactured or reasonably available in the commercial marketplace.<sup>100</sup> But even with that complexity, section 108(c) is flexible enough that libraries have room to develop tools to help interpret it, like section 108(e) and section 108(g), in light of current practices. For example, in 2012 the “Video at Risk” project (a joint effort of the libraries at NYU, UC Berkeley, and Loyola University New Orleans) published a document titled “Video at Risk: Strategies for Preserving Commercial Video Collections in Libraries: Section 108 Guidelines.”<sup>101</sup> That document “seek[s] to clarify exemptions for copyright audiovisual works under Section 108(c)”<sup>102</sup> by offering definitions, examples, and analysis of terms such as “obsolete” and “replacement.”<sup>103</sup>

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99. See Deborah R. Gerhardt, *Using the Publication Doctrine to Free Art and History from Copyright's Bondage*, 61 J. COPYRIGHT SOC'Y U.S.A. (forthcoming 2014) (discussing the variety of standards applied to publication determinations, especially for art, photographs and other historical documents).

100. 17 U.S.C. § 108(c) (2012).

101. See generally VIDEO AT RISK: STRATEGIES FOR PRESERVING COMMERCIAL VIDEO COLLECTIONS IN LIBRARIES: SECTION 108 GUIDELINES (2012), available at [http://www.nyu.edu/tisch/preservation/research/video-risk/VideoAtRisk\\_SECTION108\\_Guidelines\\_2013.pdf](http://www.nyu.edu/tisch/preservation/research/video-risk/VideoAtRisk_SECTION108_Guidelines_2013.pdf).

102. *Id.* at 2.

103. *Id.* at 8, 10. The Video at Risk guidelines and others like them must be used with caution. The guidelines themselves explain: “reproduction and reformatting decisions require an individual and fact-specific evaluation on the part of the individual librarians and institutions, but these guidelines seek to better inform these decision making processes.” *Id.* at 1. Given past experience with CONTU, CONFU, and a whole series of fair use guidelines, users should be vigilant to ensure that these tools for guidance are not transformed into (typically very conservative) statements of the law itself. But even so, these guidelines show that libraries do have viable ways to address some of the more complex parts of section 108, at least where applied in traditional, physical library practice. See Kenneth D. Crews, *The Law of Fair Use and the Illusion of Fair-Use Guidelines*, 62 OHIO ST. L.J. 599, 599 (2001) (analyzing “the origins of [fair use] guidelines, the various governmental documents and court rulings that reference the guidelines, and the substantive content of the

## 2. Section 108 Problem Areas

Section 108 has many useful features in its current iteration; but applying section 108 to modern library uses can be an awkward exercise. Section 108 was created in the 1960s and early 1970s, an era when photocopiers were the dominant technology.<sup>104</sup> The networked digital environment in which we now live was on the horizon,<sup>105</sup> but the practical implications—especially for libraries—were not entirely understood. The problem areas identified below, all of which fail to heed the principles identified above, make especially clear section 108's deficiencies in adapting to these new uses.

To start with, section 108 is not technology neutral. It may not apply to many digital copies or solely digital libraries at all. The Copyright Office has asserted, “Section 108 makes it clear that digital copies may not be given to patrons. Copies must be given to patrons in analog forms—e.g., photocopies.”<sup>106</sup> The Senate Report accompanying the DMCA states that “[a]lthough online interactive digital networks have since given birth to online digital ‘libraries’ and ‘archives’ that exist only in the virtual (rather than physical) sense on websites, bulletin boards and homepages across the Internet, it is not the Committee’s intent that section 108 as revised apply to such collections of information.”<sup>107</sup>

Neither assertion has clear support in the text of the Act. Section 108(a) says nothing about whether a library must exist in brick-and-mortar form. The remainder of section 108 is likewise silent on the issue, though it could be read to imply a physical presence: the archival and preservation subsections, section 108(b) and (c), speak about the “premises of the library,”<sup>108</sup> and the lending to users provisions, section 108(d) and (e), contemplate a prominent display about copyright protection in the “place where orders are accepted.”<sup>109</sup> The combined effect of these statements

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guidelines themselves to demonstrate that in fact the guidelines bear little relationship, if any, to the law of fair use”).

104. See *REPROGRAPHY AND COPYRIGHT LAW*, *supra* note 16, at 39–58.

105. See, e.g., R. Anthony Reese, *The Public Display Right: The Copyright Act’s Neglected Solution to the Controversy Over RAM “Copies”*, 2001 U. ILL. L. REV. 83, 84 (2001) (describing various parts of the 1976 Act legislative history that illustrate how members of Congress anticipated this technology would develop, with specific reference to the public display right).

106. U.S. COPYRIGHT OFFICE, SECTION 104 REPORT 103 n.315 (2001), available at <http://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf>.

107. See SEN. REP. NO. 105-190, at 62 (1997). See also SECTION 108 STUDY GROUP REPORT, *supra* note 7, at 17.

108. 17 U.S.C. § 108(b)–(c) (2012).

109. *Id.* § 108(d)–(e).

produces unnecessary confusion for library users about the reach of section 108 to digital uses generally.

The two references that section 108 does make to digital copies are in the section referring to archival works, section 108(b) and (c), which were amended by the DMCA in 1998. Section 108(b) (three preservation copies of unpublished works) states that “any such copy or phonorecord that is reproduced in digital format is not otherwise distributed in that format and is not made available to the public in that format outside the premises of the library or archives.”<sup>110</sup> Likewise, section 108(c) was amended with similar, though slightly different language: “any such copy or phonorecord that is reproduced in digital format is not made available to the public in that format outside the premises of the library or archives in lawful possession of such copy.”<sup>111</sup> Under these provisions, library digital preservation copies are of questionable utility; one of the main values of digital copies is the ability use the copies remotely, something largely prohibited under these subsections.

Previously, when both subsections were arguably more flexible and technology neutral, the subsections perhaps permitted digital copying. Before amendment, both subsections stated that libraries could make a copy “in facsimile form.”<sup>112</sup> As some commentators have noted, it is far from clear whether “facsimile form” excluded digital copies to begin with. And even if it did, other provisions—such as section 108(a) (eligibility)—speak plainly in terms of “copies” without reference to format. Kenneth Crews, speaking at the Columbia Section 108 conference, explained: “When Congress added that language about limiting access to the premises of the library, they did so in 1998, in what I saw as a false tradeoff . . . . [D]igital preservation was explicitly allowed under the law already.”<sup>113</sup> Indeed, at the time of passage, the library associations believed that referencing “digital”—even without the “on the premises” limitation—was more harmful than helpful. In a statement submitted to the House Subcommittee controlling the bill, they argued that “[s]uch a change [to include the word “digital”] will perpetuate the anomalous situation of having the preservation subsections refer to specific formats. One of the goals of the 1976 Act was to make it format neutral.”<sup>114</sup>

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110. *Id.* § 108(b)(2).

111. *Id.* § 108(c)(2).

112. Digital Millennium Copyright Act, § 404(2), Pub. L. No. 105–304, 112 Stat. 2829 (1998).

113. Symposium, Session 4: *What Should Be the Conditions on Libraries Digitizing, Maintaining and Making Available Copyrighted Works?*, 36 COLUM. J.L. & ARTS 587, 599 (2013).

114. *NII Copyright Protection Act of 1995: Hearing on H.R. 2441 Before Subcomm. on Courts & Intellectual Prop. of the H. Comm. on the Judiciary*, 104th Cong. 2d Session (Feb. 8, 1996) (joint statement on behalf of the Am. Assoc. of Law Libraries, the Am. Library Assoc., the Assoc.

That false tradeoff notwithstanding, these provisions do provide for some flexibility, though it is perhaps unintentional. The limitation provides that preservation and replacement copies be “not made available *to the public* in that format outside the premises of the library . . .”<sup>115</sup> The Act does not define the term “to the public,” either for this section or for the other provisions of the Act (notably, the public distribution right, public performance right, and public display right).<sup>116</sup> Whether a library can serve a discrete user community distinct from the public at large—e.g., faculty and students at a university—remains an open question. The *Video at Risk* guidelines mentioned above explicitly raise this possibility and explain why providing off-premises access to digital copies may be permissible under section 108 in some situations, such as classroom use of preservation copies by faculty for use by students.<sup>117</sup> This position is bolstered by the fact that even if the meaning of “the public” in other sections of the act is more expansive, for section 108 purposes “the public” appears to mean something else. Looking to section 108(a) (eligibility requirements), we see that section 108 distinguishes between libraries that are “open to the public” and libraries that are “available not only to researchers affiliated with the library or archives or with the institution of which it is a part, but also to other persons doing research in a specialized field,” thus implying that researchers affiliated with the library are not “the public” for purposes of this section.<sup>118</sup>

Even assuming that section 108 covers digital copies and that libraries can provide digital copies to some class of users outside the premises of the library, several aspects of its construction make it difficult to apply given digital library practices. These provisions largely eschew the principles of flexibility, simplicity, and consistency in favor of detailed and, often times, overbearing technical requirements. For example, several provisions require investigation of copyright-relevant information at the item level. While individual items are digitized on small scale, libraries are increasingly approaching digitization projects material on a collection-by-collection

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of Research Libraries, the Med. Library Assoc., & Special Libraries Assoc.) reprinted in ASS’N OF RESEARCH LIBRARIES, COPYRIGHT AND THE NII: RESOURCES FOR THE LIBRARY AND EDUCATION COMMUNITY 47, 52 (1996).

115. 17 U.S.C. § 108(b), 108(c) (2012) (emphasis added).

116. See *id.* § 101 (defining “publicly” as including content made available to “the public” but never defining “the public” itself); see also David R. Hansen, *The Public Display of Digital Library Collections*, 14 N.C. J.L. & TECH. 145, 157–62 (2012) (discussing the legislative history of the public display right and the failure to define the term “public”).

117. See VIDEO AT RISK, *supra* note 101, at 16–17.

118. 17 U.S.C. § 108(a)(2)(i)–(ii) (2012).

basis.<sup>119</sup> Section 108(c) (replacement copies of published works) requires that libraries make a “reasonable effort” to investigate, for each work, whether “an unused replacement copy cannot be obtained at a fair price.”<sup>120</sup> Section 108(e) (copies of entire works made for a user) requires that libraries determine, on the basis of a “reasonable investigation” that a copy of each work cannot be obtained “at a fair price.”<sup>121</sup>

Similarly, section 108(h), which at first glance might appear to be the most helpful for libraries because of its expansive reach that includes reproduction, distribution, performance, and displays for a large group of works, is in fact mired in the same problems. Section 108(h) allows libraries to make use of copyrighted works in the last twenty years of its protection, but only if the library first determines on the basis of a “reasonable investigation” that the work is not “subject to normal commercial exploitation,”<sup>122</sup> cannot be obtained at a “reasonable price,”<sup>123</sup> and has not been the subject of a “Notice to Libraries and Archives of Normal Commercial Exploitation or Availability at Reasonable Price,” which are submitted to the Copyright Office on behalf of the copyright owner.<sup>124</sup> These provisions add an unnecessary layer of complexity by using ambiguous and inconsistent terms. While other subsections of section 108 refer to “fair price,” section 108(h) uses the term “reasonable price.” The difference between these terms is unclear. Similarly, section 108(c) and (e) refers to a work’s availability for sale; section 108(h) refers to “normal commercial exploitation.” Again, differentiating between the two is a challenge.

Whatever those terms mean, section 108(h) requires considerable item-level research for works subject to its terms, including its availability, price, a search of copyright office records. Compounding that challenge is the initial investigation required to determine whether a work is in fact in its last twenty years of protection. For many works, this requires an investigation of who authored the work (individually, corporately, or as a work for hire) and the date of the death of the author. Together all of these specific requirements mean that section 108(h) quickly becomes more trouble than it is worth for

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119. See CODE OF BEST PRACTICES IN FAIR USE OF ORPHAN WORKS FOR LIBRARIES, ARCHIVES, AND OTHER MEMORY INSTITUTIONS (forthcoming May 2014).

120. 17 U.S.C. § 108(c)(1) (2012).

121. *Id.* § 108(e).

122. *Id.* § 108(h)(2)(A).

123. *Id.* § 108(h)(2)(B).

124. *Id.* § 108(h)(2)(C); see also Notice to Libraries and Archives of Normal Commercial Exploitation or Availability at Reasonable Price, U.S. COPYRIGHT OFFICE <http://www.copyright.gov/docs/nla.html> (last revised Oct. 31, 2013); Notice to Libraries and Archives of Normal Commercial Exploitation or Availability at Reasonable Price, 37 C.F.R. § 201.39 (2014) (regulation prescribing the form of the notice).

library users, especially given library access to other copyright limitations such as fair use.<sup>125</sup>

Other specific provisions offer complex rigidity that is of questionable value to copyright owners but definite harm to library uses. Section 108(i), for example, contains limitations that make it difficult to apply to modern library uses. Section 108(i) limits the applicability of section 108 copies made for users—copies made under section 108(d) and (e)—to mostly literary works. It provides that “[t]he rights of reproduction and distribution under this section do not apply to a musical work, a pictorial, graphic or sculptural work, or a motion picture or other audiovisual work other than an audiovisual work dealing with news.”<sup>126</sup> When libraries seek to make use of entire collections that include these types of works along with typical literary works, they only receive partial section 108 protection.

Similarly, the copy limitations—subsections 108(b) and (c), which limit libraries to three copies of a work, and all other subsections, which limit libraries to single copy—are unnecessarily specific and limited, providing little benefit to rightsholders while restricting responsible archival practice. Entire repository networks are built on the principle that decentralized and distributed storage of multiple copies is the most effective way to preserve works digitally. Indeed, one major digital preservation project is named in light of this principle: LOCKSS (Lots of Copies Keeps Stuff Safe) is a major initiative based out of Stanford University that maintains copies for a broad network of participating libraries and publishers.<sup>127</sup> The section 108 numerical limitations do not work well within the context of digital preservation programs.

Finally, section 108 has a number of structural characteristics that make its application in any context, print or digital, difficult for libraries. Section 108(c) (replacement copies of published works), for example, in all of its

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125. To the extent that older works—those in their last twenty years of protection—are orphan works, there are good fair use arguments that support library digitizing and making works available. See generally Jennifer M. Urban, *How Fair Use Can Help Solve the Orphan Works Problem*, 27 BERKELEY TECH. L.J. 1379 (2012); CODE OF BEST PRACTICES IN FAIR USE OF ORPHAN WORKS FOR LIBRARIES, ARCHIVES, AND OTHER MEMORY INSTITUTIONS (forthcoming May 2014). Independent of the orphan works analysis, there are good reasons to think that the fair use argument should gain strength as the work ages. See generally Justin Hughes, *Fair Use Across Time*, 50 UCLA L. REV. 775 (2003). Even copyright holders seem to find the provision onerous: a search of the Copyright Office catalog indicates that not a single section 108(h) notice to libraries and archives has been filed by copyright holders since the 108(h) scheme was adopted in 1998. See *Search Copyright Information*, U.S. COPYRIGHT OFFICE, <http://www.copyright.gov/records/index.html> (last visited July 24, 2014).

126. 17 U.S.C. § 108(i) (2012).

127. *Global & Private LOCKSS Networks*; LOCKSS, <http://www.lockss.org/community/networks/> (last visited July 24, 2014).

specificity about the situations in which libraries can make replacement copies, seems to imply that a work must *already* be deteriorating, lost, stolen, or obsolete before section 108(c) copies can be made.<sup>128</sup> Good practice and common sense dictate that copies should be preserved *before* those events occur.

#### D. LIBRARY USES UNDER OTHER LIMITATIONS ON COPYRIGHT

When section 108 was first passed by Congress, there was perhaps a hope or suggestion that it should fully balance the rights of copyright owners and library users.<sup>129</sup> If Congress had constructed section 108 to balance those interests, it would be natural to think that libraries and policy makers view section 108 as the primary means of facilitating library uses of copyrighted works, and resort to other alternative tools, such as fair use, only as a last resort.

But when considering what section 108 actually aims to do in its statutory text, as compared to library practice (even library practice in 1976), it becomes clear that section 108 was never designed to be the primary tool facilitating routine library uses or innovative, new library uses. The idea that libraries rely on provisions other than section 108 is not novel. Any responsible assessment of current library practice under the Copyright Act would at least acknowledge that fair use, the doctrine of first sale, and a whole host of other limitations may apply. What follows is a brief outline of just some of these provisions and a small sample of the ways that libraries use them.

The first and primary exception is fair use, a flexible doctrine that “permits and requires courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.”<sup>130</sup> Described as an “equitable rule of reason,”<sup>131</sup> the doctrine asks courts to examine uses of copyrighted works in light of several factors. In its statutory codification, Congress identified four:

1. the purpose and character of the use,

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128. See SECTION 108 STUDY GROUP REPORT, *supra* note 7, at 52. (proposing that “fragile” works be added to the list of characteristics that would allow a section 108(c) replacement copy to be made).

129. See 17 U.S.C. § 108(i) (1988) (requiring the Register of Copyrights to submit a report on “the extent to which [§ 108] has achieved the intended statutory balancing of the rights of creators, and the needs of users”), *repealed by* Copyright Amendment Act of 1992, Pub. L. No. 102–307, § 301, 106 Stat. 264 (1992).

130. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (brackets removed) (quoting *Stewart v. Abend*, 495 U.S. 207, 236 (1990)).

131. See H.R. REP. NO. 94-1476, at 65 (1976).

2. the nature of the copyrighted work,
3. the amount and substantiality of the work used, and
4. the effect of the use on the potential market for the work.<sup>132</sup>

Fair use has always supported library use of copyrighted works. Before section 108 was created in the 1976 Act, libraries relied on fair use almost exclusively for making copies. Section 108 drafters acknowledged the importance of fair use for libraries a number of times in both the text of the Act and in its legislative history. Section 108(f)(4) explicitly states that nothing in section 108 “in any way affects the right of fair use as provided by section 107.”<sup>133</sup> Both the district court and the Second Circuit Court of Appeals in *Authors Guild, Inc. v. HathiTrust*, have concluded that this section means that section 108 does not preclude a separate fair use defense.<sup>134</sup> The legislative history of section 108 supports this conclusion. In the House Committee Report accompanying the 1976 Act, drafters explained that the limitations on the types of works covered by section 108, for example, did not preclude a valid assertion of fair use.

“Although [subsection (i)] generally removes musical, graphic, and audiovisual works from the specific exemptions of section 108, it is important to recognize that the doctrine of fair use under section 107 remains fully applicable to the photocopying or other reproduction of such works. In the case of music, for example, it would be fair use for a scholar doing musicological research to have a library supply a copy of a portion of a score or to reproduce portions of a phonorecord of a work. Nothing in section 108 impairs the applicability of the fair use doctrine to a wide variety of situations involving photocopying or other reproduction by a library of copyrighted material in its collections, where the user requests the reproduction for legitimate scholarly or research purposes.”<sup>135</sup>

In its commentary on section 107 (fair use), the Committee Report reaffirms this position by discussing how fair use is directly applicable to library preservation in the context of deteriorating films. It states, “The efforts of the Library of Congress, the American Film Institute, and other organizations to rescue and preserve this irreplaceable contribution to our cultural life are to be applauded, and the making of duplicate copies for

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132. 17 U.S.C. § 107 (2012).

133. *Id.* 17 U.S.C. § 108(f).

134. *Authors Guild, Inc. v. HathiTrust*, 902 F. Supp. 2d 445, 457 (S.D.N.Y. 2012), *aff’d in part*, No. 12-4547-cv, slip op. (2d Cir. June 10, 2014).

135. H.R. REP. NO. 94-1476, at 78–79 (1976).

purposes of archival preservation certainly falls within the scope of ‘fair use.’”<sup>136</sup>

In the few copyright lawsuits that libraries have been forced to defend, fair use has acted as a strong shield. In *Authors Guild, Inc. v. HathiTrust*, for example, the district court was asked to evaluate several library preservation techniques and limited access uses (e.g., making works available to blind and print disabled students). Judge Baer, in deciding the case in favor of the library defendants, concluded: “I cannot imagine a definition of fair use that would not encompass the transformative uses made by Defendants’ [mass digitization project] and would require that I terminate this invaluable contribution to the progress of science and cultivation of the arts that at the same time effectuates the ideals espoused by the [Americans with Disabilities Act].”<sup>137</sup> Though less effusive in its opinion, the Second Circuit Court of Appeals largely agreed.<sup>138</sup>

Libraries employ fair use for both routine uses and for new, innovative applications that rely on new technology. For example, the Association of Research Libraries’ 2012 *Code of Best Practices in Fair Use for Academic and Research Libraries*,<sup>139</sup> which was developed after extensive consultation with the library community, identified principles for employing fair use in eight common library situations:

1. to support teaching and learning with access to library collections by making course-related content available to enrolled students via digital networks,
2. to use selections of collection materials to increase public awareness and engagement with collections,
3. to preserve at risk or fragile materials,
4. to make digital versions of library special collections electronically available in appropriate circumstances,
5. to reproduce library materials for disabled students and others,
6. to maintain the integrity of works in institutional repositories,
7. to create databases for computer-aided non-consumptive research (e.g., text mining), and

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136. *Id.* at 73.

137. Authors Guild, Inc., 902 F. Supp. 2d at 464.

138. Authors Guild, Inc. v. HathiTrust, No. 12-4547-cv, slip. op. at 13–31 (2d Cir. June 10, 2014).

139. ASS’N OF RESEARCH LIBRARIANS, CODE OF BEST PRACTICES IN FAIR USE FOR ACADEMIC AND RESEARCH LIBRARIES (2012), available at <http://www.arl.org/storage/documents/publications/code-of-best-practices-fair-use.pdf>.

8. to collect and make available for scholarly use materials posted online.

The even more recent *Code of Best Practices in Fair Use of Orphan Works for Libraries, Archives, and Other Memory Institutions*, published in 2014, speaks to the application of fair use to preservation and access of library collections that can reasonably be expected to contain significant numbers of orphan works—i.e., copyrighted works whose owners cannot be reasonably located.<sup>140</sup> That document explains the now common situation of library digitization of entire collections for which copyright status and ownership is unclear.

Section 108 does not come close to reaching most of these uses. And while some of these applications are common, everyday applications for which librarians are and have been comfortable making fair use determinations, others—for example, databases that enable text mining—are relatively new innovations that are just beginning to take hold in libraries. Fair use has allowed libraries to adapt their collections and services to these new technologies. Librarians have exhibited considerable agreement about how to apply fair use in such situations.<sup>141</sup> Although fair use is sometimes criticized as being too ambiguous to employ with any precision to these situations, a growing body of research has emerged showing that while fair use is flexible, it is not entirely unpredictable.<sup>142</sup>

Libraries also rely heavily on the “first sale” doctrine, codified as a limitation on copyright in section 109. The statutory text provides that, notwithstanding the public-distribution right awarded to authors in section 106(3), “the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”<sup>143</sup> Libraries have for centuries lent

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140. See CODE OF BEST PRACTICES IN FAIR USE OF ORPHAN WORKS FOR LIBRARIES, ARCHIVES, AND OTHER MEMORY INSTITUTIONS (forthcoming 2014).

141. See ASS’N RESEARCH LIBRARIES, *supra* note 139 (discussing the lengthy and involved process behind the development of the community best practices). See also *Code of Best Practices in Fair Use*, ASS’N RESEARCH LIBRARIES, <http://www.arl.org/focus-areas/copyright-ip/fair-use/code-of-best-practices/> (last visited June 23, 2014) (highlighting librarians who have adopted and applied the code at their institutions).

142. See generally Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537 (2009); Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549, 574–75 (2008); Matthew Sag, *Predicting Fair Use*, 73 OHIO ST. L.J. 47 (2012); Neil Weinstock Netanel, *Making Sense of Fair Use*, 15 LEWIS & CLARK L. REV. 715 (2011); Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525 (2004).

143. 17 U.S.C. § 109(a) (2012).

copies of works in their collections to their users.<sup>144</sup> First sale and broader principles of exhaustion<sup>145</sup> permit them to do so without infringing the copyright owners' exclusive right of public distribution. Section 108 exceptions to the public distribution right come nowhere near the breadth of the first sale exception for copies of works acquired by libraries through purchase, sale, or gift. And this same basic activity, which is essential to print lending, has been translated online by libraries seeking to lend digital copies to users on their own devices.<sup>146</sup> Whether and how first sale and the broader doctrine of exhaustion apply to digital lending is subject to debate and,<sup>147</sup> at the moment, litigation.<sup>148</sup> But the overall principle, and the flexibility that it affords libraries when combined with fair use, has allowed such experimentation to occur.

Libraries also lean on a number of copyright provisions to make uses of works in situations where rights are not certain or where the application of limitations and exceptions such as fair use are not entirely settled. For those situations, the Copyright Act insulates libraries from risk in a number of ways. The first is not intentionally directed at libraries: pursuant to section 412 of the Act, unregistered works are not eligible for statutory damages, which can be up to \$150,000 per work infringed.<sup>149</sup> A large segment of library collections are unregistered, particularly in special collections. Second, section 504(c)(2) insulates nonprofit libraries from statutory damage awards when making good faith assertions of fair use.<sup>150</sup>

The point of this short review is that libraries regularly and appropriately use other limitations to make use of copyrighted works. Those provisions perform functions independent of section 108, and are often the primary tool that libraries rely upon for both everyday and new, innovative uses.

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144. See FRANCIS WORMALD & C.E. WRIGHT, THE ENGLISH LIBRARY BEFORE 1700 (1958).

145. See generally Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 UCLA L. REV. 889 (2011) (discussing exhaustion and its pre-first sale origins as a foundational doctrine). Libraries have relied on these broader principles in lending digital copies. See Fowler, *supra* note 30.

146. See Fowler, *supra* note 30.

147. USPTO ROUNDTABLES, <https://www.signup4.net/public/ap.aspx?EID=THEG32E&OID=160> (last visited August 16, 2014) (opening public discussion on the scope of digital first sale).

148. See generally Capitol Records, LLC v. ReDigi Inc., 934 F. Supp. 2d 640 (S.D.N.Y. 2013).

149. See 17 U.S.C. § 504 (2012); see also Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439 (2009).

150. 17 U.S.C. § 504(c)(2) (2012).

### III. REFORMING SECTION 108

Libraries make a number of important and socially beneficial uses of copyrighted works that fall outside of section 108. Some of those uses are outside section 108 by design. Other usess are the result of a statutory scheme that has failed to keep pace with technology. How library uses fit under these sections is important because it helps further understand the purpose of section 108, something that sometimes falls out of focus when discussing section 108 reform. Even from its beginning, the legislative history of section 108—the committee prints<sup>151</sup> and copyright revision studies<sup>152</sup> specifically—does not clearly indicate a purpose for section 108 other than as a technical solution to a discrete technical development: photoduplication, which had become so prevalent in libraries by 1976 as to justify its own section of the Act. This Article concludes, based on the observations above about how section 108 works in practice, where it fails, and when libraries look to other tools such as fair use, that section 108 has been asked to provide library-like institutions with a useful, clear, and unambiguous exception that practicing librarians can employ to make decisions about the use of copyrighted works in frequently recurrent library situations. Section 108 is meant to be a supplement to, and not a replacement for, the other limitations and exceptions such as fair use.

If one accepts that as a fair statement of purpose, what does that mean for section 108 revision? As currently formulated, section 108 fails that purpose in many ways. Section 108 reform that takes seriously the principles identified below would move section 108 closer to achieving this goal.

#### A. PRINCIPLES FOR REFORM

*Principle 1—Preserve access to, and the development of other limitations such as fair use:* Copyright reforms for libraries should not in any way compromise access to—or the further judicial development of—the full set of limitations and exceptions available under the Copyright Act. Libraries rely on these provisions heavily to engage in many routine activities and to experiment with providing new, innovative services that support library goals of promoting research, scholarship, and learning. No revision to section 108's limited safe harbors would be worth sacrificing access to these other much more fundamental limitations on copyright.

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151. H.R. REP. NO. 94-1476 (1976).

152. SUBCOMM. ON PATENTS, TRADEMARKS, & COPYRIGHTS OF THE S. COMM. OF THE JUDICIARY, 86TH CONG., STUDY NO. 15, PHOTODUPLICATION OF COPYRIGHTED MATERIAL BY LIBRARIES 45 (Comm. Print 1960) (author Borge Varmer).

*Principle 2—Address issues unique to libraries and similar institutions:* Section 108 should, to the extent possible, apply to uses that are unique to libraries rather than attempt to tackle issues that are common to all copyright users. Digital lending, for example, is an issue that affects not just libraries but all holders of digital copies of works. Libraries lend, but other organizations and even individual users also seek to transfer digital copies by sale, lending, or gifting. Crafting a specific library exception for digital lending risks sacrificing the focus of section 108 while raising the possibility of distorting the overall development of the law for important uses of copyrighted works more generally.

In terms of what organizations qualify as worthy of protection under the section, the Section 108 Study Group proposed that, as an initial matter, museums are an obvious addition to the list of eligible institutions. The Group also proposed that eligibility in general should be based on whether the organization has a public service mission, has trained staff, provides services normally associated with libraries, and possesses a collection of lawfully acquired works.<sup>153</sup> Whatever the specific formulation, memory institutions and the public at large would be better served by focusing on organizations as defined by their public service purpose and mission rather than their physical characteristics.

*Principle 3—Pursue simplicity:* “It will be of little avail to the people, that the laws are made by men of their own choice, if the law be so voluminous that they cannot be read, or so incoherent that they cannot be understood . . . .”<sup>154</sup> So said James Madison, addressing the “calamitous” effects of unstable and complex laws. This maxim holds especially true for the Copyright Act, which now more than ever affects a broad segment of the public in their everyday lives online,<sup>155</sup> and even more so for limitations such as section 108 that are intended to be used by practicing librarians. Librarians and other memory institution professionals represent a single category of users that has intimate

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153. SECTION 108 STUDY GROUP REPORT, *supra* note 7, at 34–38.

154. THE FEDERALIST NO. 62, at 381 (James Madison or Alexander Hamilton) (Clinton Rossiter ed., 1961)

155. The general point seems to be generally well accepted. See Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUM. J.L. & ARTS 315, 323 (2013) (“[W]e need a clearer copyright act for a rather simple reason: more and more people are affected by it. . . . [I]f one needs an army of lawyers to understand the basic precepts of the law, then it is time for a new law.”). See also *A Case Study for Consensus Building: The Copyright Principles Project: Hearing Before the Subcomm. on Courts, Intellectual Prop., & the Internet of the H. Comm. on the Judiciary*, 113th Cong. 82–83 (2013) (statement of Rep. Blake Farenthold, Member, Subcomm. on Courts, Intellectual Prop., & the Internet), available at [http://judiciary.house.gov/\\_cache/files/c3dafe7a-6f04-4cf6-8751-2010ecee1a9/113-31-80976.pdf](http://judiciary.house.gov/_cache/files/c3dafe7a-6f04-4cf6-8751-2010ecee1a9/113-31-80976.pdf).

and repeated interactions with copyrighted works as part of their everyday activities.<sup>156</sup> Whatever section 108 looks like in the future, it should not contain the labyrinth of exceptions, stipulations, and exceptions to exceptions that currently haunt potential section 108 library users. If it retains its current basic approach, section 108 could be reduced to three basic parts:

1. general eligibility and effect of section 108,
2. permissible preservation uses, and
3. permissible lending uses.

*Principle 4—Embrace flexibility:* Directly related to simplicity is the need to embrace flexibility. Section 108 can provide clear and unambiguous rules without resorting to explicit specification of every instance for when a provision applies. If provisions are formulated based on their intended effect rather than the means to achieve that effect—for example, allowing any number of replacement copies reasonably necessary to make the work functionally stable and useable—it would allow statutory drafters to give examples of such situations, either in legislative history or in the bill itself. Furthermore, it would allow libraries the flexibility to adapt this provision as library practices change. Likewise, as libraries have done so successfully with fair use and with section 108, documentation of community best practices for more flexible provisions can help users to better understand the provisions and can help rightsholders better grasp how libraries are interpreting and using section 108 in practice.

*Principle 5—Technology neutrality:* One of section 108's chief failings may be its focus on specific technology. This includes, of course, its explicit reference to digital copies. But it also includes the assumption that the copyrighted works are or will continue to be handled by libraries in a primarily physical context. Reference to library "premises" is just one example. While section 108 is not and probably cannot act as a tool that anticipates new innovative uses of copyrighted works, it should do its best to avoid what is otherwise inevitable obsolescence over the next several years. Section 108 drafters should also be sensitive to how this principle is affected by other parts of the Act. Most section 108 provisions, for example, only allow for library reproductions and distributions. Policymakers should consider how these rights also apply—perhaps with some limitations—to the

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156. See ADLER ET AL., *supra* note 23; JENNIFER URBAN ET AL., REPORT ON ORPHAN WORKS CHALLENGES FOR LIBRARIES, ARCHIVES, AND OTHER MEMORY INSTITUTIONS 7–8 (2013), available at [http://www.cmsimpact.org/sites/default/files/documents/report\\_on\\_orphan\\_works\\_challenges.pdf](http://www.cmsimpact.org/sites/default/files/documents/report_on_orphan_works_challenges.pdf).

other section 106 rights of public performances or displays so as to adequately cover copies of works made available online.

#### IV. CONCLUSION

Section 108 has played an important role in improving libraries' abilities to use copyrighted works in ways that help them meet their own goals as institutions that promote preservation and access to information and the overall mission of the Copyright Act. However, several aspects of section 108 have impeded its ability to adapt to changing circumstances, making it far less useful for modern library practice, especially digital library practice, than it could be. These aspects of section 108 tend to illustrate a drift in focus from what librarians and policymakers expect section 108 to do: provide a useful, clear, and unambiguous exception that practicing librarians can employ to make decisions about the use of copyrighted works in frequently recurrent library situations, supplementary to decisions made under other limitations such as fair use. This article identifies five principles that help explain how and why certain parts of section 108 drift from this focus and, ultimately, fail. They state that section 108 should (1) preserve library access to and the development of other limitations such as fair use; (2) address issues unique to libraries, archives, and other memory institutions; (3) favor simplicity and consistency; (4) reformulate limitations as technology neutral; and (5) embrace flexibility. These five principles are by no means the complete list of considerations policymakers should take into account when formulating proposals for section 108 reform. But they can, hopefully, help guide a productive conversation about reforming section 108, whenever that conversation is fully opened.

# COPYRIGHT'S PRIVATE ORDERING AND THE “NEXT GREAT COPYRIGHT ACT”

*Jennifer E. Rothman<sup>†</sup>*

## ABSTRACT

Private ordering plays a significant role in the application of intellectual property laws, especially in the context of copyright law. In this Article, I highlight some of the dominant modes of private ordering and consider what formal copyright law should do, if anything, to engage with private ordering in the copyright space. I conclude that there is not one single approach that copyright law should take with regard to private ordering, but instead several different approaches. In some instances, the best option is for the law to get out of the way and simply continue to provide room for various approaches to flourish. In other contexts, the copyright statute should actively support private ordering efforts that may be jeopardized by the current regime. Private ordering may also highlight areas where the law is in need of reform. This is perhaps most noticeable in the context of fair use which has led to the proliferation of much of the private ordering. The combination of the unpredictability and expense of fair use litigation combined with potentially high statutory damages has created a series of risk-averse litigation-avoidance practices and an underutilization of fair use. Legislation may be necessary to prevent a lock-in effect of some of these industry practices and norms. In particular, courts should be barred from using these customs to set the boundaries of fair use. Revisions to the Copyright Act could also address some of the uncertainty surrounding fair use and facilitate the use of works in instances that we would like to encourage. In recent years, copyright holders have used technology and contracts to greatly limit what users can do with copyrighted works and even with uncopyrightable elements of those works. Revisions to copyright law should engage with these private efforts and protect a significant fair use zone. Copyright's private ordering also reveals some areas of agreement which merit codification, such as faculty ownership of course materials and scholarship. Copyright law does not operate in a vacuum and any major revisions to copyright law must take into consideration the practices that have developed in its wake. As we look forward to a Copyright Act for the twenty-first century, Congress must not only consider ways to limit online piracy, but also how to protect the public's vital space to engage with, comment on, and rework copyrighted material in light of the myriad practices that have developed in the shadow of the 1976 Act.

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## TABLE OF CONTENTS

I.	INTRODUCTION .....	1597
II.	THE CLEARANCE CULTURE AND THE ROLE OF CUSTOMARY LICENSING PRACTICES.....	1599
A.	FEAR OF GAMBLING ON FAIR USE.....	1601
B.	JUDICIAL RELIANCE ON LITIGATION-AVOIDANCE CUSTOMS.....	1606
C.	DISRUPTING THE CLEARANCE CULTURE .....	1609
III.	THE PROLIFERATION OF USE GUIDELINES.....	1613
A.	THE CLASSROOM GUIDELINES .....	1614
B.	BEST-PRACTICES STATEMENTS AND CODES OF FAIR USE.....	1617
C.	LIMITING THE ROLE OF PRIVATE FAIR USE GUIDELINES.....	1624
IV.	ALTERNATIVE OVERLAYS TO COPYRIGHT: THE CREATIVE COMMONS APPROACH .....	1625
V.	USING TECHNOLOGY AND CONTRACTS TO ALTER COPYRIGHT'S TRADITIONAL BOUNDARIES .....	1630
A.	TECHNOLOGICAL PROTECTION MEASURES AND DIGITAL RIGHTS MANAGEMENT .....	1631
B.	CONTRACTING AROUND COPYRIGHT .....	1635
VI.	LEARNING FROM PRIVATE ORDERING .....	1637
A.	LIMITING THE EXCESSES OF PRIVATE ORDERING .....	1638
1.	<i>Limiting the Role of Customary Licensing, Fair Use Guidelines, and Alternative Licensing Schemes in Fair Use Evaluations .....</i>	1638
2.	<i>Adding Clarity about Contracts.....</i>	1638
3.	<i>Protecting a Fair Use Zone .....</i>	1639
B.	NORMS WORTH CODIFYING .....	1640
1.	<i>Faculty Ownership of Scholarship and Course Materials .....</i>	1640
2.	<i>À La Carte Copyright.....</i>	1642
3.	<i>Attribution Norms .....</i>	1643
C.	CLARIFYING FAIR USE AND ADDING SAFE HARBORS .....	1643
1.	<i>Revising Fair Use Factors and § 107 .....</i>	1644
2.	<i>Creating Additional Safe Harbors.....</i>	1645
3.	<i>Limiting the Scope of Statutory Damages .....</i>	1646
4.	<i>Creating a Personal-Use Exemption or Preference .....</i>	1647
VII.	CONCLUSION .....	1648

## I. INTRODUCTION

On March 4, 2013, the current Register of Copyrights, Maria Pallante, called for the “next great copyright act.”<sup>1</sup> Congress has followed her lead, calling for and conducting a number of hearings on what reforms might be appropriate for our now-aging Copyright Act.<sup>2</sup> This major review of copyright law must include consideration of private-sector activities in the copyright sphere. These privately generated rules have operated both to expand and to limit copyright in various ways without the opportunity for the public to debate or participate in these governing regimes.

The last major overhaul of U.S. copyright law culminated in the passage of the 1976 Copyright Act.<sup>3</sup> Since 1976, changing technology—particularly the digital revolution—has radically altered the copyright landscape.<sup>4</sup> A variety of piecemeal additions to the Act have tried to address some of these and other challenges for copyright law.<sup>5</sup> Unfortunately, these Band-Aids for outdated aspects of copyright law have made the law more byzantine, obsolete, and draconian,<sup>6</sup> without actually fixing many of the issues raised by the digital revolution. In part in reaction to these challenges for copyright

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1. See Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUM. J.L. & ARTS 315 (2013); see also 159 CONG. REC. D253-01 (daily ed. Mar. 20, 2013) (Pallante’s speech before Congress).

2. See, e.g., *A Case Study in Consensus Building: The Copyright Principles Project: Hearing Before the Subcomm. on Courts, Intellectual Prop. and the Internet of the H. Comm. on the Judiciary*, 113th Cong. 1 (2013) (statement of Prof. Pamela Samuelson), available at [http://judiciary.house.gov/\\_files/hearings/113th/05162013/Samuelson%20Testimony%20051613.pdf](http://judiciary.house.gov/_files/hearings/113th/05162013/Samuelson%20Testimony%20051613.pdf); *The Scope of Fair Use: Hearing Before the Subcomm. on Courts, Intellectual Prop., and the Internet of the H. Comm. on the Judiciary*, 113th Cong. 2 (2014), available at <http://judiciary.house.gov/index.cfm/hearings?ID=8E18A9AA-1AA4-4D7C-8EBF-0284862EC44B>.

3. For an excellent discussion of the history of the passage of the 1976 Act, see Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857 (1987).

4. See DEPT' OF COMMERCE INTERNET POLICY TASK FORCE, *COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY* 1 (2013) [hereinafter DEPT' OF COMMERCE] (“[A]rguably no prior technological change has impacted copyright with a magnitude comparable to the development of the Internet.”).

5. Some of these changes include the passage of the Digital Audio Home Recording Act of 1992 and the Digital Millennium Copyright Act in 1998.

6. See Jennifer E. Rothman, *E-Sports as a Prism for the Role of Evolving Technology in Intellectual Property*, 161 U. PA. L. REV. ONLINE 317, 318, 328–29 (2013) (discussing the challenges wrought by technology-specific legislation); Pamela Samuelson, *Preliminary Thoughts on Copyright Reform*, 2007 UTAH L. REV. 551, 551 (2007) (criticizing the law’s current length, complexity, and incomprehensibility); David Nimmer, *Codifying Copyright Comprehensibly*, 51 UCLA L. REV. 1233, 1237–39, 1307–44, 1374–78, 1381–83 (2004) (describing the many Congressional missteps in copyright law since the passage of the 1976 Act).

law, private ordering has proliferated in industries that frequently use or create copyrighted works. Such private ordering has included various forms of custom, such as industry practices, agreements, guidelines, and community norms, as well as contracts and technology that alter how copyrighted works can be used.<sup>7</sup> These efforts by private parties have sometimes worked in harmony with the public law, but at other times at cross-purposes with it. The public must be given the opportunity to weigh in on these private efforts as part of any study of today's copyright law and Congress must consider the role of private ordering. The Department of Commerce and the Copyright Office are increasingly acknowledging some aspects of private ordering in the copyright sphere.<sup>8</sup> Thus far, however, the government has not engaged in a robust analysis of the role of private ordering. Such an analysis is crucial in the upcoming process of revising our copyright laws. This Article provides an overview of the dominant modes of private ordering in the copyright context and makes some preliminary suggestions about possible statutory revisions that could both support the development of such private approaches and rein in some of their excesses.

Much of the private ordering has developed to address uncertainties or failings of the current law, while other aspects of such ordering have sought to provide alternatives for those who seek something different than what the basic defaults of copyright offer. There is therefore not one single approach that formal copyright law should take with regard to private ordering. In some instances, the best option is for the law to get out of the way and leave room for a variety of private approaches to flourish. This relatively hands-off approach has been the dominant mode of formal law to date and has allowed various communities to best tailor copyright law to their needs. In some contexts, however, formal law needs to engage more fully with private ordering. In some instances, the law needs to step in to prevent a lock-in effect of various problematic industry practices and norms that are altering the boundaries of copyright law without the appropriate public debate and

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7. The term "custom" has been used in the law to "mean many different things, from regularly occurring industry practices, to social norms, to ongoing practices that have existed from time immemorial." Jennifer E. Rothman, *The Questionable Use of Custom in Intellectual Property*, 93 VA. L. REV. 1899, 1900 n.1 (2007). Despite their differences, all customs share the common characteristic of being rules developed outside the legal system by communities or industries that have extra-judicial enforcement mechanisms. I have previously explored how custom affects the way copyrighted works are used as a de facto matter and also how custom influences courts' evaluations in individual copyright cases. *See id.* at 1909–46.

8. See, e.g., Pallante, *supra* note 1, at 326 n.65 (pointing to industry agreements that facilitate the enforcement of copyright online); DEP'T OF COMMERCE, *supra* note 4, at 22–23 (noting the increasing use of fair use guidelines, but encouraging parties to work with a diverse set of participants to develop such guidelines).

legislative adoption. The Copyright Act also may need to actively support some private ordering that is jeopardized by the current regime.

Part II of the Article considers the risk-averse licensing practices that have dominated the creative industries and how revisions to copyright law could limit the negative impact of such customs and even counteract the pressures that feed this clearance culture. Part III evaluates the recent proliferation of guidelines and best-practices codes and statements intended to address the uncertain boundaries of fair use. Revisions to the Copyright Act should allow the continued development of such guidelines, but must also clearly indicate that these guidelines do not alter the boundaries of fair use.

Part IV considers the use of alternative regimes that are layered on top of the existing copyright structure. I focus here on the most prominent example of such an approach—Creative Commons—a nonprofit organization that provides standardized licensing contracts that alter the default restrictions of copyright. In this Part, I suggest ways that formal law can facilitate the use of such individualized approaches.

In Part V, I discuss the last major form of private ordering—the increasing use of contracts and technology by content providers to limit user rights far beyond what the law requires. Absent legislative intervention, these private efforts may make fair use largely irrelevant to most consumers. To counteract this effect, I recommend adding an express statutory provision requiring that contracts related to the use of copyrighted works and technology used for copyright enforcement must maintain a significant fair use zone.

Finally, in Part VI, I suggest some preliminary ideas for possible changes to the Copyright Act informed by copyright's private ordering. Some industry customs reveal areas of consensus that might merit greater stability through codification, such as faculty ownership of course materials and scholarship. Private ordering also highlights areas where the law generally needs revision. For example, much of the private ordering is driven by the unpredictability and expense of fair use litigation. A variety of reforms could provide greater support to those who wish to use others' copyrighted works without permission in contexts that we would like to facilitate.

## II. THE CLEARANCE CULTURE AND THE ROLE OF CUSTOMARY LICENSING PRACTICES

One dominant mode of private ordering in the copyright arena is the pervasive licensing of copyrighted works even when such licensing is unnecessary. In prior work, I have dubbed these practices of licensing or removing almost all copyrighted works from new works “litigation-avoidance

customs.”<sup>9</sup> These litigation-avoidance customs form a “clearance culture” in which the default approach is to clear everything without regard to whether the uses would have otherwise been lawful.<sup>10</sup>

These clearance practices are firmly entrenched in all media, including film, television, music, the fine arts, and publishing.<sup>11</sup> Many book publishers, movie and television studios, distributors, insurers, and other gatekeepers in various copyright fields err on the side of licensing all third-party content.<sup>12</sup> If licensing is not feasible, they often demand the removal of third-party material.<sup>13</sup> Many of the intended uses would likely be fair ones if litigated (to the extent one can accurately predict such things).<sup>14</sup> Nevertheless, legal counsel make reasonable calculations that in most instances it will be cheaper and easier to license works than to risk uncertain and expensive litigation. The current median cost of copyright litigation beyond the discovery stage ranges from \$300,000 to just under \$1.625 million (depending on the amount at risk).<sup>15</sup>

Not only does the cost of litigation itself often outweigh alternative arrangements between parties, but the consequences of losing in court are substantial. Even if no actual damages are caused by the use of a plaintiff’s work, statutory damages for copyright cases can be massive.<sup>16</sup> Additionally, attorney’s fees can be awarded to the prevailing party, so a loss can mean

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9. Rothman, *supra* note 7, at 1909–24, 1951–53. In other instances, licensing is driven by “relationship-preservation” because the parties have ongoing relationships with the owners of the relevant copyrighted works and do not wish to cause conflicts that will have future ill effects on business dealings. *Id.* at 1949, 1951–53 (drawing on the work of Lisa Bernstein in the context of contract law). I will focus here only on the prevalent litigation-avoidance customs, though relationship-preserving licensing undoubtedly adds to the overall clearance culture.

10. Rothman, *supra* note 7, at 1911–16; PATRICIA AUFDERHEIDE & PETER JASZI, UNTOLD STORIES: CREATIVE CONSEQUENCES OF THE RIGHTS CLEARANCE CULTURE FOR DOCUMENTARY FILMMAKERS 22 (2004), available at [http://www.cmsimpact.org/sites/default/files/UNTOLDSTORIES\\_Report.pdf](http://www.cmsimpact.org/sites/default/files/UNTOLDSTORIES_Report.pdf) (defining the “clearance culture” as “the shared set of expectations that all rights must always be cleared”). Others have also used this term. See, e.g., MARJORIE HEINS & TRICIA BECKLES, WILL FAIR USE SURVIVE? FREE EXPRESSION IN THE AGE OF COPYRIGHT CONTROL 5 (2005), available at <http://www.fepproject.org/policyreports/WillFairUseSurvive.pdf>; cf. LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY *passim* (2004) (comparing the current lock-down culture with his ideal “free culture”).

11. See Rothman, *supra* note 7, at 1911–16.

12. *Id.*

13. *Id.*

14. *Id.*

15. AM. INTELLECTUAL PROP. LAW ASS’N, REPORT OF THE ECONOMIC SURVEY 2013, at 36 (2013).

16. See 17 U.S.C. § 504(c) (2012).

paying legal fees that significantly exceed damages, statutory or otherwise.<sup>17</sup> The threat of injunctive relief also looms large because if granted, such relief can destroy the chance of recovering the initial investment in a project. This risk is particularly great in the motion picture industry because the upfront investment costs are substantial. Criminal liability also encourages parties to err on the side of licensing, especially given that a breach of the dominant licensing practices may expose a party to being found a willful infringer subject to penalties that include prison time and additional fines.<sup>18</sup>

#### A. FEAR OF GAMBLING ON FAIR USE

Much of the pressure to adopt these clearance practices derives from uncertainty as to the boundaries of copyright's fair use defense. The fair use defense permits uses of another's copyrighted work without permission or payment in some circumstances. The fairness of a particular use is primarily determined by considering four factors set forth in § 107 of the Copyright Act.<sup>19</sup> Section 107 provides that:

[T]he fair use of a copyrighted work, including such use by reproduction in copies or phonorecords . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—(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 the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>20</sup>

The fair use doctrine can be difficult to apply in the real world. Average citizens have trouble evaluating what uses they can make of others' works and even experienced copyright attorneys note the unpredictability of fair use

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17. See 17 U.S.C. § 505 (2012).

18. See 17 U.S.C. § 506 (2012) (exposing those who willfully infringe copyrights for commercial advantage to up to ten years in prison and additional financial penalties); Richard Feiner & Co. v. Passport Int'l Prods., No. 97-Civ-9144(RO), 1998 WL 437157, at \*1 (S.D.N.Y. July 31, 1998) (finding that copyright infringement was willful because the use of unlicensed film clips contravened industry clearance practices); see also 18 U.S.C. § 2319 (2014) (setting forth additional criminal penalties for violation of 17 U.S.C. § 506).

19. See 17 U.S.C. § 107 (2012); Folsom v. Marsh, 9 F. Cas. 342 (C.C.D. Mass. 1841) (setting forth the common law fair use doctrine).

20. 17 U.S.C. § 107 (2012).

determinations. Scholars and courts have long described the fair use doctrine as “murky,” “unpredictable” and “ad hoc.”<sup>21</sup>

Several recent works have challenged these dire assessments of fair use.<sup>22</sup> Michael Madison, for example, has noted numerous “patterns” or categories of preferred uses—ones more likely to be found fair.<sup>23</sup> These categories include journalism, parody, and criticism.<sup>24</sup> According to Professor Madison, if a user conforms to the practices of a particular pattern of use, the use is likely to be found fair.<sup>25</sup> Pamela Samuelson has similarly claimed that “copyright fair use caselaw is more coherent and more predictable than many commentators seem to believe.”<sup>26</sup> Like Madison, Professor Samuelson describes “clusters” of uses that are more likely to be held fair.<sup>27</sup> Her categories include expressive uses, such as transformative or productive ones (e.g., parodies or critical commentaries), authorship-promoting uses, uses that promote learning, and foreseeable uses (e.g., personal uses and uses in litigation).<sup>28</sup> Matthew Sag’s recent empirical analysis of fair use cases supports Madison’s and Samuelson’s contention that fair use is more predictable than is often claimed.<sup>29</sup> Professor Sag points to the strong likelihood of succeeding on a fair use defense when a use is transformative and copies only part of the underlying work.<sup>30</sup>

Although I agree that there are broad categories and patterns of uses more likely (or even likely) to be found fair, these broad assessments do not provide sufficient security for users in individual cases. There is a big difference between knowing that given categories of uses tend to be favored for fair use—e.g., uses in news or education—and knowing how a particular case will turn out. Moreover, in the gray areas (and even outside them) the case law is littered with overturned assessments of fair use and cases that

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21. *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939); WILLIAM F. PATRY, *PATRY ON FAIR USE* §§ 3:89, 9:33 (2d ed. 1995); Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1105–06 (1990); Lloyd Weinreb, *Fair’s Fair: A Comment on the Fair Use Doctrine*, 103 HARV. L. REV. 1137, 1137–38 (1990).

22. Matthew Sag, *Predicting Fair Use*, 73 OHIO ST. L.J. 47 (2012); Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537 (2009); Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525 (2004).

23. See generally Madison, *supra* note 22.

24. *Id.* at 1645–64.

25. *Id.* at 1622–64.

26. Samuelson, *supra* note 22, at 2537.

27. *Id.* at 2541 & *passim*.

28. *Id.* at 2546–2614.

29. Sag, *supra* note 22, at 79–81

30. *Id.*

point in different directions.<sup>31</sup> Major content-industry players therefore unsurprisingly often prefer to license, given the risks associated with asserting a fair use claim, even when they know the use at issue falls into one of the preferred categories.

The *Campbell v. Acuff-Rose Music, Inc.* case is emblematic of why litigating fair use is not a preferred business model in the content industries.<sup>32</sup> *Campbell* is most often cited for its shift in focus in fair use determinations to the question of transformativeness. This approach, which has been universally adopted, adds a consideration to the first fair use factor that evaluates the purpose and character of a defendant's use. Courts now consider whether the use changes or alters the original work to such an extent that the work is "transformed."<sup>33</sup>

Despite this dominant narrative of *Campbell*, the case is also an object lesson on why parties prefer to license even if they think they could eventually prevail on a fair use determination in the courts. *Campbell* involved the claim that the song, *Pretty Woman*, by the rap group 2 Live Crew infringed *Oh, Pretty Woman*, a song recorded and written by Roy Orbison. A district court in Tennessee held 2 Live Crew's use of Orbison's song fair.<sup>34</sup> The Sixth Circuit, however, reversed, concluding that the use was not fair primarily because it was commercial, took the heart of the underlying work, and likely damaged the market for derivatives of the song.<sup>35</sup> The Supreme Court

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31. See, e.g., *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013), *rev'd* 784 F. Supp. 2d 337 (S.D.N.Y. 2011) (holding that many of the artist's uses of defendant's photographs were fair); *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257 (11th Cir. 2001), *rev'd* 136 F. Supp. 2d 1357 (N.D. Ga. 2001) (holding that the novel *The Wind Done Gone* could be a fair use of Margaret Mitchell's *Gone With the Wind*); *Salinger v. Random House, Inc.*, 811 F.2d 90 (2d Cir. 1987), *rev'd* 650 F. Supp. 413 (S.D.N.Y. 1986) (holding that uses of excerpts and paraphrases of J.D. Salinger's letters in a biography about the famous author were not fair use). Compare, e.g., *Ringgold v. Black Entm't Television*, 126 F.3d 70, 80–81 (2d Cir. 1997) (reversing the district court and rejecting a fair use defense when a poster appeared for less than thirty seconds in the background of a scene in a television sitcom), with, e.g., *Amsinck v. Columbia Pictures Indus., Inc.*, 862 F. Supp. 1044 (S.D.N.Y. 1994) (holding that the use of a copyrighted mobile in a film was fair even though it was sometimes shown in close-up and appeared on screen for over one and a half minutes), and *Gottlieb Dev. L.L.C. v. Paramount Pics. Corp.*, 590 F. Supp. 2d 625 (S.D.N.Y. 2008) (holding that the use of a copyrighted pinball machine in the background of a film was not infringing).

32. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

33. There is a consensus that after *Campbell*, fair use defenses became easier to win, at least if one could show that the underlying work was sufficiently "transformed." See Jennifer E. Rothman, *Sex Exceptionalism in Intellectual Property*, 23 STAN. L. & POL'Y REV. 119, 149 (2012).

34. *Acuff-Rose Music, Inc. v. Campbell*, 754 F. Supp. 1150, 1153–58 (M.D. Tenn. 1991) (finding fair use primarily on the basis that it was a parody that would not directly injure the market for the original and that would have been unlikely to receive a license).

35. *Acuff-Rose Music, Inc. v. Campbell*, 972 F.2d 1429, 1434–39 (6th Cir. 1992).

granted certiorari on the fair use question and reversed the Sixth Circuit. The Court held that the commerciality of the use was not dispositive and that the lower courts should consider the transformativeness of the use in addition to the song's commercial status when evaluating the first fair use factor—the purpose and character of the use.<sup>36</sup>

Although the use in *Campbell* is often referred to as a fair one and the case as a “win” for the defendant, this is not true. The Supreme Court did not end the fair use litigation with its decision, but instead remanded for further fact finding on the market harm factor.<sup>37</sup> The song had generated significant revenue for Acuff-Rose (the holder of Orbison's copyright) not only from the initial recording, but also from the licensing of covers and other derivative works. The district court was instructed to consider whether the use by 2 Live Crew would harm these markets and then to weigh that harm with the other fair use factors.

Two years after the Supreme Court decision the case settled *without a final determination of fair use*. As part of the agreement, 2 Live Crew paid a licensing fee to Acuff-Rose.<sup>38</sup> Although the amount of the license is not public, there is no question that it would have been cheaper to just pay a licensing fee at the outset before the massive attorneys' fees accrued.<sup>39</sup> 2 Live Crew's victory was a Pyrrhic one. Thus, rather than solidify future assertions of fair use, *Campbell* reinforces the preference to license or remove material whenever possible. Even if one had predicted, reasonably, at the outset that the use was fair, the cost of litigating the case to the Supreme Court likely far exceeded the cost of the license—if obtainable—and perhaps even the value to the defendant of doing the parody in the first place. If the attorneys had known the path *Campbell* would take, they might have suggested that the record label not release the song.<sup>40</sup>

The path of *Campbell* is hardly an isolated instance of courts going back and forth on fair use determinations. The case law is littered with such examples. I will highlight two recent examples. In *Carion v. Prince*, the Second Circuit recently reversed (in part) the district court's determination that the uses of the plaintiff's photographs in artworks by appropriation art

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36. *Campbell*, 510 U.S. at 578–79.

37. *Id.* at 593–94.

38. *Acuff-Rose Settles Suit with Rap Group*, MEMPHIS COMMERCIAL APPEAL, June 5, 1996, at A14.

39. Cf. Bridgeport Music, Inc. v. Dimension Films, 410 F.3d 792, 802 (6th Cir. 2005) (noting that it is “cheaper to license than to litigate” fair use).

40. This possible trajectory was not entirely lost on the record label, which had initially sought a license for the Orbison song, but was denied one by Acuff-Rose. *Campbell*, 510 U.S. at 572–73.

phenomenon Richard Prince were infringing. The Second Circuit held most of the uses fair because they were transformative.<sup>41</sup> Notably, the court agreed with the district court with regard to at least five of the photographs, concluding that these were not sufficiently transformative to hold the uses fair as a matter of law.<sup>42</sup> The court remanded the case back to the district court for an evaluation of fair use on these allegedly infringing artworks.<sup>43</sup> Like *Campbell*, the case then settled.<sup>44</sup> Each party paid their own (likely substantial) attorneys' fees.<sup>45</sup> It is not clear whether Prince paid a licensing fee, because the terms of the agreement to settle have not been disclosed.<sup>46</sup>

A similar litigation history can be seen in the Margaret Mitchell estate's efforts to stop Alice Randall's unauthorized alternative version of *Gone with the Wind*, told from the slaves' point of view. Randall's *The Wind Done Gone* was held infringing by a district court. The Eleventh Circuit then reversed and held that the use's transformativeness weighed in favor of fair use.<sup>47</sup> As in *Campbell* and *Cariou*, the appeal did not end the fair use litigation; instead, the case was remanded for further fact-finding.<sup>48</sup> Randall's publisher, Houghton Mifflin, then settled the case and agreed to pay a licensing fee to the Mitchell estate for the use—with the caveat that the fee would go to Morehouse College rather than directly to the Mitchell estate. The publisher also agreed to clearly label Randall's book as an “unauthorized parody.”<sup>49</sup>

Given these commonplace reversals, conflicting decisions on similar uses, and the reality that many of these so-called victories for fair use were in fact resolved by paying licensing fees and substantial attorneys' fees, it remains a smart business decision to license whenever possible. Even though fair use may be more predictable (and generous) than some have feared, it still does not provide sufficient reliability, predictability, or efficiency to incentivize assertions of fair use. The dominant clearance culture therefore largely remains in place.<sup>50</sup>

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41. *Cariou v. Prince*, 714 F.3d 694, 705–12 (2d Cir. 2013).

42. *Id.* at 710–11.

43. *Id.* at 712.

44. Stipulation of Voluntary Dismissal, *Cariou v. Prince*, No. 08-CIV.11327, at \*1 (filed on March 19, 2014).

45. *Id.*

46. Jan Wolfe, *Cariou, Viacom Copyright Suits Settlements*, 30 ENT. LAW & FIN. NEWSLETTER (ALM Media Props., New York, N.Y.), Apr. 1, 2014, at 5.

47. *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257 (11th Cir. 2001).

48. *Id.* at 1275–77.

49. David Mehegan, *Settlement Lets ‘Gone With the Wind’ Parody Live On*, BOSTON GLOBE, May 10, 2002, at C4.

50. Rothman, *supra* note 7, at 1911–16; Jennifer E. Rothman, *Best Intentions: Reconsidering Best Practices Statements in the Context of Fair Use and Copyright Law*, 57 J. COPYRIGHT SOC'Y 371,

### B. JUDICIAL RELIANCE ON LITIGATION-AVOIDANCE CUSTOMS

These individual risk-averse decisions to license or remove material negatively affect what sorts of creative works get made and their content. In the context of potential revisions to copyright law, the bigger concern is not the societal losses caused by these individual creative alterations, but instead courts' willingness to consider such practices as evidence of what sorts of uses are fair. In numerous instances, courts have looked at clearance-culture licensing practices as evidence that a particular use is unfair because it contravenes the industry custom to license those types of uses.

Courts consider both actual and potential licensing markets when evaluating two of the fair use factors. The first fair use factor considers the “purpose and character of the use.”<sup>51</sup> As part of this inquiry, courts determine whether a use is commercial in nature. The failure to license a work when it is customary to do so has been viewed as evidence that a use is commercial in nature—a determination that weighs against fair use.

The consideration of licensing practices to determine if a use is commercial stems in large part from the Supreme Court’s decision in *Harper & Row Publishers, Inc. v. Nation Enterprises, Inc.*<sup>52</sup> In *Harper & Row*, the Court explained that: “The crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the *customary price*.<sup>53</sup> The customary price is determined by what others are paying to use a work. The tendency to license works to avoid litigation costs and the unpredictability of fair use establishes a “customary price.” When a defendant is found to have not paid this “customary price,” the defendant’s use is often held unfair.<sup>54</sup>

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375 (2010). In Section III.B, I discuss some successes in pushing back against these practices.

51. 17 U.S.C. § 107 (2012).

52. *Harper & Row Publishers, Inc. v. Nation Enters., Inc.*, 471 U.S. 539 (1985).

53. *Id.* at 562 (citing *Roy Export Co. Establishment v. Columbia Broad. Sys., Inc.*, 503 F. Supp. 1137, 1144 (S.D.N.Y. 1980); 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[A][1] (1984)) (emphasis added).

54. See, e.g., *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792, 801–02, 804 n.19 (6th Cir. 2005) (questioning the availability of a fair use defense for the unlicensed sampling of another’s song in an industry where most companies and artists “sought licenses as a matter of course”); *Davis v. Gap, Inc.*, 246 F.3d 152, 166–68, 176 (2d Cir. 2001) (rejecting the fair use defense for incidental display of sunglasses in advertisement when the defendant failed to pay the customary price for use of a copyrighted design); *Ringgold v. Black Entm’t Television*, 126 F.3d 70, 80–81 (2d Cir. 1997) (rejecting the fair use defense when the defendant did not follow industry custom of clearing background scenery used in a television show); *Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1385–88 (6th Cir.

Courts also consider licensing practices when analyzing the fourth fair use factor. This factor evaluates the effect of the use on the market for the work or the work's underlying value.<sup>55</sup> When there is a general industry practice to license copyrighted works in a particular context and a defendant fails to do so, courts point to the existence of an overall licensing market as evidence that a defendant's failure to license causes or will cause market harm.<sup>56</sup> Taken together, these litigation-avoidance customs, driven by reasonable business calculations, have a multiplier effect that makes it difficult to successfully assert a fair use defense when risk-averse licensing is common.

One of the clearest examples of courts' reliance on customary licensing practices is the Second Circuit's decision in *Ringgold v. Black Entertainment Television*.<sup>57</sup> In *Ringgold*, Black Entertainment Television ("BET") used a poster of the plaintiff's artwork in the background set-dressing of its television sitcom, ROC. BET was assumed to have lawfully purchased the poster after deciding that it would be an appropriate piece of art for the scene.<sup>58</sup> The poster was visible for less than thirty seconds, was never the focal point of

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1996) (rejecting the fair use defense when the defendant did not follow the industry custom of licensing coursepack materials); Am. Geophysical Union v. Texaco Inc., 60 F.3d 913, 926–27, 930–31 (2d Cir. 1994) (rejecting the fair use defense when a private corporation did not follow the industry practice of licensing); Twentieth Century Fox Film Corp. v. Marvel Enters., 155 F. Supp. 2d 1, 47–48 (S.D.N.Y. 2001) (rejecting the fair use defense when the defendants failed to license footage used in a promotional clip in contravention of the industry practice to license such clips); Richard Feiner & Co., Inc. v. Passport Int'l Prods., Inc., No. 97 Civ. 9144(RO), 1998 WL 437157, at \*1 (S.D.N.Y. July 31, 1998) (finding defendants' failure to license film trailers reckless because "defendants are not amateurs in video production" and it was film "industry practice to license trailers for exhibition"); cf. Triangle Publ'ns v. Knight-Ridder Newspapers, 626 F.2d 1171, 1176 (5th Cir. 1980) (holding that the use of plaintiff's copyrighted magazine cover was fair use, in part because the advertising industry routinely follows a practice of using copyrighted works in comparative ads); Frank Schaffer Publ'ns v. The Lyons P'ship, L.P., 10 Ent. L. Rep. 9, 13 (C.D. Cal. 1993) (holding that use was fair where no license was sought, in part because the "customary price for the inclusion of [the plaintiff's posters in the defendant's show's set] is gratis").

55. 17 U.S.C. § 107 (2012).

56. See, e.g., Bouchat v. Baltimore Ravens, Ltd., 619 F.3d 301, 308–13 (4th Cir. 2010); *Davis*, 246 F.3d at 166–68, 176; L.A. News Serv. v. Reuters Television Int'l, Ltd., 149 F.3d 987, 994–95 (9th Cir. 1998); L.A. News Serv. v. KCAL-TV Channel 9, 108 F.3d 1119, 1122–23 (9th Cir. 1997); *Ringgold*, 126 F.3d at 80–81; *Princeton Univ. Press*, 99 F.3d at 1385–86; *Am. Geophysical Union*, 60 F.3d at 926–27; *Rogers v. Koons*, 960 F.2d 301, 311–12 (2d Cir. 1992); *Amsinck v. Columbia Pictures Indus., Inc.*, 862 F. Supp. 1044, 1048–49 (S.D.N.Y. 1994); *Frank Schaffer Publ'ns v. The Lyons P'ship, L.P.*, 15 Ent. L. Rep. 9 (C.D. Cal. 1993); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1532 (S.D.N.Y. 1991).

57. *Ringgold v. Black Entm't Television*, 126 F.3d 70 (2d Cir. 1997) (reversing a district court decision that the use was fair).

58. *Id.* at 71–72. The network itself likely did not concern itself with the poster, but the production designer or set dresser likely chose it on behalf of the production.

any shot, and was not referred to in the dialogue.<sup>59</sup> Nevertheless, the court rejected a fair use defense in large part because of the failure to conform with the industry practice of licensing copyrighted works used as set-dressing.<sup>60</sup> The court concluded that BET failed to pay the “customary price” for using Ringgold’s work because it did not license her artwork.<sup>61</sup> In so holding, the Second Circuit reversed the district court’s finding of fair use.

Not only do such fair use decisions problematically reject the defense in instances in which it should be found, but they also further skew licensing practices and exacerbate the under-assertion of fair use. When courts consider licensing evidence, parties are more likely to license, which makes courts more likely to once again rely on licensing evidence.<sup>62</sup> The end result is doctrinal feedback which exacerbates the incorporation of these risk-averse, but customary practices.<sup>63</sup> Small acts of litigation-avoidance can lead to a cascade of risk-averse practices that ultimately set the fair use standard without courts ever engaging in an independent fair use analysis.

A prime example of this is the licensing practices that developed in response to the settlement of a complaint filed against New York University (“NYU”) involving the copying of works for educational uses. The lawsuit by publishers against the university alleged that the copying of works for use in classroom materials infringed various copyrights. Rather than litigate the

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59. *Id.* at 72–74.

60. *Id.* at 79–80. The court cited an amicus brief filed by the Artists Rights Society and the Picasso estate that listed numerous examples of other shows and films that licensed artwork in similar circumstances. *See id.*; *see also* Brief for Artists Rights Society as Amici Curiae, *Ringgold v. Black Entm’t Television*, 126 F.3d 70 (2d Cir. 1997) (No. 96-9329).

61. *Ringgold*, 126 F.3d at 81 (quoting *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 562 (1985)).

62. *See Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1397 (6th Cir. 1996) (Merritt, J., dissenting); *id.* at 1400–04, 1407–10 (Ryan, J., dissenting); *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 929 n.17, 931 (2d Cir. 1994); *id.* at 936–39 (Jacobs, J., dissenting); *Hofheinz v. A&E Television Networks*, 146 F. Supp. 2d. 442, 448–49 (S.D.N.Y. 2001); *Hofheinz v. AMC Prods., Inc.*, 147 F. Supp. 2d 127, 140 (E.D.N.Y. 2001); Rothman, *supra* note 7, at 1933–34; James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 885–906 (2007); Lydia Pallas Loren, *Redefining the Market Failure Approach to Fair Use in an Era of Copyright Permission Systems*, 5 J. INTELL. PROP. L. 1, 38–47 (1997); Matthew Africa, Comment, *The Misuse of Licensing Evidence in Fair Use Analysis: New Technologies, New Markets, and the Courts*, 88 CAL. L. REV. 1145, 1145–64 (2000).

63. Gibson, *supra* note 62, at 884–86 & *passim*; cf. Eric A. Posner, *Law, Economics, and Inefficient Norms*, 144 U. PA. L. REV. 1697, 1717–18 (1996); Sushil Bikhchandani et al., *A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascades*, 100 J. POL. ECON. 992, 994 (1992); Abhijit V. Banerjee, *A Simple Model of Herd Behavior*, 107 Q.J. ECON. 797, 798 (1992).

case, NYU settled.<sup>64</sup> This settlement led many other universities and copy stores to license material used in course readers and handouts, even though there was no governing case law on these uses.<sup>65</sup> When the less risk-averse entities then claimed the uses were fair, courts cited the licensing that followed the NYU settlement as a basis for denying fair use defenses in similar contexts. In the first court decision to litigate the fair use question, *Basic Books v. Kinko's*, a court held that it was not a fair use to copy articles and other materials for the classroom in part because of the customary practice of licensing such uses.<sup>66</sup> After this single court decision on the issue, most holdouts started licensing materials.<sup>67</sup> When subsequent challenges were made to the fair use evaluation in *Basic Books*, courts pointed again to the now-even-more-prevalent licensing practices as a basis for rejecting a fair use defense in the context of course packets.<sup>68</sup> It may be appropriate to license articles and other materials routinely used in an educational context,<sup>69</sup> particularly if the educational market is the primary market for the underlying work, but the fact that such licensing is customary should have little relevance for determining fair use. I will discuss the appropriate role for evidence of licensing in the next section.

### C. DISRUPTING THE CLEARANCE CULTURE

Any revision to the Copyright Act must address the courts' reliance on litigation-avoidance licensing customs. Even though not all courts have gone down this problematic path, enough have that this line of cases must be overruled by statute. The Copyright Act should clarify that such industry

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64. Addison-Wesley Publ'g Co. v. N.Y. Univ., No. 82 Civ. 8333, 1983 WL 1134, at \*1 (S.D.N.Y. May 31, 1983).

65. See Steven J. Melamut, *Pursuing Fair Use, Law Libraries and Electronic Reserves*, 92 LAW LIBR. J. 157, 182 (2000); Bernard Zidar, *Fair Use and the Code of the Schoolyard: Can Copyshops Compile Coursepacks Consistent with Copyright?*, 46 EMORY L.J. 1363, 1377 (1997) (citing KENNETH D. CREWS, *COPYRIGHT, FAIR USE, AND THE CHALLENGE FOR UNIVERSITIES* 45 (1993)).

66. *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991).

67. See *Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1384 (6th Cir. 1996); Rothman, *supra* note 7, at 1920–21, 1954–55.

68. See, e.g., *Princeton Univ. Press*, 99 F.3d at 1384–88 (pointing to dominant licensing practices in fair use analysis to find commercial purpose and likely market harm); cf. *Addison-Wesley Publ'g Co. v. N.Y. Univ.*, No. 82 Civ. 8333, 1983 WL 1134 (S.D.N.Y. May 31, 1983) (Order and Final Judgment) (providing the terms of the NYU settlement).

69. Cf. *Cambridge Univ. Press v. Becker*, 863 F. Supp. 2d 1190 (N.D. Ga. 2012) (holding some educational uses not fair because of available licensing), *rev'd on other grounds*, *Cambridge Univ. Press v. Patton*, 769 F.3d 1232 (11th Cir. 2014). After the substantive editing of this Article was complete, the Eleventh Circuit issued its opinion in *Patton*. The appellate decision agreed with the relevance of available licensing markets in the educational context. *See id.* at 1275–81.

clearance practices should be discounted. Given the strong impetus to remove uncleared works or license works regardless of the likely viability or appropriateness of a fair use defense, the mere existence of such practices provides limited information about the fairness of the particular use. The fact that licensing markets exist should not weigh against fair use simply because licensing is common practice.

Some scholars do not share my concerns about using customary licensing as a proxy for fair use. In particular, Richard Epstein, while acknowledging many areas of agreement with my analysis, suggests that common licensing practices may be indicative of appropriate fair use boundaries.<sup>70</sup> Although he thinks bullying by copyright holders and the ensuing litigation avoidance by “frightened” users should not be considered in fair use analysis, he contends that most other clearance-culture practices are more deserving of deference.<sup>71</sup> In the context of *Ringgold*, for example, he thinks that the customary licensing may reflect the appropriateness of licensing background artwork.<sup>72</sup> For him, the workability of such a licensing regime suggests that the markets may be working well in this regard because these practices may allow parties to access works for use in scenes (at reasonable rates), while at the same time facilitating payments to creators for uses of their works.<sup>73</sup>

This apparent win-win, however, frames fair use primarily through a market failure lens.<sup>74</sup> Some have suggested that if licensing is possible, all works should be licensed.<sup>75</sup> However, fair use has never been, and should never be, “fared use.”<sup>76</sup> Courts do not require a defendant to demonstrate that a plaintiff would not have been willing to license at a reasonable fee before finding a fair use. Nor should a custom of not licensing such works definitively establish the contrary—that such uses are fair. Fair use means

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70. Richard A. Epstein, *Some Reflection on Custom in the IP Universe*, 93 VA. L. REV. BRIEF 223 (2008) (responding to my work).

71. *Id.* at 224–25.

72. *Id.* at 225–27.

73. *Id.*

74. For a fuller response to Richard Epstein, see Jennifer E. Rothman, *Why Custom Cannot Save Copyright’s Fair Use Defense*, 93 VA. L. REV. BRIEF 243 (2008).

75. See, e.g., PAUL GOLDSTEIN, *COPYRIGHT’S HIGHWAY: FROM GUTENBERG TO THE CELESTIAL JUKEBOX* 188–216 (2003); Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors*, 82 COLUM. L. REV. 1600, 1614 & *passim* (1982) (advocating a test for fair use that requires a demonstration of “market failure”). I note that Professor Gordon in other work has suggested that copyright should be limited either in scope or by the First Amendment in ways that exceed this market failure analysis. See Wendy J. Gordon, *A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533 (1993).

76. Jennifer E. Rothman, *Liberating Copyright: Thinking Beyond Free Speech*, 95 CORNELL L. REV. 463, 569 (2010).

more than simple market failure.<sup>77</sup> Regardless of whether reasonable licensing rates are available, not all uses of another's copyrighted works should be by permission or payment only. If in every instance where a license could be purchased, but is not, a court concludes that the "customary price" is not paid, and rejects a fair use, fair use will be dramatically narrowed.

Consider the fact that individual songs can now be purchased on iTunes and other services for ninety-nine cents. If this fee is considered the customary price, because people customarily pay the ninety-nine cents, then are all uses of songs without paying this fee unfair? Under the customary-price language, yes—even if a song is exchanged among close friends or family, used as background music for a classroom project, or displayed in slides by a copyright professor making a point. Even if there were a mechanism for easily paying for a license for such uses at reasonable rates, it is not appropriate to require payment in each of these instances. Consider a use in a slightly different context. Suppose that a documentary filmmaker wishes to include (without blurring the image or text) a poster of the hit boy band One Direction that one of his subjects has up on her bedroom wall. Why should One Direction or the holder of the copyright in the image receive any compensation for the appearance of posters that were lawfully purchased and actually hung in the documentary subject's room? Even if the filmmaker could obtain a reasonably priced license to display the poster in her movie, he should not have to ask anyone's permission or pay any fee to document his subject's reality. There are many instances in which the freedom of expression and association, and the rights of privacy and liberty demand that uses be permissible regardless of the functioning of licensing markets.<sup>78</sup>

The foregoing analysis does not mean that evidence about licensing is wholly irrelevant. The availability and ease of licensing is a relevant and useful inquiry in fair use. Evidence of frequent licensing can demonstrate the feasibility of licensing in a particular context and weigh against a finding of fair use. The key question, however, should be whether there is a reasonable and appropriate mechanism for obtaining the copyrighted work at a reasonable price in the required form, not the frequency (or infrequency) of licensing.

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77. *See id.* at 528–29, 532–33.

78. For a more in-depth discussion of some of these uses, see generally Rothman, *supra* note 76, in which I describe uses that should be protected under a liberty-based analysis.

This distinction is highlighted in the recent *Cambridge Press v. Becker* district-court decision.<sup>79</sup> In *Becker*, the court evaluated a fair use defense by Georgia State University for electronically copying and distributing works (or parts of those works) for use in online reserves accessible to students.<sup>80</sup> The court held that the fair use determination depended in large part on whether there was an easy way of getting an electronic copy of the required article or book chapter at a reasonable fee.<sup>81</sup> When digital formats were available at reasonable prices, the court concluded that the uses were less likely to be fair. In contrast, when no electronic copies were available or were offered only at unreasonable fees, a finding of fair use was much more likely.<sup>82</sup> Although I do not think the availability (or lack thereof) of such licensing should be dispositive of fair use, it certainly is relevant. Market failure can be an appropriate basis on which to find fair use (or perhaps craft a reasonable, compulsory licensing fee),<sup>83</sup> but the absence of market failure should not bar a fair use defense.

My focus here, however, is not on when licensing markets *should* be considered, but when they *should not* be considered in fair use analysis. The clearance culture described above and courts' reliance on such licensing practices have contracted the scope of fair use in concerning ways. One possible way to address this overreliance on risk-averse licensing practices is to codify an explicit rejection of cases like *Ringgold*. The fair use provision could explicitly state that the commonness of licensing should not determine commerciality or likely market harm. For example: "Evidence of whether licensing is customary in a particular context should not be considered." Given the discussion of other aspects of private ordering in this article, it might be useful to have a broader provision that would list a series of disfavored considerations in the fair use context.<sup>84</sup> Additional language could

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79. Cambridge Univ. Press v. Becker, 863 F. Supp. 2d 1190 (N.D. Ga. 2012), *rev'd on other grounds*, Cambridge Univ. Press v. Patton, 769 F.3d 1232 (11th Cir. 2014). After the substantive editing of this Article was complete, the Eleventh Circuit issued its opinion in *Patton*. The appellate decision largely agreed with the market failure analysis of the district court. *See id.* at 1275–81.

80. *Id.* at 1201.

81. *Id. at passim.*

82. *Id.*

83. I am open to Jane Ginsburg's thoughtful idea to shift, in some limited instances, some fair use from an on/off switch to a "permitted, but paid" regime. *See* Jane C. Ginsburg, *Fair Use for Free, or Permitted-but-Paid?*, 29 BERKELEY TECH. L.J. 1383 (2014). However, I am not convinced that only "new works" should benefit from "(free) fair use," nor that all "new works" should escape payment. Also, the boundaries of what constitutes a new work may be challenging to delineate.

84. *See* discussion *infra* Section VI.A.

clarify that the existence of a feasible and reasonably priced licensing market may nevertheless be considered as one among several considerations.

Changing the effect of customary licensing practices on fair use evaluations will provide an important and positive pushback against the dominant clearance culture. Parties will not have to license just because everyone else is doing it. Instead, they will only need to license when they otherwise think the use is not fair. The uncertainty of fair use may still drive some risk-averse licensing, but the feedback loop created by such licensing will be disrupted. Making fair use more predictable, adding safe harbors, and limiting the scope of statutory damages, as I discuss in Part VI, will also encourage assertions of fair use and more frequent and positive engagement with copyrighted works.

### III. THE PROLIFERATION OF USE GUIDELINES

In response to some of the uncertain areas of fair use and the clearance culture that has followed, a variety of private agreements and guidelines have been developed to set forth either safe zones of uses or parameters for compliance with fair use in particular arenas. There is a wide range of such “agreements,” “guidelines,” “statements,” and “codes.”<sup>85</sup> In some instances, companies set forth their own internal guidelines to facilitate corporate compliance with copyright law.<sup>86</sup> Industries and trade groups have also sought to insulate themselves from liability by agreeing in a more formal manner to a set of standard copying practices.<sup>87</sup> Sometimes these guidelines or agreements have developed with a broad base of parties, but more frequently only a few parties (often with common views) agree on what they think are appropriate uses of others’ copyrighted works. Unsurprisingly, owner-dominated groups have largely set forth restrictive guidelines and user-dominated groups mostly more permissive ones.

I will focus on two primary examples of such guidelines. The first is the Classroom Guidelines that were explicitly commissioned by Congress to provide guidance in the educational context. Members of Congress could not agree on statutory language to address the use of copyrighted works in the

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85. See Rothman, *supra* note 7, at 1916–24.

86. *Id.* at 1922.

87. See, e.g., Robert S. Bray, *Photocopying and Copyright: A Progress Report*, 48 SPECIAL LIBRARIES 100, 101–03 (1957) (Chairman of Photographic Reproduction Committee urging adoption of policy regarding library photocopying to avoid an “unfavorable incident” in which publishers sue); Excerpts of Record at 696–97, Roy Export Co. Establishment of Vaduz v. Columbia Broad. Sys., Inc., 672 F.2d 1095 (2d Cir. 1981) (Nos. 81-7027, 7109) (Testimony of Eaton); Heins & Beckles, *supra* note 10, at 20–21; Williams & Wilkins Co. v. United States, 487 F.2d 1345 (Ct. Cl. 1973).

classroom, so they punted the issue to private parties to resolve. The second example is a series of best practices “statements” and “codes” put out by American University’s Center for Social Media. These statements claim to set forth guidelines (and a preferred approach) for evaluating fair use in different contexts in communities that frequently rely on the use of others’ copyrighted works. I will discuss each of these guidelines in turn.

#### A. THE CLASSROOM GUIDELINES

The most influential of the non-statutory copyright guidelines is the “Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions,” commonly referred to as the “Classroom Guidelines.” While drafting the fair use section of the 1976 Copyright Act, Congress recruited industry representatives, in particular publishers, to develop their own guidelines for what constituted fair use of writings and music in educational settings.<sup>88</sup> The chairman and other members of the subcommittee working on the copyright revision “urged the parties to meet together independently in an effort to achieve a meeting of the minds as to permissible educational uses of copyrighted material.”<sup>89</sup> Congress contended that “workable voluntary arrangements” were the preferable solution to questions regarding the scope of fair use, at least in the context of educational uses.<sup>90</sup> Unfortunately, the Classroom Guidelines were developed and negotiated primarily by large publishers and a few author organizations; educators, universities, and scholars were only minimally represented and students were entirely voiceless in the process.<sup>91</sup> No educator or university organization was a signatory to the Guidelines.<sup>92</sup> The American Association of University Professors and the American Association of Law Schools actively opposed the guidelines.<sup>93</sup>

In light of this history, these guidelines unsurprisingly take a narrow view of what sort of uses of copyrighted works are permissible in the educational

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88. The Author-Publisher Group, Author’s League, Association of American Publishers, Inc., and the Chairman of the Copyright Committee signed the resulting agreement on Classroom Guidelines. *AGREEMENT ON GUIDELINES FOR CLASSROOM COPYING IN NOT-FOR-PROFIT EDUCATIONAL INSTITUTIONS WITH RESPECT TO BOOKS AND PERIODICALS*, H.R. REP. NO. 94-1476, at 68–70 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5681–83.

89. H.R. REP. NO. 94-1476, at 67, *reprinted in* 1976 U.S.C.C.A.N. 5680.

90. H.R. REP. NO. 90-83, at 33, 36 (1967); H.R. REP. NO. 94-1476, at 67–68, *reprinted in* 1976 U.S.C.C.A.N. 5680–82.

91. See Rothman, *supra* note 7, at 1918–19.

92. H.R. REP. NO. 94-1476, at 72, *reprinted in* 1976 U.S.C.C.A.N. 5685. See also Basic Books, Inc. v. Kinko’s Graphics Corp., 758 F. Supp. 1522, 1535 n.10 (describing Peter Jaszi’s testimony that the guidelines were forced on educators).

93. H.R. REP. NO. 94-1476, at 72, *reprinted in* 1976 U.S.C.C.A.N. 5685.

context. The Guidelines provide that *single* copies of the following items may be made for or by teachers for use in teaching or research: “a chapter from a book, an article from a periodical or newspaper, a short story, short essay or short poem and a chart, graph, diagram, drawing, cartoon or picture from a book, periodical or newspaper.”<sup>94</sup> Multiple copies, not exceeding one copy per enrolled student, are permitted under more limited circumstances where such uses are deemed to meet tests for brevity, spontaneity, and cumulative effect.<sup>95</sup> Brevity is defined as less than 250 words of a poem and a range of 500–2500 words of a prose work depending on its nature.<sup>96</sup> The copies must also include a notice of copyright.<sup>97</sup>

Although the Guidelines purport to set forth the minimum allowable uses, many universities, other educational institutions, and libraries have followed them as if they represent the maximum allowable uses.<sup>98</sup> Many universities have handed out the Guidelines to their professors and mandated conformity with them.<sup>99</sup> The Berkman Center for Internet & Society has estimated that 80% of American universities comply with the Guidelines.<sup>100</sup> Some universities will only defend professors against copyright infringement actions if they conform to the Guidelines, or if they act with the express

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94. H.R. Rep. No. 94-1476, at 68, *reprinted in* 1976 U.S.C.C.A.N. 5682.

95. *Id.*

96. *Id.*

97. *Id.*

98. See NAT'L COMM'N ON NEW TECH. USES OF COPYRIGHTED WORKS, FINAL REPORT OF THE NATIONAL COMMISSION ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS 52 (1979) (treating Guidelines as if they provided binding rules for educational uses and suggesting without support that educators participated in development of guidelines).

99. See, e.g., ACADEMIC PLANNING PROGRAMS AND COORDINATION, UNIV. OF CAL. OFFICE OF THE PRESIDENT, UNIV. OF CAL. POLICY: REPRODUCTION OF COPYRIGHTED MATERIALS FOR TEACHING AND RESEARCH (1986), available at <http://policy.ucop.edu/doc/2100007/ReproCopyrightMaterial> [hereinafter U.C. Policy]; ROBERT C. ELLICKSON, ORDER WITHOUT LAW: HOW NEIGHBORS SETTLE DISPUTES 259 n.73 (1991) (describing Stanford University practice in the 1980s).

100. William W. Fisher & William McGeveran, *The Digital Learning Challenge: Obstacles to Educational Uses of Copyrighted Material in the Digital Age*, BERKMAN CTR. FOR INTERNET & SOC'Y 57 (Aug. 10, 2006), available at <http://cyber.law.harvard.edu/home/2006-09>. The Classroom Guidelines are not the only copyright guidelines routinely followed. Similar Music Guidelines were developed to govern the use of musical works in classrooms. Many libraries also conform to the guidelines issued by CONTU (Commission on New Technological Uses of Copyrighted Works) governing Photocopying Under Interlibrary Loan Arrangements. CONTU Guidelines, *supra* note 98 (limiting photocopies to 5 articles per periodical title per year).

approval of university counsel.<sup>101</sup> Some universities go even further than the Guidelines and require that all material circulated in the classroom be accompanied by release forms or be purchased.<sup>102</sup> More recently, a few universities have bucked this trend. The University of Minnesota has chosen to defend professors if they reasonably believe fair use applies even if the use exceeds the Classroom Guidelines.<sup>103</sup> At the beginning of 2014, NYU withdrew its requirement that faculty comply with the Classroom Guidelines and the school now allows its faculty to conduct a fair use analysis in conjunction with the library staff and legal counsel.<sup>104</sup>

Courts have often (though not universally) viewed copying exceeding the Guidelines as unfair even though the Guidelines are not legally binding.<sup>105</sup> In *Basic Books, Inc. v. Kinko's Graphics Corp.*,<sup>106</sup> for example, Kinko's infringement was viewed as bad faith in part because Kinko's in-house handbook noted that its copying practices exceeded the standards of the Classroom

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101. See, e.g., U.C. Policy, *supra* note 99; FIN. AND ADMIN. POLICIES & PROCEDURES, UNIV. OF VA., COPYING OF COPYRIGHTED MATERIAL (1987), available at <http://www.virginia.edu/polproc/pol/xvf1.html> [hereinafter *Virginia Policy*].

102. See, e.g., *Virginia Policy*, *supra* note 101.

103. See UNIV. OF MINN. PAGE FOR INSTRUCTORS, <https://www.lib.umn.edu/copyright/university-minnesota-instructors/> (last visited June 9, 2014).

104. Compare N.Y. UNIV., OFFICE OF THE PROVOST, STATEMENT OF POLICY AND GUIDELINES ON EDUCATIONAL AND RESEARCH USES OF COPYRIGHTED MATERIALS (2014), available at <http://www.nyu.edu/content/dam/nyu/compliance/documents/CopyrightedMaterials.1.6.14.pdf> [hereinafter 2014 NYU Policy] with N.Y. UNIV., UNIVERSITY POLICY ON PHOTOCOPYING COPYRIGHTED MATERIALS (1983), available at <http://www.nyu.edu/content/dam/nyu/compliance/documents/photocopying.pdf> [hereinafter 1983 NYU Policy] (requiring compliance with Classroom Guidelines and withdrawing the university's indemnification for failure to comply without express approval of counsel).

105. H.R REP. NO. 94-1476, at 68, 70–71 (1976), reprinted in 1976 U.S.C.C.A.N. 5682–85 (noting that the Classroom Guidelines are not legally binding and are “not intended to limit the types of copying permitted under the standards of fair use under judicial decision”). Examples of courts that have relied on the Classroom Guidelines in fair use determinations include: *Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1390–91 (6th Cir. 1996) (rejecting fair use defense in part because preparation of course packets exceeded Guidelines); *Am. Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 919, 919 n.5 (2d Cir. 1994) (rejecting fair use defense when private-sector copying exceeded Guidelines); *Marcus v. Rowley*, 695 F.2d 1171, 1178–79 (9th Cir. 1983) (rejecting fair use defense because copying for class materials exceeded Guidelines); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522, 1530, 1535–37 (S.D.N.Y. 1991) (holding preparation of course packets not a fair use because violated Guideline’s prohibition on anthologies). But see *Cambridge Univ. Press v. Becker*, 863 F. Supp. 2d 1190, 1227–29 (N.D. Ga. 2012) (rejecting argument that the uses of copyrighted works were not fair because they exceeded the Guidelines), *rev'd on other grounds*, *Cambridge Univ. Press v. Patton*, 769 F.3d 1232, 1283 (11th Cir. 2014) (agreeing with district court’s rejection of the Guidelines).

106. *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991).

Guidelines.<sup>107</sup> Thus, these guidelines that were intended to state a minimum floor of allowable uses have frequently set the ceiling on educational uses.

#### B. BEST-PRACTICES STATEMENTS AND CODES OF FAIR USE

Various use communities, in an effort to encourage and support greater assertion of fair use rights to counteract the dominant clearance culture, have recently begun to develop their own informal guidelines for fair use. In contrast to the Classroom Guidelines, these guidelines seek to encourage, rather than to limit, the use of copyrighted works. The most prominent example of such an approach is the Best Practices Statements and Codes produced by American University's Center for Social Media. These statements have been helpful in a number of ways, providing guidance to those who are lost in the fair use thicket (particularly documentary filmmakers) and ideally helping to insulate them against findings of willful infringement.<sup>108</sup> Many of these statements and codes were preceded by reports that usefully documented the fair use needs of particular communities.<sup>109</sup>

The *Documentary Filmmakers' Statement of Best Practices* (hereinafter “*Filmmakers' Statement*”) is the oldest and most well known of these statements. It sets forth four categories of uses of others’ copyrighted works that are likely fair in the context of documentary films. The privileged categories are critique or commentary, illustrative quoting, incidental uses (i.e., captured during the filming process), and uses in historical sequences.<sup>110</sup> Each of these categories contains a number of “limitations.” Such limitations include, for example, in the context of the category approving the use of “copyrighted works of popular culture to illustrate an argument or point,” a suggestion that documentarians should “assure that the material is properly attributed . . . [; that] quotations are drawn from a range of different sources[; that] each quotation . . . is no longer than is necessary to achieve the intended

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107. *Id.* at 1535–37, 1544–45 (holding that there was a willful infringement in the context of a violation of the classroom guidelines).

108. See Rothman, *supra* note 50, *passim* (providing a detailed discussion of the value and pitfalls of these statements).

109. See, e.g., Patricia Aufderheide & Peter Jaszi, THE GOOD, THE BAD, AND THE CONFUSING: USER-GENERATED VIDEO CREATORS ON COPYRIGHT (2007), available at [http://www.cmsimpact.org/sites/default/files/good\\_bad\\_confusing.pdf](http://www.cmsimpact.org/sites/default/files/good_bad_confusing.pdf); Patricia Aufderheide & Peter Jaszi, UNTOLD STORIES: CREATIVE CONSEQUENCES OF THE RIGHTS CLEARANCE CULTURE FOR DOCUMENTARY FILMMAKERS 22 (2004), available at [http://www.cmsimpact.org/sites/default/files/UNTOLDSTORIES\\_Report.pdf](http://www.cmsimpact.org/sites/default/files/UNTOLDSTORIES_Report.pdf).

110. CENTER FOR SOCIAL MEDIA, AMERICAN UNIVERSITY, DOCUMENTARY FILMMAKERS' STATEMENT OF BEST PRACTICES IN FAIR USE 4–5 (2005), available at [http://www.cmsimpact.org/fair\\_use/best-practices/documentary-filmmakers-statement-best-practices-fair\\_use](http://www.cmsimpact.org/fair_use/best-practices/documentary-filmmakers-statement-best-practices-fair_use) [hereinafter *Filmmakers' Statement*].

effect; [and that] the quoted material is not employed merely in order to avoid the cost or inconvenience of shooting equivalent footage.”<sup>111</sup>

Another example of such guidelines is the *Code of Best Practices in Fair Use for OpenCourseWare* (hereinafter “OpenCourseWare Code”). The *OpenCourseWare Code* provides five categories of uses favored for fair use. Three of the five categories overlap with those set forth in the *Filmmakers’ Statement*: incidental uses, uses for critique and analysis, and illustrative uses. Two additional categories are then added that favor demonstrative or explanatory uses, and “assigned and supplementary materials.”<sup>112</sup> Once again each category contains a number of significant limitations. The category of uses of copyrighted works for demonstrative or explanatory uses, for example, is limited to circumstances when the use is not “cumulative,” there is “[n]o ready substitute [available] (including one that the instructor himself or herself could create with reasonable effort),” the extent of the use is appropriate, and attribution is provided where “reasonably possible.”<sup>113</sup>

The *Filmmakers’ Statement*, which was published in 2005, has had a positive effect in combating the clearance culture described in Part II.<sup>114</sup> After its adoption, various film industry gatekeepers, such as Errors & Omissions (“E & O”) insurers and production companies, reconsidered their policies and became more willing to insure, produce, and distribute documentary films that had not licensed all copyrighted material included within the films.<sup>115</sup> If a filmmaker claimed that the uses were fair and that he

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111. *Id.*

112. CENTER FOR SOCIAL MEDIA, AMERICAN UNIVERSITY, CODE OF BEST PRACTICES IN FAIR USE FOR OPENCOURSEWARE 10–14 (2009), available at <http://www.cmsimpact.org/ocw/> [hereinafter *OpenCourseWare Code*].

113. *Id.* at 13–14.

114. The *Filmmakers’ Statement* has not been as successful with bigger players in the industry or in the movie industry outside of documentary filmmaking. Many distributors still demand clearance, and the overall film and television communities remain very much at the heart of the clearance culture. Nor has compliance with the best practices statements stopped copyright holders from suing if they do not think a use is fair. See, e.g., Aguiar v. Webb, No. 1:07CV1167371-2 (D. Mass.). In *Aguiar*, the plaintiff filed and pursued a copyright infringement suit despite the claim by the defendant that he had complied with the *Filmmakers’ Statement*. See Amended Complaint, Aguiar v. Webb, No. 1:07CV1167371-2 (D. Mass.) (filed on March 24, 2008); Answer to Restatement of Counterclaim, Aguiar v. Webb, No. 1:07CV1167371-2 (D. Mass.) (filed May 23, 2008). The case was eventually settled. Joint Stipulation of Dismissal with Prejudice, Aguiar v. Webb, No. 1:07CV1167371-2 (D. Mass.) (May 3, 2010).

115. Patricia Aufderheide & Peter Jaszi, *Fair Use and Best Practices: Surprising Success*, INTELL. PROP. TODAY, Oct. 2007, at a. A number of other factors also likely contributed to a move away from the clearance culture, at least in the context of documentary films. In part, the public relations drive surrounding the *Filmmakers’ Statement*’s release may have been more effective than the statement itself. The development of legal clinics to support filmmakers if

or she had complied with the terms of the *Filmmakers' Statement*, then E & O insurers became willing to issue insurance.<sup>116</sup> Distributors and producers also became more willing to rely on fair use rather than to require by rote that all uses be licensed ones.<sup>117</sup> Shortly after the release of the *Filmmakers' Statement*, a number of filmmakers were able to release films at the Sundance Film Festival that had been threatened with removal from the program because of clearance problems.<sup>118</sup> Notably, Kirby Dick's film, *THIS FILM IS NOT YET RATED*, which used more than one hundred unlicensed movie clips, was screened and subsequently distributed theatrically and on home video.<sup>119</sup> PBS and the Independent Film Channel have relied on the *Filmmakers' Statement* to develop their own internal standards and practices.<sup>120</sup>

In addition to the successful push to increase assertions of fair use, there are many other potential benefits of these statements. The broad categories of uses (such as illustrative, incidental, historical, and critical), as well as some of the limitations (e.g., not using more than is necessary to make the relevant point) track current fair use law, are normatively appropriate, and provide clear guidance to non-lawyers.

Nevertheless, there are reasons to discourage the wholesale codification of these statements and codes, as well as their treatment by courts as setting the standard for fair use in a particular arena. First, like the Classroom Guidelines, the drafters of the best practices statements have thus far not included a particularly representative group of parties whose interests are affected by the particular uses. None of the best practices statements that I have reviewed has included representation of content providers whose work is most likely to be used. The *Filmmakers' Statement*, for example, did not bring into the process the parties whose works were most likely to be included in the documentaries. For example, no major movie studios or record companies were approached or included.<sup>121</sup> Although I agree with the

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they are sued has also been crucial, as has Stanford University's offer to insure any documentary filmmaker who could not obtain insurance but who had viable fair use claims. See Colette Voge, *Insurance Resource for Documentary Filmmakers*, STANFORD UNIV. CTR. FOR INTERNET AND SOCIETY BLOG (Feb. 27, 2007, 5:55 AM), <http://cyberlaw.stanford.edu/node/5209/>. Cf. Aufderheide & Jaszi, *supra*, at b (discussing Stanford University's Fair Use Project and its commitment to defend filmmakers who comply with the *Filmmakers' Statement*)

116. Aufderheide & Jaszi, *supra* note 115, at a, b.

117. *Id.*

118. *Id.*

119. *Id.*; Patricia Aufderheide, *How Documentary Filmmakers Overcame their Fear of Quoting and Learned to Employ Fair Use: A Tale of Scholarship in Action*, INT'L J. COMM. 26, 33–34 (2007).

120. Aufderheide, *supra* note 119, at 34; Aufderheide & Jaszi, *supra* note 115, at a.

121. See, e.g., *Filmmakers' Statement*, *supra* note 111, at 2; see also *OpenCourseWare Code*, *supra* note 113.

drafters that consensus would likely not have been reached had these big content providers been included, the failure to even try to include them in the discussion highlights the one-sidedness of the statements. Moreover, the fact that it is unlikely that the two (or, more accurately, many) different sides could agree on any common principles should raise serious flags about relying on these statements as expressions of the appropriate boundaries of fair use.

Even within the relevant use community there have been complaints that only a limited number of parties were brought to the table during the development of the statements. Both documentary filmmakers and librarians have raised concerns to me because their expressed views were not adequately reflected in the final statements or codes. Members of the Association of College & Research Libraries (“ACRL”) have expressed concerns that the *Code of Best Practices in Fair Use for Academic and Research Libraries*, developed by American University and the Association of Research Libraries, is not reflective of their needs or preferences, nor of the comments some of them had shared with the drafters of the Code.<sup>122</sup> I point this out not to address the substantive merits of the specific areas of disagreement between these groups of expert and equally well-intentioned librarians, but instead to highlight some of the concerns of adopting any of these statements as expressions of the scope of fair use in a particular context.

A second major concern with the statements is that in their drafters’ efforts to provide greater clarity to users, the specific guidelines sometimes exceed or narrow the boundaries of fair use beyond what is appropriate.<sup>123</sup>

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122. These opinions were conveyed to me at the 2012 annual meeting of the American Library Association, at which I spoke to members of the Copyright Discussion Group of the ACRL.

123. See Rothman, *supra* note 50, at 376–78 (discussing questionable interpretation of fair use). For purposes of this Article, I will not focus on this aspect of the best practices statements, though the lack of consideration of market harm in the fair use analysis is another basis not to adopt the statements as complete expressions of the boundaries of fair use. *See id.; see also Filmmakers’ Statement*, *supra* note 111, at 2; *OpenCourseWare Code*, *supra* note 113 (although noting that injury to copyright holders’ earnings has some relevance, listing only “transformativeness” and “amount used” as “core” considerations in determining fair use). Even though it is true that transformativeness has become increasingly important in recent years in fair use assessments, it has not completely replaced market harm as a consideration. *See Barton Beebe, An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549, 584–86, 616–17 (2008) (determining that 83.8% of the time the evaluation of market harm correlates with the outcome of dispositive opinions). The statements also sometimes ignore caselaw that is not favorable to the communities or uses addressed by the statements. For example, the *OpenCourseWare Code* does not address the course packet cases in which courts have held that the copying of assigned materials for course packets is not fair use. For a discussion of the course packet cases, see Rothman, *supra* note 7, at 1935, 1940, 1953–54.

Some of the statements limit uses beyond the requirements of copyright law and in ways that would be detrimental to various creative and educational communities if enforced. As mentioned, each of the statements contains express “limitations” on categories of uses that would otherwise be fair. Some of these limitations are overly restrictive.

One telling example limits incidental uses in circumstances that should be uncontroversially fair. The *Filmmakers' Statement* limits incidental uses of music captured on film so that an editor and director cannot cut or edit a scene or sequence to the beat of the captured music or allow the music to spillover to another scene.<sup>124</sup> Cutting to the rhythm of the music is an integral part of the craft of filmmaking and allowing music from one scene to spill over during a scene transition is an important technique. If the music is captured incidentally, rather than purposefully, it should not matter how the filmmaker constructs the scene in post-production as long as the incidentally captured material is not substantially divorced from the situation in which it was first recorded. Cutting to the beat of the music or smoothing out a scene transition does not unmoor the incidentally copyrighted works from the setting in which the music was first captured.

Another example from the *Filmmakers' Statement* is a principle that limits the ability to make documentary films that revolve around copyrighted works. The Statement requires that “[t]o support a claim that a use [of copyrighted works in a historical sequence] is fair, the documentarian should be able to show that . . . the film project was not specifically designed around the material in question.”<sup>125</sup> This suggestion is out of sync with the demands of filmmakers and even with the broad permitted categories of illustrative and historical sequences. Documentary projects should continue to be able to be designed around copyrighted works. For example, documentaries about 1950s television sitcoms, the Beach Boys, or the portrayal of gay characters in film and television are legitimate projects, even though each project would by necessity focus on copyrighted works. To throw all such films into a disfavored category is especially concerning when so much of our culture—that a filmmaker might want to comment on—is composed of copyrighted works. Based on conversations with several attorneys at legal clinics that frequently consider the best-practices statements, I suspect that the drafters of the best-practices statements would agree with my assessment that these uses should be fair and might even claim that such uses would fit within the protected zones of the Statement. Nevertheless, this confusion about how to interpret the Statement demonstrates the challenge of overlaying an

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124. *Filmmakers' Statement*, *supra* note 111, at 5.

125. *Id.* at 5–6.

additional text, with its own share of ambiguities and missteps, on an already complicated fair use structure.

The Statements and Codes also impose additional burdens on users that are not required by copyright law and that have not been established as indicative of fair use. The *OpenCourseWare Code*, for example, places significant burdens on educators. Even though incidental uses of copyrighted works in open courseware are viewed as a category favoring fair use, educators must first try to remove copyrighted works from their materials before being able to claim fair use.<sup>126</sup> There is no explanation for why educators should have to make such an effort. If the use is fair, it should not be solely because the material was inseparable. The Code also limits illustrative and explanatory uses to one example or illustration per point.<sup>127</sup> As any experienced teacher knows, students learn through repetition—so why can't examples be cumulative? The Code also states that educators should not use copyrighted works if the educator could create other material independently or substitute non-copyrighted works. These limitations concede far too much ground to copyright holders and are not required by current fair use law.

The drafters of the best-practices statements also make a number of concerning statements about fair use that run throughout all of the statements and codes. Many of the statements suggest a preference for licensing when material is easily available at reasonable rates.<sup>128</sup> The *Filmmakers' Statement* requires all copyrighted works used in historical sequences to be licensed if licenses can be obtained at reasonable rates. This preference for licensing continues to make non-licensed uses suspect, the very opposite of what that the best practices statements were trying to achieve. By doing so, the best practices statements ironically further endorse a concept of fair use limited to situations involving market failure (in which licensing is not possible or the offered rates are unreasonable).<sup>129</sup>

My concern is not only with the ways the statements restrict fair uses, but also with instances in which the statements permit uses that either are not fair or at least are controversial and unsettled areas of fair use analysis. For example, the *Code of Best Practices in Fair Use for Online Video* deems virtually all uses fair because the commentary and critique category is read very

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126. *OpenCourseWare Code*, *supra* note 113, at 10–11.

127. *Id.* at 12–13.

128. See, e.g., *id.* at 13–14 (suggesting that if there is an available licensing regime educators should license demonstrative and explanatory uses, as well as supplementary and assigned readings).

129. I have previously critiqued this model of fair use. See Rothman, *supra* note 76, at 528–29, 532–33.

broadly.<sup>130</sup> In the report supporting this code, the drafters suggest that a mashup titled Clint Eastwood's "The Office," which mixed together clips from the television series *The Office* with the movie *Evan Almighty*, would be a fair use.<sup>131</sup> This conclusion was based on an assessment that such a use would fit within the favored category of commentary or critique.<sup>132</sup> Although it may not be immediately apparent how this mashup is a commentary, the contention is that this user-generated content shows what it would be like if Clint Eastwood directed an episode of *The Office* and therefore provides a cultural commentary on the two films and Eastwood as well.<sup>133</sup> This analysis opens the door so wide that there can be no market for licensing material for such mashups. I do not think fair use demands such a broad reading. There is at least a colorable argument that such mashups would cause significant market harm and interfere with new business models for content creators. Not all mashups are infringing, but neither are they all fair.<sup>134</sup> This is still a developing area and one private group with its own particular interests should not determine the scope of fair use in this context for everyone.

Thus far, courts have not given credence to (or rejected) these best practices statements and codes. Parties nevertheless are beginning to cite them more frequently in their briefs as a basis for asserting fair use.<sup>135</sup>

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130. CTR. FOR SOCIAL MEDIA, CODE OF BEST PRACTICES IN FAIR USE FOR ONLINE VIDEO (2008), available at [http://www.cmsimpact.org/sites/default/files/online\\_best\\_practices\\_in\\_fair\\_use.pdf](http://www.cmsimpact.org/sites/default/files/online_best_practices_in_fair_use.pdf).

131. CTR FOR SOCIAL MEDIA, RECUT, REFRAME, RECYCLE: QUOTING COPYRIGHTED MATERIAL IN USER-GENERATED VIDEO 7–9 (2008), available at [http://www.cmsimpact.org/sites/default/files/CSM\\_Recut\\_Refrae\\_Recycle\\_report.pdf](http://www.cmsimpact.org/sites/default/files/CSM_Recut_Refrae_Recycle_report.pdf).

132. *Id.* at 8 (classifying this mashup as a "meta-commentary" that fits within the preferred category of "negative or crucial commentary").

133. *Id.*

134. The Department of Commerce's Internet Task Force has remained neutral on the issue and has called for further discussion and roundtables on the issue. DEP'T OF COMMERCE, *supra* note 4, at 3, 28–29, 101.

135. See, e.g., Brief of Appellees at 15–16, 54, Cambridge Univ. Press v. Albert, Nos. 12-14676-FF, 12-15147-FF (11th Cir. argued Nov. 19, 2013) (citing the Copyright Clearance Center's ("CCC") fair use checklist and citing the CCC's "White Paper" dated March 2011 titled "Using Electronic Reserves: Guidelines and Best Practices for Copyright Compliance," arguing the district court correctly applied fair use because the electronic use of one book chapter is a "best practice"); Reply Brief of Appellants, *Cambridge Univ. Press*, at 25 n.6 (citing to the CCC's White Paper, arguing that the district court erroneously applied fair use because the CCC "advises the opposite of what the district court did"); Brief for American Library Association et al. as Amici Curiae Supporting Affirmance, *Cambridge Univ. Press*, at 4, 6–10, 13–14, 18, (citing and quoting the Code of Best Practices in Fair Use for Academic and Research Libraries, asserting fair use on the basis that the university's electronic reserves policy "[e]mbodies [w]idespread and [w]ell-[e]stablished [b]est [p]ractices in [f]air [u]se"); Brief for Org. for Transformative Works et al. as Amici Curiae Supporting Appellee and Cross-Appellant Stephanie Lenz, *Lenz v. Universal Music Corp.*, Nos. 13-16106, 13-16107,

Although the drafters of the statements point out that they do not intend the statements to set forth the full scope of fair use, courts may view uses that exceed the limits of these statements as suspect. This is exactly what we have seen happen elsewhere—as with courts’ treatment of violations of the Classroom Guidelines and dominant industry licensing practices. The possibility that the best-practices statements will set the ceiling rather than the floor of fair use is particularly concerning given some of the problematic limits set forth within the codes and statements.

### C. LIMITING THE ROLE OF PRIVATE FAIR USE GUIDELINES

Despite my concerns about the best-practices statements and the problematic history of the Classroom Guidelines, both of these types of guidelines are useful. They are informative and highlight potential areas of fair use needs in given communities. Any reforms to the Copyright Act should continue to allow room for the development of such statements. The law, however, should clarify that courts should not be bound by these guidelines when deciding fair use. Neither compliance nor noncompliance with the statements and other private fair use guidelines should provide a basis to find or reject fair use. As with the risk-averse clearance-culture practices, the law should not lock in these aspects of private ordering.

Government agencies involved in copyright laws and policies have increasingly referred to these private fair use guidelines, but have not fully engaged with either their benefits or pitfalls.<sup>136</sup> The Department of Commerce recently stated that it “supports private efforts to explore the parameters of fair use, and notes that best practices produced with input from both user groups and right holders can offer the greatest certainty.”<sup>137</sup> Even though the Department of Commerce has stated its support of such guidelines in theory, it appropriately noted that the guidelines would be only minimally useful in creating safe spaces for “fair” uses unless a variety of

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at \*28 (9th Cir. appeal docketed May 31, 2013) (arguing that Universal Music can make fair use assessments before issuing takedown notices by relying on American University’s Best Practices Statements); Brief for American Library Association et al. as Amici Curiae Supporting Appellees and Affirmance at 5–6, 17–19, Authors Guild, Inc. v. HathiTrust, No. 12-4547, 2014 WL 2576342 (2d Cir. 2014) (arguing that HathiTrust Digital Library’s uses were fair because they were consistent with the Code of Best Practices in Fair Use for Academic and Research Libraries). *But see* Mot. to Dismiss Second Amend. Compl., Lenz v. Universal Music Corp., 572 F. Supp. 2d 1150 (N.D. Cal. 2008), at 5 (arguing against using Electronic Frontier Foundation’s “Fair Use Principles for User Generated Video Content,” because the principles are not found in the Copyright Act).

136. DEPT’ OF COMMERCE, *supra* note 4, at 22–23, 29, 65 (pointing to American University’s fair use guidelines and the fair use checklist created at Columbia).

137. *Id.* at 23.

parties on different sides of the issues were represented in the guidelines' development.<sup>138</sup>

#### IV. ALTERNATIVE OVERLAYS TO COPYRIGHT: THE CREATIVE COMMONS APPROACH

The difficulty of determining the limits and exceptions to copyright law, which has driven both the clearance culture and the various private guidelines discussed in Parts II and III, has encouraged several other efforts to provide a greater ability to use copyrighted works. Instead of focusing on the users, some efforts have focused on creators who would prefer a copyright law that is more permissive and that makes it easier for third-parties to use and share works. One of the most successful of these efforts is Creative Commons. Creative Commons is a nonprofit organization that was formed in 2001 with the idea of layering an alternative, formalized licensing regime on top of existing copyright law.<sup>139</sup> Creative Commons's mission is to provide greater freedom to use works than the defaults of copyright law. The project has been tremendously successful. Hundreds of millions of works have been licensed using Creative Commons licenses.<sup>140</sup> Major bands and recording artists, such as Nine Inch Nails and David Byrne, have used these licenses, as have Al Jazeera, Google, the California Digital Open Source Library, and even the White House.<sup>141</sup> The most common Creative Commons licenses require attribution but permit noncommercial derivative works or adaptations if the new work is distributed in a share-alike manner—i.e., under the same Creative Commons licensing regime under which it is licensed.<sup>142</sup>

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138. See *id.*; see also Rothman, *supra* note 7, at 1972–73.

139. See CREATIVE COMMONS, <http://creativecommons.org/> (last visited June 9, 2014).

140. Brief for Creative Commons Corporation et al. as Amici Curiae Supporting Plaintiff-Appellant at 1–2, Jacobson v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008).

141. *Id.* at \*1; *Who Uses CC?*, CREATIVE COMMONS, <http://creativecommons.org/who-uses-cc/> (last visited June 16, 2014); *S.B. 1053 Creates the California Open Source Digital Library*, CREATIVE COMMONS, [http://wiki.creativecommons.org/S.B.\\_1053\\_Creates\\_the\\_California\\_Open\\_Source\\_Digital\\_Library/](http://wiki.creativecommons.org/S.B._1053_Creates_the_California_Open_Source_Digital_Library/) (last visited July 23, 2014).

142. *License Statistics*, CREATIVE COMMONS, [http://wiki.creativecommons.org/Metrics/License\\_statistics/](http://wiki.creativecommons.org/Metrics/License_statistics/) (last modified Mar. 2, 2014, 3:46 PM). Attribution is now a requirement of all Creative Commons licenses, but it started out as an option that licensors could choose. Creative Commons defines a derivative work as a “work based upon the Work or upon the Work and other pre-existing works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which the Work may be recast, transformed, or adapted . . . .” *License*, CREATIVE COMMONS, <http://creativecommons.org/licenses/by-nc-nd/3.0/us/legalcode/> (last visited June 29, 2014).

Creative Commons is not intended to replace copyright law, but instead provides an easy way to tailor the scope of copyright for particular creators who only want to exercise some, rather than all of the exclusive rights that copyright provides.<sup>143</sup> The Creative Commons motto is “some rights reserved,” as opposed to copyright law’s traditional “all rights reserved.”<sup>144</sup> Creative Commons is an important intervention in the one-size-fits-all approach to copyright and one that does not need codification. It both facilitates the enactment of particular authors’ preferences and the communication of those preferences to potential users.

Copyright law should support alternative regimes like Creative Commons. This can largely be done by staying clear of the fray. Nevertheless, there are some ways that future copyright revisions could support (or at least not discourage) the adoption of Creative Commons and other alternative licenses. In particular, it would be helpful to clarify that a violation of a Creative Commons license or other private overlay does not put a user in a worse position than if she had used a copyrighted work that was not put out under such a license. Although the legal code to the Creative Commons licenses expressly states this, it is not clear that courts or litigants will so interpret the effect of these licenses.

Under the current regime, users might avoid Creative Commons-licensed works, particularly if they know they cannot comply with the terms of the licenses.<sup>145</sup> Many users cannot comply with the share-alike provision, particularly when it limits uses to those that are noncommercial.<sup>146</sup>

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143. See CREATIVE COMMONS, <http://creativecommons.org/> (last visited June 9, 2014). There have been a number of smaller scale efforts to provide alternative visions of copyright law. The American Library Association as early as the 1970s started distributing journals with notices that the journals could “be photocopied for the noncommercial purpose of scientific or educational advancement” without permission. See NAT'L COMM'N ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS, FINAL REPORT OF THE NATIONAL COMMISSION ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS 51 (1979).

144. Creative Commons licenses also allow for the dedication of works to the public domain. In these instances, rather than “some rights [being] reserved,” “no rights [are] reserved.” See CREATIVE COMMONS, <http://creativecommons.org/> (last visited June 9, 2014).

145. I have had several conversations with documentary filmmakers who have been reluctant to use works licensed under Creative Commons licenses once they realize that they cannot conform to the offered license, even if they have a strong fair use defense.

146. The term noncommercial is not defined, but has often been interpreted as uses that are for an economic profit. Creative Commons has determined that most Internet users consider something commercial when users earn money for the use (whether via online advertising or otherwise). See CREATIVE COMMONS, DEFINING “NONCOMMERCIAL”: A STUDY OF HOW THE ONLINE POPULATION UNDERSTANDS “NONCOMMERCIAL USE” 11–12 (2009). This interpretation of “noncommercial” means that documentary films distributed for any payment would be considered commercial.

Filmmakers, for example, even documentary filmmakers, usually seek some sort of commercial distribution for their projects. When deciding whether to rely on fair use of a Creative Commons work or fair use of a traditionally distributed one, users may avoid Creative Commons works. This is true for a variety of reasons.

First, as a practical matter, is a person who licenses under a Creative Commons rubric more or less likely to sue for a violation of that license? Those who use Creative Commons licenses may well wish to sue for copyright infringement if others use the works without following the licensing restrictions. Copyright holders who requested that the underlying works not be altered or distributed commercially may be particularly likely to sue parties who do so in contravention of expressed preferences.<sup>147</sup> On the other hand, creators who actively seek out the more permissive Creative Commons license for their work may be more sympathetic to users and less likely to sue for infringement.

Second, users may worry that a violation of the license will weigh against a finding of fair use. As discussed, this is a legitimate fear. When defendants exceed their own in-house guidelines or the Classroom Guidelines or fail to conform with industry licensing practices, courts are much more likely to reject a fair use defense.<sup>148</sup> A court may similarly disfavor uses that exceed the expressed preference of the creator/owner as set forth in the violated Creative Commons license. To the extent that fair use is sometimes thought of as an equitable doctrine that considers what is fair in a normative sense, courts and juries may be less inclined toward users who knowingly violate the express wishes of the copyright holder.<sup>149</sup> Even though the all-rights-reserved default of copyright law might also limit the intended use, a court might look more favorably on such a use because there was no express preference that was communicated and then violated.

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147. See, e.g., Complaint at 3–9, Gatehouse Media v. That's Great News, L.L.C., No. 10CV50165, 2010 WL 2960003 (N.D. Ill. June 30, 2010) (publisher of local newspapers disseminated electronically under a Creative Commons license sues for copyright infringement when a for-profit business uses reprints of articles and/or plaques with articles); Complaint at 3–4, Foster v. Virgin Enters. Ltd., No. 2:14cv04113 (C.D. Cal. May 29, 2014) (suing for copyright infringement of photograph which had been offered under a noncommercial Creative Commons license when it was used by a commercial airline on its website without attribution, permission or payment); Cards Against Humanity, L.L.C. v. Loftek Technological Co., L.L.C., No. C13-0727, 2013 WL 693441, at \*7 (N.D. Cal. February 19, 2013) (suing for copyright infringement, *inter alia*, for sale of knock-off card game when plaintiff's game had been issued under a Creative Commons license).

148. See discussion *supra* at Sections II.B & III.B.

149. See Rothman, *supra* note 7, at 1937–41, 1979–80.

To the extent that a fair use defense is rejected, the violation of the Creative Commons license could also serve as evidence of bad faith or willfulness which will throw the defendant into the higher statutory-damages range and open the defendant up to criminal liability. Few courts have considered the effect of Creative Commons licenses, though parties have filed an increasing number of complaints involving alleged violations of such licenses or seeking declaration of noninfringement on the basis of reliance on those licenses.<sup>150</sup> Notably, some have claimed that at least one entity is using Creative Commons licenses to lure users and then, when they take the bait, threatening to sue for copyright infringement.<sup>151</sup>

A final concern for potential users of works licensed under Creative Commons licenses is uncertainty over whether a breach-of-contract claim could exist for the violation of the license. The licenses suggest that only copyright claims remain if the license terminates,<sup>152</sup> but litigants have claimed that a breach of the license's provisions gives rise not only to a claim for copyright infringement, but also to a breach-of-contract claim.<sup>153</sup> Such a contract claim could potentially survive a finding that a use is fair.

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150. See, e.g., Promedical Inc. v. 3 Lions Pub'g Inc., No. 1:12-CV-1355, at \*3–7 (M.D.N.C. December 21, 2012) (seeking declaratory judgment for noninfringement of work when complied with Creative Commons license); Amended Complaint for Damages, Dell v. Woodstream Corp., No. 09-CV-1010, 2009 WL 1952693 (N.D. Ga. April 21, 2009) (copyright infringement claim based on use of work licensed under a Creative Commons license); Original Complaint, St. Luke's Episcopal Health Sys. v. 3 Lions Pub'g, Inc., No. 4:12-cv-3134, 2012 WL 5362417 (S.D. Tex. Oct. 22, 2012) (seeking declaratory judgment for noninfringement of work when complied with Creative Commons license); Complaint, O'Neill v. John Wiley & Sons, Inc., No. CV11-8193, 2011 WL 4802875 (C.D. Cal. Oct. 3, 2011) (seeking punitive damages for use of photograph in violation of Creative Commons license); see also *infra* note 153.

151. See, e.g., *Promedical*, No. 1:12-CV-1355, at \*3–7 (claiming that 3 Lions was a “copyright troll” that used Creative Commons licenses as bait); see also *St. Luke's*, 2012 WL 5362417.

152. The license is supposed to terminate upon breach. See, e.g., *Creative Commons Attribution 3.0 United States License Legal Code*, <http://creativecommons.org/licenses/by/3.0/us/legalcode/> (last visited July 25, 2014).

153. See, e.g., First Amended Complaint, GateHouse Media, Inc. v. That's Great News, LLC, No. 10CV50165, 2010 WL 2960003 (N.D. Ill. June 30, 2010) (suing for both copyright infringement and breach of contract for the violation of a Creative Commons license and the commercial use of copyrighted news stories); Gatehouse Media Mass. I, Inc. v. N.Y. Times Co., No. 1:08-12114-WGY, 2009 WL 301807 (D. Mass. Jan. 22, 2009) (same); cf. Jacobsen v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008) (holding that limits on use of copyrighted work provided in alternative license were conditions the violation of which could give rise to an action for copyright infringement). Creative Commons filed an amicus brief in *Jacobsen* advocating for the position that the Federal Circuit ultimately took. Violations of Creative Commons licenses give rise to copyright-infringement actions. Brief for Creative Commons Corporation et al. as Amici Curiae Supporting Plaintiff-Appellant at 6, 11, *Jacobsen*, 535 F.3d 1373. The brief did not address the question of whether there could

Another concern with Creative Commons licenses that I have previously observed is that courts may import Creative Commons norms into evaluating the scope of copyright more broadly.<sup>154</sup> It would not be surprising, particularly as Creative Commons licenses become more popular, for courts to suggest that because a Creative Commons license is available and an author did not adopt one, that the copyright holder wants a stronger form of copyright. Again, this is not the intention of Creative Commons, but it nevertheless may influence courts' analysis. Courts should not consider the fact that a person has chosen not to employ a Creative Commons license as somehow revealing a narrower scope of fair use or a broader view of copyright.<sup>155</sup>

Government agencies have begun to recognize the popularity of Creative Commons licenses and the possibility that alternative licensing regimes will layer on top of existing copyright law.<sup>156</sup> The government, however, has not provided an in-depth analysis of how formal law should address these agreements. The Copyright Act could explicitly state that violations of such licenses—say by sharing, but not sharing alike—should not weigh in favor of finding copyright infringement, rejecting a fair use defense, or making a finding of willful infringement. An added provision that excludes consideration of licensing and private guidelines could also exclude consideration of alternative licensing mechanisms available to authors in the context of fair use evaluations.<sup>157</sup> The statute could also clarify when a breach of contract involving a copyrighted work gives rise to a copyright infringement claim and a contract claim, or only one or the other. As I will discuss in the following Part, such language could also address the broader issue of violations of consumer contracts. The Creative Commons legal team could address some of these concerns privately by agreeing to defend or at least file supporting amicus briefs on behalf of defendants who risk additional penalties or the rejection of a fair use defense on the basis of a violation of a Creative Commons license. Nevertheless, having copyright law directly tackle the issue may provide greater support for these alternative

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be a separate breach-of-contract claim nor the effect on licensors who may unreasonably seek to recover for copyright-infringement damages even when a party has complied with a Creative Commons license. These issues are likely to be litigated over the next few years, but Congress may wish to anticipate some of these likely conflicts.

154. Rothman, *supra* note 7, at 1979–80.

155. See, e.g., First Amended Complaint at n.11, *Korpi v. Apple, Inc.*, No. 11CV00906, 2012 WL 3137659 (W.D. Tex. May 16, 2012) (noting that plaintiff did not choose to distribute her work under the more liberal Creative Commons license).

156. Pallante, *supra* note 1, at 333–34; DEPT OF COMMERCE, *supra* note 4, at 29 (suggesting Creative Commons licenses could be a useful way to authorize remixes).

157. See discussion *supra* at Section II.C & *infra* Section VI.A.

regimes. In addition, as I will discuss in Part VI, the Copyright Office could provide more choices for authors to opt in or out of particular aspects of copyright law through the registration process, potentially including a Creative Commons license option.<sup>158</sup>

## V. USING TECHNOLOGY AND CONTRACTS TO ALTER COPYRIGHT'S TRADITIONAL BOUNDARIES

The last category of private ordering I will address is the effort by content creators to enforce their copyrights in the online and digital environment, as well as to restrict uses of those works, including uncopyrightable aspects. There are two dominant mechanisms for doing so: using technology to restrict uses and expand enforcement, and using contract law to limit permissible uses. The shift to digital formats has facilitated the use of technology to monitor and control uses of works. It also has allowed works to be distributed subject to clickwrap (or browsewrap) licenses that limit uses of those works.<sup>159</sup> This digital shift has often moved consumers from owners of physical copies to mere licensees of digital files.

In contrast to the other types of private ordering discussed thus far, these practices are driven primarily by content providers that seek to expand the control they have over their copyrighted works. Much has already been written about this aspect of private ordering and an in-depth engagement with these myriad complex issues is beyond the scope of this project.<sup>160</sup> Nevertheless, it is a vital area to identify and address as part of any project to revise copyright law. I will briefly discuss the role of technology and contracts, and suggest that the Copyright Act needs to intervene to prevent copyright law and its underlying public-minded policy goals from becoming obsolete.

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158. See discussion *infra* Subsection VI.B.2.

159. Clickwrap licenses require online users to click to indicate their agreement to various license terms. A browsewrap license is provided on a website, but consumers may or may not read it and do not ever explicitly agree to its terms; instead, the website operator claims to bind the user merely by virtue of the user visiting the website.

160. See, e.g., Molly Shaffer Van Houweling, *The New Servitudes*, 96 GEO. L.J. 885 (2008); Lydia Pallas Loren, *Slaying the Leather-Winged Demons in the Night: Reforming Copyright Owner Contracting with Clickwrap Misuse*, 30 OHIO N.U. L. REV. 495 (2004); Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111 (1999); J.H. Reichman & Jonathan A. Franklin, *Privately Legislated Intellectual Property Rights: Reconciling Freedom of Contract with Public Good Uses of Information*, 147 U. PA. L. REV. 875 (1999); David Nimmer et al., *The Metamorphosis of Contract into Expand*, 87 CAL. L. REV. 17 (1999); Julie E. Cohen, *Copyright and the Jurisprudence of Self-Help*, 13 BERKELEY TECH. LJ. 93 (1998), Niva Elkin-Koren, *Copyright Policy and the Limits of Freedom of Contract*, 12 BERKELEY TECH. LJ. 93 (1997).

#### A. TECHNOLOGICAL PROTECTION MEASURES AND DIGITAL RIGHTS MANAGEMENT

Content creators and owners have increasingly turned to technology to limit uses of their works and to prevent unlawful mass copying of their content online. Technology has been used in a variety of ways to restrict what can be done with copyrighted works and to identify, track, and remove uses of copyrighted works online. Often such technology is put under the broad term of technological protection measures (“TPM”), which applies to many different types of technology that control both access to and uses of copyrighted works. Sometimes the term digital rights management (“DRM”) is also used to describe technology that manages access to works, and tracks and limits uses of those works.<sup>161</sup> Manufacturers embed works with various digital marks when they are initially distributed. For example, CDs, DVDs and other digital audio and video files are often digitally watermarked. The watermarking allows content owners and others to trace back copies to their original source. Television studios also embed shows with digital bits (known as broadcast flags) that can be used to scan for these files if they are copied or uploaded online.

TPM and DRM make a lot of sense in the online world and pave the way for a workable and highly profitable online environment for professional content providers. They also allow content creators to price-discriminate based on the types of uses consumers would like to make of copyrighted works. These are all valuable features that are worth permitting. However, if left unchecked, these technologies threaten to profoundly alter the way we engage with copyrighted works and not always for the better.

Restrictive TPM and DRM raise a variety of concerns. First, content owners can use technology to effectively eliminate the first sale doctrine in the online context, by preventing the sharing or future sale of books and music—historically permissible and protected activities. When a person purchases a physical copy of a book, she can pass it on to a friend, mate, or her heirs after her death. The book can provide continued intellectual sustenance to second-comers and a shared experience across generations. Now, an individual cannot easily give a book downloaded to a Kindle or other digital device to a friend (unless the friends use devices that are registered to the same account) and it is not entirely clear whether a Kindle

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161. TPM is also sometimes referred to as “technical protection measures.” The terms TPM and DRM are often used interchangeably, although DRM can be used more broadly for digital rights management that includes notices of rights or contract terms (sometimes this is also called RMI or “rights management information”). For purposes of this discussion, I am focusing primarily on the terms’ overlapping areas of meaning.

library can be passed on to heirs.<sup>162</sup> In fact, users do not even own the books downloaded to a Kindle but simply license them.<sup>163</sup> Libraries are particularly concerned that this shift from an ownership world to one of licensees may prevent libraries from loaning books in the future—at least in digital formats.<sup>164</sup> This sea change in the way we interact with books may be acceptable and market pressures may provide consumers with a variety of choices in the long run, but we should carefully consider the broader implications and whether this is the system that we want.

Second, TPM can limit the ability to make fair uses of works. For example, TPM prevents (or at least significantly restricts) professors from copying excerpts of DVDs for use in class, documentarians from using clips for illustrative or other purposes in a film, and average citizens and artists from making a collage of digital magazine photos for fun, for a class project, or in an artwork. Each of these uses is likely fair, but various technologies prevent or at least obstruct such uses. The Digital Millennium Copyright Act (“DMCA”) worsens this problem by criminalizing the circumvention of TPM, even if the underlying uses of the works would otherwise be permissible—such as copying facts or making a fair use of a work. Although the Copyright Office has approved some exceptions to the anticircumvention provisions through the regulatory process (including exceptions for documentary filmmakers and educators), these exceptions are limited in scope and temporary.<sup>165</sup>

Not only does TPM limit how one can use copyrighted works, but these technologies also fundamentally alter the landscape of enforcement of copyright law. Uses that were never traceable in the analog world are easily identifiable and stoppable in the digital world. Content-identification software allows content owners and Internet service providers to easily identify and remove copyrighted works from the Internet even if the uses of those works are fair. Programs can identify copyrighted songs, images, and videos. Viacom and Google (on behalf of YouTube) recently made a deal to

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162. Susan from 29, *e-Books: Who Owns My Digital Library?*, DAILY KOS (May 8, 2013, 11:00 a.m.), <http://www.dailykos.com/story/2013/05/08/1205979/-e-books-who-owns-my-digital-library/>. I note that some sharing of books that are in the public domain may be permitted.

163. See generally Michael Seringhaus, *E-Book Transactions: Amazon “Kindles” the Copy Ownership Debate*, 12 YALE L.J. & TECH. 147 (2009) (arguing that ebook transactions should be treated as sales to promote public welfare).

164. *Digital Rights Management (DRM) & Libraries*, AMERICAN LIBRARY ASSOCIATION, <http://www.ala.org/advocacy/copyright/digitalrights> (last visited June 17, 2014).

165. See, e.g., Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 77 Fed. Reg. 65260 (Oct. 26, 2012) (to be codified at 37 C.F.R. pt. 201).

remove copyrighted Viacom material from YouTube—without considering whether various uses might be fair, rather than infringing.<sup>166</sup> This technology is driven by legitimate efforts to stop online piracy (which I define as the wholesale taking and distribution of entire copyrighted works with the intent of supplanting the market for the original). However, the software sweeps much more broadly. For example, the software may remove video clips that have copyrighted music playing in the background while a child shows off his dance moves or that contain brief excerpts of Fox News broadcasts that have been gathered together to point out various factual errors.<sup>167</sup> Not all content-identification software removes material. One alternative business model, often adopted by record labels, is to advertise alongside the use of the copyrighted work—either to generate ad revenue or to sell downloads of the song that is used in a video—rather than to remove the unlicensed uses.

The software that identifies and removes copyrighted content could be programmed to allow some breathing room for fair uses, but often it is not. For example, NBC developed very successful software to stop piracy of its coverage of the 2012 London Olympic games. NBC designed the software to remove all material no matter how short in length. If a person posted to her blog a short clip of an amazing vault from the women's gymnastics competition that she found inspirational, NBC would have it taken it down. If a father posted the last lap of his son's winning freestyle gold medal swim, the software would take it down. NBC could have designed the program to allow such short clips, but it did not.<sup>168</sup> Major content providers simply are not concerned with preserving a space for fair use by consumers, even if they are interested in being able to rely on fair use themselves.

Not every one of the examples I have given in this discussion is uncontroversially fair, but many similar uses have historically been permitted

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166. See Meg James, *Viacom and Google Settle Massive Copyright Lawsuit*, L.A. TIMES (Mar. 18, 2014), <http://www.latimes.com/entertainment/envelope/cotown/la-et-ct-viacom-and-google-settle-copyright-lawsuit-20140318-story.html> (describing as part of the settlement agreement a private deal to monitor and remove Viacom's copyrighted works, a deal that has been made with approximately 5000 other copyright holders).

167. Cf. *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150 (N.D. Cal. 2008), *appeal docketed*, No. 13-16107 (9th Cir. May 31, 2013) (seeking a declaratory judgment of noninfringement of Prince's song after UMG sent a take-down notice for her video of her son dancing to Let's Go Crazy). To see the original video and consider whether it was a substitutionary use of Prince's song, take a look at <http://www.youtube.com/watch?v=N1KfJHFWlhQ>. Also consider the video at <http://www.youtube.com/watch?v=gYsGCNMdvzU> (lampooning various Fox News errors in their graphics).

168. This information is based on a series of conversations with Glenn Reitmeier, Senior Vice President for Advanced Technology, NBC Universal, during *The Evolving Internet* symposium at the University of Pennsylvania on October 19–20, 2012.

(offline), even if only because of enforcement hurdles.<sup>169</sup> Current and developing technology combined with the shift to digital formats will make many uses of copyrighted works that we used to take for granted very difficult, if not impossible. As part of the review process we need to do some serious soul searching about whether we want personal uses of copyrighted works to be a thing of the past or be limited only to the analog world. If we take seriously the needs of “readers, viewers, listeners, watchers, builders and inhabitants,” as Jessica Litman has powerfully advocated, then the law needs to protect a space for both personal and other fair uses in the digital arena.<sup>170</sup> Although I do not think that all personal uses should be exempted from copyright enforcement, there must be some breathing room built into copyright law that protects self-expression, freedom of speech, historical documentation, cultural and intimate communication, and religious worship.<sup>171</sup> Concerns over piracy are legitimate, but must be balanced with concerns over the harms that follow from what Lawrence Lessig has dubbed a “lock[ed] down culture.”<sup>172</sup>

The current Register of Copyrights, Maria Pallante, has recognized that some of these “voluntary [DRM] initiatives” may be helpful in the enforcement of copyright.<sup>173</sup> The Department of Commerce has “encourage[d] stakeholders to continue to work together to develop identification and filtering systems . . . .” However, the Department of Commerce importantly added that these efforts should be “consistent with rights to due process and free expression.”<sup>174</sup> Unfortunately, thus far, the content industries are not proactively providing space for fair use online. Given the market failure in this arena and the importance of allowing individuals to engage with copyrighted works in a variety of ways in the digital space, statutory intervention may be necessary to assure that content providers respect the needs of their viewers, listeners, readers, and other creators. Revisions to the Copyright Act must engage with this tension,

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169. See Rothman, *supra* note 76, at 472–73.

170. See Jessica Litman, *Lawful Personal Use*, 85 TEX. L. REV. 1871, 1880 & *passim* (2007). Although I agree with Professor Litman’s overarching point, I have argued that the private-public dimensions and commercial-noncommercial dimensions of the analysis should not determine whether uses are personal. See Rothman, *supra* note 76, at 472–74.

171. See generally Rothman, *supra* note 76 (promoting a liberty-based lens for copyright law and suggesting preferred categories of uses of copyrighted works).

172. Lessig, *supra* note 10.

173. Pallante, *supra* note 1, at 326.

174. DEPT OF COMMERCE, *supra* note 4, at 67.

rather than avoid the issue and simply let the market take care of itself.<sup>175</sup> Given the underlying goals of promoting progress and incentivizing new works, as well as the important constitutionally protected values of free speech, liberty, and privacy, copyright law should build in protections for fair use. Content owners and providers should not be able to terminate fair use in the digital sphere.

#### B. CONTRACTING AROUND COPYRIGHT

Consumer contracts have augmented and expanded the lock-down world created by these technological measures. Nonnegotiable contracts of adhesion have become the standard way to disseminate copyrighted works on digital platforms. Most consumers never read these contracts (even when they click a box agreeing to the terms) and do not realize that the contracts fundamentally alter what they can do with copyrighted works. Many contracts prohibit sharing the work with other family members, reselling the work, using the underlying data, reverse-engineering, or making any other fair use of the work.<sup>176</sup> All of these uses are otherwise expressly permitted by the Copyright Act.<sup>177</sup> Even outside the mass-market context, parties have tried to secure rights through contracts that are broader than copyright provides.<sup>178</sup> Some of these contracts potentially create negative externalities for society and stand in opposition to the public-minded goals of copyright law.

Courts have come to a variety of conclusions about the legitimacy and implications of these types of contracts. In *ProCD, Inc. v. Zeidenberg*, the Seventh Circuit upheld a shrinkwrap license provision that restricted the copying of uncopyrightable facts.<sup>179</sup> Other courts and commentators have disagreed with the holding of *ProCD* in similar contexts.<sup>180</sup> The question of

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175. See generally Julie E. Cohen, *Lochner in Cyberspace: The New Economic Orthodoxy of "Rights Management,"* 97 MICH. L. REV. 462 (1998) (criticizing the *Lochner*-like approach to digital rights management and advocating for greater protection of broader "social welfare").

176. See generally Viva R. Moffat, *Super Copyright: Contracts, Preemption, and the Structure of Copyright Policymaking*, 41 U.C. DAVIS L. REV. 45 (2007) (recommending preemption as a solution to these pernicious adhesion contracts); Michael E. Kenneally, *Commandeering Copyright*, 87 NOTRE DAME L. REV. 1179 (2012) (examining and largely criticizing the widespread use of contracts to "reassign, on a massive scale, the entitlements initially assigned by copyright").

177. See 17 U.S.C. §§ 102, 107, 109 (2012).

178. Cf. C.B.C. Dist. & Mktg. v. MLB Advanced Media, L.P., 443 F. Supp. 2d 1077 (E.D. Mo. 2006) (Major League Baseball sought unsuccessfully to enforce a contract provision that precluded the future right of C.B.C. to use players' names and team names in a fantasy sports league), *aff'd*, 505 F.3d 818 (8th Cir. 2007).

179. *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996). A shrinkwrap license is one that is agreed to by opening the packaging of a product, often computer software.

180. See, e.g., *Veeck v. Southern Bldg. Code Cong. Int'l, Inc.*, 293 F.3d 791 (5th Cir. 2002) (holding that a defendant could copy and distribute building codes despite license that

the validity of these contracts and, more broadly, contract provisions that exceed the limits of copyright law is still unresolved.

The issue of what remedies are appropriate for breached copyright licenses is also unclear. In *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, the Ninth Circuit held that a defendant who had violated a contract provision could be held liable for breach of contract, but not copyright infringement, because the violation was of a covenant, not a condition.<sup>181</sup> The Ninth Circuit distinguished between conditions of licenses and covenants, holding that only a violation of the former could be held to infringe a copyright. The court, concerned about unreasonable expansions of copyright law to the detriment of the public, limited copyright infringement to violations of the contract that implicated one of the exclusive rights provided by copyright.<sup>182</sup> If an exclusive right provided for by copyright law was not violated, only a breach of contract claim would remain. How this rule will be applied in future cases and whether other courts should or will agree with the Ninth Circuit's analysis has not yet been resolved, and it may well be an issue that is better resolved legislatively than judicially.

Another issue raised by contracts in the digital sphere is whether there is a digital first sale doctrine. The first sale doctrine offline permits purchasers of copyrighted works to sell or give those works to others.<sup>183</sup> The question of whether this doctrine should translate to the digital world is contested. In the digital context, consumers often think they are purchasing works when they are instead only granted a license to use them. These licenses restrict the ability to transfer works. Courts have struggled with the question of whether licenses (particularly those distributed online) can limit the first sale doctrine. In *Vernor v. Autodesk, Inc.*, the Ninth Circuit rejected the idea of a digital first sale doctrine (at least where a license was involved) and held that the defendant was a licensee rather than the owner of computer software that he had purchased.<sup>184</sup> In that decision, the Ninth Circuit left it to Congress to

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limited such uses); *Specht v. Netscape Commc'n Corp.*, 150 F. Supp. 2d 585 (S.D.N.Y. 2001) (holding clickwrap license unenforceable); *Klocek v. Gateway, Inc.*, 104 F. Supp. 2d 1332 (D. Kan. 2000) (holding that shrinkwrap license did not form an enforceable contract); 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 3.04[B][3][a] (2014); Mark Lemley, *Intellectual Property and Shrinkwrap Licenses*, 68 S. CAL. L. REV. 1239 (1995).

181. *MDY Indus., LLC v. Blizzard Entm't, Inc.* 629 F.3d 928 (9th Cir. 2010).

182. *Id.* at 940–41.

183. *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908) (holding that a copyright owner could not control the distribution right after a sale despite a notice in the front of the book that it could not be resold for less than one dollar). The Supreme Court in *Bobbs-Merrill* did not decide whether a license could be used instead of a sale to limit uses and preclude a transfer of ownership. At least some appellate courts think that such licenses would be permissible. See *Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir. 2010).

184. *Id.*

address some of the broader policy questions at issue—both whether the first sale doctrine should be preserved in the digital environment and also whether licensing could be used to circumvent it.<sup>185</sup> This treatment contrasts with recent decisions in the offline context. For example, the Ninth Circuit rejected a claim by the record labels that promotional CDs were only provided under a licensing regime and held that the recipients could transfer the CDs without infringing copyrights.<sup>186</sup> Both the Department of Commerce and Register of Copyrights have recognized that the limitations on the first sale doctrine in the digital context require further study and review.<sup>187</sup> Maria Pallante has suggested that “Congress may not want a copyright law where everything is licensed and nothing is owned.”<sup>188</sup> The primary mechanism to prevent such a future is through copyright legislation.

In sum, the vast control asserted by content providers through contracts and technology is growing and threatens the limiting principles of copyright law. Revisions to the copyright act must address these aspects of private ordering to prevent much of copyright’s public-minded framework from fading into the background.

## VI. LEARNING FROM PRIVATE ORDERING

Private ordering can serve as a laboratory for the development of different approaches to addressing the challenges presented by copyright. Many user communities have developed a variety of norms and practices that suggest some common preferences for how people would like their creative works to be used. These norms have developed in the shadow of the law, but are not always driven by efforts to conform to the law or to limit legal exposure. Some of these privately generated understandings are uncontroversial and merit codification. At other times, private efforts jeopardize the delicate balance of our copyright ecosystem and their reach must be limited.

In this final Part, I make some preliminary recommendations for addressing the issues raised by private ordering in the context of revisions to the formal law. I do not intend this section to provide a comprehensive list of preferred revisions to copyright law. Instead, I focus only on suggestions

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185. *Id.* at 1115.

186. See, e.g., UMG Recordings, Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011) (upholding ownership transfer and applicability of first sale doctrine in the context of promotional CDs sent out by record labels that bore the message that only a license was being provided to the recipient).

187. See Pallante, *supra* note 1, at 331–32; Dep’t. of Commerce, *supra* note 4, at 35–38, 101–02.

188. Pallante, *supra* note 1, at 331–32.

that address private ordering. I focus on three main categories of changes: first, those that seek to rein in the downsides of current private efforts; second, those that codify good ideas that have emerged from the private sector; and finally, those that address some of the unsettled or problematic areas of the current legal regime that have generated some of the private approaches.

#### A. LIMITING THE EXCESSES OF PRIVATE ORDERING

Throughout this Article, I have identified specific areas of overreaching by private parties and various downsides of private ordering. I will provide some suggestions of how to limit these excesses.

##### *1. Limiting the Role of Customary Licensing, Fair Use Guidelines, and Alternative Licensing Schemes in Fair Use Evaluations*

The Copyright Act should continue to provide room for parties to license (regardless of whether such licensing is required), develop fair use guidelines (such as those put out by American University), and provide alternative licensing schemes (such as Creative Commons). However, the Act should carefully circumscribe the role of these private efforts to prevent them from altering copyright's boundaries without robust public debate. The clearance culture in the publishing and film worlds should not influence courts' independent analyses of whether particular uses are fair. Nor should a small cross-section of documentary filmmakers decide when fair use applies in that context. Creative Commons licenses can encourage the use of copyrighted works in ways that creators support, but the fact that a use breaches such a license should not weigh against a finding of fair use.

One possible solution to these concerns is to add language to the fair use provision in § 107 that limits the consideration of such information when evaluating fair use. For example: "Private guidelines, contracts, and customary licensing practices should not be considered when analyzing whether a particular use is fair." Additional language could clarify that courts may nevertheless consider the existence of a feasible and reasonably-priced licensing market as one among several considerations when evaluating market harm.<sup>189</sup>

##### *2. Adding Clarity about Contracts*

The question of whether clickwrap, brownswrap, or shrinkwrap licenses are enforceable remains open, as does the broader question of whether

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189. See discussion *supra* Section II.C.

contracts can protect uncopyrightable aspects of works. Congress should revise the Copyright Act to address these and other vexing questions about contracts involving copyrighted works. Congress needs to provide parties and courts with greater guidance.

There are a variety of ways to address these issues. One approach is to clarify the applicability of copyright preemption to overreaching contracts by revising § 301, the preemption provision of the current Act.<sup>190</sup> Preemption, however, may be too blunt an instrument and may not be able to accommodate price discrimination on the basis of different types of uses.<sup>191</sup> The statute could also limit contract terms to prevent restrictions on the public domain. In the mid-1990s, Representative Rick Boucher suggested something along these lines and proposed that the following language be added to the Copyright Act: "When a work is distributed to the public subject to non-negotiable license terms," the terms should not be enforced if they "limit the reproduction, adaptation, distribution, performance or display" of uncopyrightable material (such as facts or ideas) or restrict fair use, the first sale doctrine, or other permissible uses provided for in sections 107 through 114 and 117 and 118 of the Copyright Act.<sup>192</sup> Although the suggestion died in committee when initially proposed,<sup>193</sup> it is worth revisiting some of his suggestions.

The Copyright Act could also clarify if (and when) violations of licensing arrangements involving copyrighted works can give rise to copyright-infringement claims versus breach-of-contract claims. This would not only facilitate the protection of fair use zones, but also support uses of Creative Commons licenses by adding clarity and predictability for both creators who use the licenses and the licensees.

### 3. Protecting a Fair Use Zone

Absent statutory intervention, private efforts to expand copyright powers threaten to make formal copyright law and fair use largely irrelevant, at least in the digital space.<sup>194</sup> Thus far, the market has been largely unwilling to

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190. 17 U.S.C. § 301 (2012). I note that § 301's language is confusing and obscure, and more generally needs revising regardless of the issue of contracts. See Jennifer E. Rothman, *Copyright Preemption and the Right of Publicity*, 36 U.C. DAVIS L. REV. 199, 225–36 (2002) (reviewing the language and legislative history of § 301 and determining that it is hopelessly unworkable in its current form).

191. Kenneally, *supra* note 176, at 1200.

192. Digital Era Copyright Enhancement Act, H.R. 3048, 105th Cong. § 7 (1997).

193. See Kenneally, *supra* note 176, at 1199–1200.

194. Cf. Glynn S. Lunney, Jr., *The Death of Copyright: Digital Technology, Private Copying, and the Digital Millennium Copyright Act*, 87 VA. L. REV. 813 (2001) (suggesting that the DMCA

protect fair uses in the digital environment. Revisions to the Copyright Act should disrupt this trajectory.

Fair use is not an evil to be tolerated, but something that sits at the heart of copyright's underlying objectives. Congress should add an explicit fair use zone to the statute: the Act should specifically require that TPM and DRM provide breathing room for fair use; content identification systems must provide latitude for fair use. Contracts should also be prohibited from restricting fair uses of copyrighted works or the use of uncopyrightable aspects of those works.

Congress should also facilitate fair uses by codifying and expanding the exemptions to the DMCA anti-circumvention provision. At the very least, the statute should codify exemptions that have repeatedly been renewed (such as the exemptions for educators and documentary filmmakers). Ideally, the exemptions would be broader than they currently are and allow circumvention for fair uses in derivative works, regardless of whether those works are commercial.

#### B. NORMS WORTH CODIFYING

There are a variety of areas in which private ordering suggests appropriate approaches that deserve codification. I will focus on three of these norms—faculty ownership of scholarship and course materials, alternative licensing mechanisms, and attribution.

##### *1. Faculty Ownership of Scholarship and Course Materials*

Most, though not all, universities have adopted explicit policies vesting ownership of copyrighted works in the faculty. Universities that have not explicitly adopted such policies still usually conform to a long-standing custom of allowing faculty to retain copyright ownership over their scholarship and course materials.<sup>195</sup> University policy statements often justify the academic copyright regime by referring to “established academic

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“has killed” copyright as we know it by discarding copyright’s focus on the promotion of the public interest).

195. See, e.g., HARVARD UNIV., OFFICE OF TECH. DEV., STATEMENT OF POLICY IN REGARD TO INTELLECTUAL PROPERTY (2013), available at <http://otd.harvard.edu/resources/policies/IP/> [hereinafter Harvard IP Policy]; UNIV. OF CAL., OFFICE OF THE PRESIDENT, UNIVERSITY OF CALIFORNIA POLICY ON COPYRIGHT OWNERSHIP (1992), available at <http://policy.ucop.edu/doc/2100003/CopyrightOwnership/> [hereinafter U.C. Ownership Policy]; *Virginia Policy*, *supra* note 101; WASH. UNIV. IN ST. LOUIS, COMPLIANCE & POLICIES, INTELLECTUAL PROPERTY POLICY (2013), available at <http://wustl.edu/policies/intelprop.html>.

*traditions.*<sup>196</sup> In part because of the reliance on customary practices regarding copyright ownership, some universities treat computer software copyrights differently than other scholarly works.<sup>197</sup>

These policies and practices, however, do not generally meet the requirements of § 201 of the Copyright Act, which requires that any exception from the work-for-hire rules be set forth in a writing signed by both parties.<sup>198</sup> If copyrighted works by faculty are viewed as prepared in the scope of employment (not an uncommon conclusion), then “unless the parties have expressly agreed otherwise in a written instrument signed by them,” the university should own most works produced by faculty under current copyright law.<sup>199</sup> There is little dispute that university faculty members who produce scholarly books and articles are fulfilling expected job tasks. One could, however, argue that the works are not prepared “at the direction” of the employer since professors determine the subjects on which they write as well as the content of the works.

Even though these university policies do not meet the statutory requirements set forth in § 201, several courts have pointed to the customary “faculty exception,” which places authorship in the hands of the university faculty, as a basis to give disputed copyrights to faculty rather than

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196. *1983 NYU Policy*, *supra* note 104 (emphasis added); *see also* YALE UNIV., OFFICE OF COOPERATIVE RESEARCH, YALE UNIVERSITY COPYRIGHT POLICY (2014), *available at* <http://ocr.yale.edu/faculty/policies/yale-university-copyright-policy/> (“[T]he University will generally disclaim ownership of traditional copyrightable materials created by a faculty member . . . .”) (emphasis added); *U.C. Ownership Policy*, *supra* note 195 (stating that the policy “is intended to embody the spirit of academic tradition, which provides copyright ownership to faculty for their scholarly and aesthetic copyrighted works”) (emphasis added); *see also* UNIV. OF CHICAGO, IT SERVICES, IT POLICIES, NEW INFORMATION TECHNOLOGY AND INTELLECTUAL PROPERTY AT THE UNIVERSITY (1999), *available at* <https://itservices.uchicago.edu/policies/new-information-technologies-and-intellectual-property-university/> (“By long-established practice, individual faculty members enjoy the royalties on any book that they write . . . .”) (emphasis added).

197. *See, e.g.*, *Harvard IP Policy*, *supra* note 195; *1983 NYU Policy*, *supra* note 104 (deferring to practices within the discipline and to individual departments to determine ownership of computer software).

198. The work-for-hire doctrine vests ownership of works of authorship in an employer rather than an employee when the work is produced in the scope of employment and at the direction of the employer. 17 U.S.C. §§ 101, 201 (2012); *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 737–51 (1989).

199. *See* 17 U.S.C. § 201 (2012).

universities.<sup>200</sup> To address the potential conflict between these widely accepted norms and § 201, Congress should add a specific provision to clarify that works produced by university and college faculty are not works for hire. It would also be appropriate to extend such a provision to educators more generally (such as elementary and secondary school teachers) and to original classroom materials and lectures, as well as scholarship. There is widespread agreement in this area and the law should settle the matter to avoid further uncertainty and litigation.

## 2. *À La Carte Copyright*

The Copyright Office could also learn from the success of Creative Commons.<sup>201</sup> The Office could allow copyright registrants to opt for Creative Commons licenses at the time of registration and could add this information to a searchable online database. The Office could go even further and allow parties to tailor copyright to their needs; for example, the Office could add checkboxes to registration forms allowing creators to opt out of or into certain preferences. Possible choices could be allowing all educational uses with attribution (without permission or payment), or donating the work to the public domain after twenty-five years. The current Register of Copyrights has expressed, at least in principle, a willingness to consider some alternative licensing arrangements.<sup>202</sup> The Creative Commons approach provides one possible approach for how the Office could do this. The alternative licensing approach would work best if potential users could easily search licenses and registrations online.<sup>203</sup>

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200. See, e.g., *Hays v. Sony Corp. of Am.*, 847 F.2d 412, 416 (7th Cir. 1988) (describing the “universal assumption and practice” that academic writing belongs to the teacher not to the university, and concluding that if forced to decide whether the 1976 Act abolished the teacher exception, the court would hold “that the exception had survived”); *Weinstein v. Univ. of Ill.*, 811 F.2d 1091, 1094–95 (7th Cir. 1987) (describing the tradition of faculty ownership of copyrights in works); *Rochelle Cooper Dreyfuss, The Creative Employee and the Copyright Act of 1976*, 54 U. CHI. L. REV. 590, 597–98 (1987); cf. *Shaul v. Cherry Valley-Springfield Cent. Sch. Dist.*, 363 F.3d 177, 185–86 (2d Cir. 2004) (suggesting that the faculty exception after the 1976 revisions may be limited to circumstances in which the university has written a policy so indicating). But see *Pittsburg State Univ. Kan. Nat'l Ed. Ass'n v. Kan. Bd. of Regents*, 122 P.3d 336, 345–46 (2005) (concluding that the teacher exception did not survive the 1976 revision); *Forasté v. Brown Univ.*, 290 F. Supp. 2d 234, 239 n.5 (D.R.I. 2003) (same).

201. See discussion *supra* Part IV.

202. Pallante, *supra* note 1, at 333–35.

203. The government has begun to recognize that it needs to improve the searchability of its copyright records. See DEPT OF COMMERCE, *supra* note 4, at 90; Pallante, *supra* note 1, at 343; Pamela Samuelson et al., *The Copyright Principles Project: Directions for Reform*, 25 BERKELEY TECH. L.J. 1175, 1203 (2010).

### 3. Attribution Norms

With the exception of the Visual Artists Rights Act of 1990, which confers a right of attribution on creators of visual art, U.S. copyright law does not require attribution.<sup>204</sup> Nevertheless, many norms in the copyright world favor providing authors with attribution. Attribution is by far the most-often-sought provision of the Creative Commons licenses. This preference was so ubiquitous that it is now included in all Creative Commons licenses.<sup>205</sup> Other use communities, such as fan fiction communities, chefs, and authors, when asked and in practice all seek and often follow norms of attribution.<sup>206</sup> Many of American University's best practices statements and codes require that attribution be provided when uses are made and attribution is feasible.<sup>207</sup>

The preference for attribution is not contested. Providing some recognition of this preference may be an appropriate place for legislation. Although a failure to provide attribution should never be dispositive of infringement and attribution may be infeasible in a variety of circumstances, it certainly is worth putting a thumb on the scale in the statute in favor of attribution. One possible way of doing this (perhaps the best way) is to explicitly add attribution as a consideration in the fair use analysis.

## C. CLARIFYING FAIR USE AND ADDING SAFE HARBORS

The main driving force behind many of the practices that I have discussed is the uncertainty and anxiety about relying on the fair use defense. These concerns are the impetus behind the clearance culture and litigation-avoidance customs that I discussed in Part II, as well as the Classroom Guidelines and Best Practices Statements that I discussed in Part III. Some have argued that these private approaches are sufficient remedies for the unpredictability and expense of fair use litigation. I disagree. Our system does

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204. See 17 U.S.C. § 106A (2012). Not only is visual art narrowly defined, but the right can also be waived. See 17 U.S.C. §§ 101, 106A(e)(1) (2012).

205. Brief for Creative Commons as Amicus Curiae Supporting Respondents at 1, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) (No. 04-480), 2005 WL 520502 at \*1.

206. See, e.g., JESSICA SILBEY, WHAT REAL PEOPLE THINK ABOUT IP: CREATIVE COMMUNITIES, INNOVATIVE INDUSTRIES AND THE IR(RELEVANCE) OF INTELLECTUAL PROPERTY IN THE 21ST CENTURY (forthcoming 2014) (draft on file with author) (describing in Chapters 3 & 5 author's preference for attribution); Emmanuelle Fauchart & Eric Von Hippel, *Norms-Based Intellectual Property Systems: The Case of French Chefs*, 19 ORG. SCI. 187, 193–94 (2008); Rebecca Tushnet, *Payment in Credit: Copyright Law and Subcultural Creativity*, 70 L. & CONTEMP. PROBS. 135, 155–56 (2007).

207. See, e.g., OPENCOURSEWARE CODE, *supra* note 112, at 11–14; FILMMAKER'S STATEMENT, *supra* note 110, at 4–5.

not work if people are afraid to invoke fair use or if a plethora of alternative guidelines suggest different and contradictory boundaries of fair use. Fair use is not only a remedy for market failure, but also an important part of the copyright balance. Fair use serves to further the express constitutional directive of the copyright system to “promote the Progress of Science,”<sup>208</sup> and it deserves additional support and clarity. I suggest four ways that the Act could better support the assertion of fair use:

### 1. *Revising Fair Use Factors and § 107*

Even though I do not think that major revisions to the fair use factors are required or wise, some minor revisions to § 107 could be helpful. As I suggested earlier in subsection VI.A.1, a provision in the statute should state that the mere fact that licensing is customary or that the use exceeds a private guideline’s directives should not weigh against fair use, nor should conformity with those practices or guidelines automatically establish fair use.

Several other changes might lend greater clarity to the fair use provision and thereby disincentivize various practices that have burgeoned in the face of uncertainty. It would be useful, for example, to add transformativeness as an express consideration to the first fair use factor—the purpose and character of the use. Transformativeness is a consideration in fair use analysis that developed after the passage of the statutory fair use provision as part of the 1976 Copyright Act. Transformativeness focuses on whether the user has fundamentally changed, in other words “transformed,” the copyrighted work.

To provide greater guidance, the statute should clarify whether a different purpose counts as a transformative use or if only a fundamental alteration to the underlying work can be transformative.<sup>209</sup> For example, in *Bill Graham Archives v. Dorling Kindersley Ltd.*, the Second Circuit held that the use of an unaltered Grateful Dead poster in a biography of the band was transformative because the poster was used for a very different purpose than that for which it was created.<sup>210</sup> Other courts, however, have concluded that unaltered photographs are not transformative even if they are used for a different purpose than the originals.<sup>211</sup> I think a transformative purpose

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208. U.S. CONST. art. I, § 8, cl. 8.

209. See Rothman, *supra* note 76, at 490–93 (discussing the confusion as to what is meant by transformativeness and how some interpretations leave many personal uses without fair use protection).

210. *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 608–11 (2d Cir. 2006).

211. See, e.g., *Monge v. Maya Magazines, Inc.*, 688 F.3d 1164, 1176 (9th Cir. 2012) (noting in rejecting a fair use defense for the publishing of minimally altered wedding photographs that using works for a different “purpose is not quite the same thing as

should often weigh in favor of fair use and would prefer codification of the more generous interpretation of transformativeness;<sup>212</sup> however, regardless of which approach is taken, some guidance on the distinction would be useful.

Other possible revisions to the fair use provision include adding more categories of preferred uses to the preamble of the section. Currently, the preamble sets forth preferred categories of uses—e.g., “criticism, comment, news reporting, teaching . . . , scholarship[, and] research.”<sup>213</sup> It would be helpful to explicitly prefer uses of copyrighted works that are incidentally captured during filming or recording, that are used to depict historical or current events, and that are used in religious worship.<sup>214</sup> As I will discuss, a safe harbor for such uses may work better than adding these considerations to fair use, but enumerating them in § 107 is also a potential option.

## 2. *Creating Additional Safe Harbors*

Even though I am skeptical that the fair use statute can be drafted with greater clarity without losing some of the advantages of its breadth and flexibility, the addition of some new safe harbors might help to facilitate the assertion of fair use. Congress should add additional safe harbors for particularly affected and worthy use communities, such as educators, students, libraries, documentary filmmakers, and news gatherers. Although the preamble to § 107 expressly prefers many of these categories and libraries already have some protections pursuant to § 108, some additional protections would help promote reasonable uses of copyrighted works. Any such additional safe harbors should explicitly indicate that they do not narrow or limit the fair use protections of § 107, as has been done in § 108.<sup>215</sup> An

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transformation”); *Elvis Presley Enters., Inc. v. Passport Video*, 349 F.3d 622, 628–29 (9th Cir. 2003) (affirming the district court’s holding that the use of some clips of Elvis’s films and performances in a video about Elvis was not transformative because the voice-over did not directly comment on those clips); *Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191, 198–200 (3d Cir. 2003) (holding that two-minute previews of copyright holder’s films were not transformative because there was no critical commentary nor any new material added); *Castle Rock Entm’t, Inc. v. Carol Publ’g Group, Inc.*, 150 F.3d 132, 142–43 (2d Cir. 1998) (declaring any transformative component of a book of trivia based on the *Seinfeld* television series as “slight to non-existent”).

212. Rothman, *supra* note 76, at 490–93. Cf. Rebecca Tushnet, *Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Serves It*, 114 YALE L.J. 535 (2004) (arguing that many nontransformative uses are valuable).

213. 17 U.S.C. § 107 (2012).

214. See Rothman, *supra* note 76, at 513–28 (describing categories of preferred uses of copyrighted works as including those that describe reality, promote intimacy, are cultural or linguistic uses, or that facilitate the practice of one’s religion).

215. Section 108 provides that “[n]othing in this section . . . in any way affects the right of fair use as provided by section 107.” 17 U.S.C. § 108(f)(4) (2012); see also Authors Guild,

exemption for incidental uses of copyrighted works would be particularly useful. Works that are captured during the filming of documentaries or news reporting and are being used as part of this documentation of reality should be exempted from liability for copyright infringement. Congress should also provide an exemption for the use of religious texts for purposes of worship.<sup>216</sup>

Congress also should develop a revised set of Classroom Guidelines, developed with greater input from faculty, students, and libraries. The revision should be expressly adopted as a safe harbor for certain educational uses of materials. Such a provision should address many of the current challenges in this arena, including the use of orphan works and online course reserves.<sup>217</sup>

### *3. Limiting the Scope of Statutory Damages*

One of the primary ways to support assertions of fair use is to protect against the exposure to massive statutory damages (and potentially criminal liability) for reasonably, but wrongly, assessing whether a particular use is fair.<sup>218</sup> As discussed, it is sometimes difficult to predict fair use (especially in gray areas) and many individuals and smaller businesses may not be able to pay for legal-opinion letters that would insulate them from findings of willfulness for uses of copyrighted materials. Such a finding of willfulness would put infringers into the higher statutory damages category and expose them to criminal penalties.

Courts currently have the discretion to reduce statutory damages if an infringer proves that she “was not aware and had no reason to believe that . . . her acts constituted an infringement.”<sup>219</sup> However, the broader remittance provision, which applies when there are “reasonable grounds for believing” that a use was fair, only applies to employees or agents of nonprofit educational institutions, libraries, and archives (or those institutions themselves), and, in more limited circumstances, to public

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Inc. v. HathiTrust, 902 F. Supp. 2d 445, 456–57 (S.D.N.Y. 2012) (rejecting plaintiff’s argument that library could not assert a fair use defense because of the more specific § 108 that governs library usage).

216. Rothman, *supra* note 76, at 526–28 (discussing the need to use copyrighted religious texts for worship).

217. Maria Pallante has also observed the need for renewed attention to creating some safe harbors for higher education. See Pallante, *supra* note 1, at 333; see also DEP’T OF COMMERCE, *supra* note 4, at 3 (suggesting that the § 108 library exception needs updating).

218. Cf. Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439 (2009) (criticizing the current system of statutory damages and suggesting a variety of judicial and legislative reforms).

219. 17 U.S.C. § 504(c)(2) (2012).

broadcasters.<sup>220</sup> Congress could expand this fair use remittance provision or at least provide some guaranteed—rather than discretionary—reduction in statutory damages for reasonable but erroneous fair use assessments by others. Only the most culpable actors, such as those engaged in large-scale piracy, should be subject to high statutory damages and criminal liability,<sup>221</sup> not those who have tried to stay on the right side of the law.

If an average person wrongly though reasonably assesses her chances of having a successful fair use defense, she should not have to pay wildly more than a reasonable licensing fee plus some fine.<sup>222</sup> The statutory damages should be sufficient to discourage unlawful copying and to incentivize copyright enforcement, but should not be so massive that they discourage future reasonable assertions of fair use.

It would also be helpful to clarify that a failure to conform to customary licensing or clearance practices cannot form a basis of a willfulness finding for purposes of assessing statutory damages or criminal liability. The Copyright Office's recent effort to provide an accessible database of fair use decisions also may facilitate the ability of parties who cannot afford legal counsel to make reasonable assessments of fair use that could insulate them from findings of willful infringement.<sup>223</sup>

#### *4. Creating a Personal-Use Exemption or Preference*

The copyright system needs some public buy-in to work. Public support requires people to think that on some level copyright law is fair. When copyright law is wildly out of sync with community practices, there may be value in interpreting copyright to conform to those understandings or, better

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220. *See id.*

221. *See* Samuelson & Wheatland, *supra* note 218, at 509–10; Pallante, *supra* note 1, at 329 (suggesting retaining statutory damages, but considering tying them to actual harms or profits in contexts where large numbers of works have been copied); *Dep't of Commerce*, *supra* note 4, at 102 (suggesting that some “recalibration” of statutory damages might be appropriate in the context of “individual file-sharers” and “secondary liability for large-scale online infringement”).

222. For examples of recent large statutory-damage awards against individual infringers, see, e.g., *Sony BMG Music Entm't v. Tenenbaum*, 719 F.3d 67, 68 (1st Cir. 2013) (upholding statutory-damages award of \$675,000 for the unlawful downloading of thirty songs); *Capitol Records, Inc. v. Thomas-Rasset*, 692 F.3d 899, 901–02 (8th Cir. 2012) (permitting a \$222,000 statutory-damages award for making twenty-four songs available via peer-to-peer network), *cert. denied*, 133 S. Ct. 1584 (2013). I note that neither of these defendants had colorable fair use defenses, but these massive awards nevertheless deter other people from relying on fair use.

223. Statement by Jacqueline Charlesworth, General Counsel, U.S. Copyright Office, USPTO Roundtable, Loyola Law School, Los Angeles (July 29, 2014) (will be made available at <http://www.uspto.gov/ip/global/copyrights/>).

yet, amending the Copyright Act to reflect some of those norms. It may be appropriate to adopt some sort of exemption or fair use preference for limited personal uses. Not only has the public become accustomed to personal uses, but there are also compelling normative reasons to allow such uses. Personal uses promote self-expression, self-development, identification, communication, and intimacy.<sup>224</sup> Enforcing copyright against personal uses also often conflicts with our privacy values and the important goal of providing some surveillance-free zones.<sup>225</sup> When drafting a personal use exemption, Congress should focus on the motivation of the use and the likely substitutionary (or nonsubstitutionary) impact of the use. Whether the use is noncommercial or private should not be determinative.<sup>226</sup> If a parent puts up a video on YouTube of her child singing *Let It Go* from Disney's hit movie, *Frozen*, this is a public and potentially commercial use (advertising revenue could potentially stream to the parent and, of course, to YouTube). Nevertheless, this sort of use is motivated by an interest in sharing a real-world event and a parent's enjoyment of her child's singing. The use is not likely to substitute for the original work—particularly if it was recorded with the likely background noise of a chaotic household and is tied to the video image. The fact that the posting is public and potentially revenue-generating should not alter the analysis that this is a personal use.<sup>227</sup>

## VII. CONCLUSION

As I have previously noted in the context of reliance on customary practices in intellectual property, “[L]eft unchecked, customary practices threaten to swallow up IP law, and replace it with industry-led IP regimes that give the public and other creators more limited rights to access and use intellectual property” than were envisioned by the Constitution and Congress.<sup>228</sup> In copyright, these practices and other forms of private ordering, such as technological controls and contracts, are altering the boundaries of de facto copyright law every day. Some of these private efforts

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224. See generally Rothman, *supra* note 76 (advocating greater protection for uses of copyrighted works that promote mental integrity, intimate association, communication, and religious practice).

225. See generally Neil M. Richards, *Intellectual Privacy*, 87 TEX. L. REV. 387 (2008) (developing the argument for why intellectual privacy is essential to First Amendment values); Julie E. Cohen, *A Right to Read Anonymously: A Closer Look at “Copyright Management” in Cyberspace*, 28 CONN. L. REV. 981 (1996) (raising concerns about the effect of digital rights management on our privacy and freedom of thought).

226. See Rothman, *supra* note 76, at 472–74, 528–32.

227. See *id.*

228. Rothman, *supra* note 7, at 1908.

are beneficial, but others threaten our ability to engage with copyrighted works.

Congress must confront private ordering as it revises the Copyright Act. Although copyright law should continue to provide breathing room for private experimentation, it cannot turn a blind eye to the negative consequences that flow from some forms of private ordering. Copyright law must prevent the lock-in of these alternative regimes and practices, and limit the extent to which parties can extend copyright law through burdensome private agreements and technologies that obliterate fair use. Codification of some of the widely accepted and uncontroversial insights of copyright's private ordering also would lend greater clarity and public support to the copyright regime. As we look forward to a Copyright Act for the twenty-first century, Congress must not only consider the interests of large content providers, but also those of the broader public. The Next Great Copyright Act must find ways to not only limit online piracy, but also to protect the public's vital space to engage with, comment on, and rework copyrighted material.

