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Restoring the Balance of Copyright: Antitrust, Misuse, and Other Possible Paths to Challenge Inequitable Licensing Practices

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Michelle M. Wu

As licensing has grown as a preferred method for information delivery, the balance in copyright intended by the Founders and Congress has been upended. Licensing has replaced ownership of copies of copyrighted works, circumventing many of the public goals intended by copyright laws. This article assumes that as publishers adopt increasingly restrictive license terms, some libraries will choose to challenge these actions including taking positions that could result in litigation.

With that potential future in mind, this article examines the underlying purpose for copyright’s balance, how changes in technology have disrupted the balance, how actions to unsettle it threaten societal information stores at large, and what possible avenues libraries might consider to affirmatively or defensively restore it. Each of the sections on possible paths will describe briefly the proposed legal theory, highlight unique publisher-library license issues, analyze how these issues might fall within the legal theory, and where applicable, suggest specific data gathering initiatives for libraries, library organizations, and public-interest-focused research organizations.

COPYRIGHT

Copyright’s Purposes

[the United States Congress shall have power] To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.²

From the moment of the nation’s formation, copyright in the United States had a singular, animating purpose: to promote the progress of science and the useful arts. In order to accomplish that objective, our founders empowered Congress to establish a

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¹ Retired law library director and professor of law. Formerly the law library director at Georgetown University Law Center, Hofstra Law School, and the University of Houston Law School.
² U.S. CONST. art. I, § 8, cl. 8.
limited monopoly in the form of a term of protection during which the author held certain exclusive rights, such as reproduction and distribution. Those two interests – that of the public and of the author – are the same ones that guide copyright law and practice today. Neither of these interests are arbitrary or casual but instead were deeply intertwined with the needs of a developing nation and were constructed specifically to ensure continued economic, social, and civic development. Though the United States is no longer a fledging country, those principles are still core to the nation’s growth and leadership in intellectual property production.

Even before federal copyright came into being, the two interests were commonly cited in support of colonial copyright laws. In these earliest years, authors’ interests were best summarized by a committee of the Continental Congress:

The committee . . . to whom were referred sundry papers and memorials from different persons on the subject of literary property, [are] persuaded that nothing is more properly a man’s own than the fruit of his study, and that the protection and security of literary property would greatly tend to encourage genius.3

Based on this conclusion, the Continental Congress recommended that individual states enact copyright laws that provided authors or publishers least 14 years of protection for published works.4 All but one state enacted such laws, though the terms varied, and most states chose to invest copyright in authors only. In doing so, lawmakers appeared to recognize that vesting copyright in publishers would not meet the stated intention of supporting creators in making a living from their works. After all, there was already a long history of piracy by publishers,5 and giving them further rights would have simply encouraged more acts against authors’ interest. By granting copyright to authors, states could at least make it more likely that authors would be paid for their works in some manner.

3 24 Journals of the Continental Congress 326 (1783).
4 Id.
The Continental Congress did not include in its recommendations a mention of the public interest, but the states that adopted legislation, both before and after the recommendation, did. Massachusetts, for example, adopted a deposit requirement, and other states adopted language that hinted that the author’s interest was valued only insofar as it met the purpose of being beneficial to the public. It was thought that copyright, like patent, introduced new commodities (in the form of knowledge) for society and therefore, legislation to encourage such creation was in the public interest. An example of this public orientation comes from New Hampshire’s early language justifying copyright:

As the improvement of knowledge, the progress of civilization, and the advancement of human happiness, greatly depend on the efforts of ingenious persons in the various arts and sciences; as the principal encouragement such persons can have to make great and beneficial exertions of this nature, must consist in the legal security of the fruits of their study and industry to themselves; and as such security is one of the natural rights of all men, there being no property more peculiarly a man’s own than that which is produced by the labour of his mind: Therefore, to encourage the publication of literary productions, honorary and beneficial to the public.6 (emphasis added)

The Founders extended such reasoning in the drafting of the Copyright Clause. There was virtually no debate during the Constitutional Convention nor obvious recognition of how important this wording would become, but the founders had not only injected the public interest into the nation’s fabric of intellectual property law but also made it its primary purpose.7 The language in the Constitution not only reflected the intended balance between the two prevailing interests, but its phrasing also made

7 Ray Patterson, Copyright in Historical Perspective 193 (1968).
clear which of those interests should win out should there be a conflict. The purpose of copyright was the “progress of science and the useful arts.” The rights attendant to copyright were in service to that goal. The Federalist Papers hint that this calculus was indeed intentional, as “[t]he public good fully coincides in [copyrights and patents] with the claims of individuals.”

Despite the intended harmony between the two interests, the tension between them was also evident from the start. The nation’s residents were eager for news, educational writings, and reading materials, but it was costly for publishers to obtain rights for all the materials desired. Publishers, therefore, relied heavily on unauthorized copies to meet readers’ needs. The country’s printing presses used much of what they needed without payment and viewed this activity as being natural and beneficial to their communities and their own survival. This strong interest from the reading public as well as commercial actors in unauthorized reproduction in turn led lawmakers to draft legislation that limited author protections with an eye towards meeting its nation’s informational needs. The laws initially passed protected only United States authors and then, once foreign authors gained protection, only works that were manufactured or printed in the country. In other words, when presented with a choice between the public interest and the author’s, Congress acted in a manner consistent with the priority of rights express in the Copyright Clause. It protected the nation’s interests first. The author’s interest was secondary.

As time progressed and the consequences of granting greater deference to one interest over the other became less stark, Congress extended protection to a greater number of works and a larger range of authors.

While research has since shown that some of the reasoning behind the Copyright Clause and subsequent legislation is not be consistently applicable, the principles themselves still meaningfully serve the purposes intended. For example, many authors clearly require no compensation as incentive to generate creative works, as

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12 Rebecca Giblin, Reimagining Copyright’s Duration, in WHAT IF WE COULD REIMAGINE COPYRIGHT? 194 (Rebecca Giblin & Kimberlee Weatherall eds., 2017); Mark A. Lemley, IP in a World Without
illustrated in the proliferation of creative content on the web such as photos, videos, blogs, fanfiction, and publicly posted artwork. In fact, more creative content is now generated outside of traditional publishing streams than within them. However, it is undeniable that some works would not come into existence but for relationship between copyright protection and the path to traditional publishing.

Some authors would not have the time, energy, or resources to create if they had to find other ways to financially support themselves and their dependents. Even though these authors are in the minority of creators, outnumbered by those posting freely, the world arguably would be weaker without them. After all, much of the nation’s most-taught literature came about only after copyright protection was established. Some of the works themselves were directly shaped by compensation, such as novels that developed in part into substantial works because of the rewards that came from serial publication. Even though copyright by itself may not have caused all of these works to be created or published --- as there were many other influences on


13 https://www.goodreads.com/list/show/478.Required_Reading_in_High_School
14 Robert L. Patten, Pickwick Papers and the Development of Serial Fiction, 61 Rice University Studies, Number 2 (1975) (describing how serial publications produced more financial rewards and incentives for publishers).
15 Though many of the titles still assigned in K-12 classes were indeed written only after copyright laws were enacted, there is reason to doubt that copyright was a huge influence. Data from Our World in Data (https://ourworldindata.org/books) shows that various nations saw levels of publication pre-copyright that were not reached again until long after copyright laws were enacted. For example, the UK produced more new book titles in the mid-1600s than they did until the mid-1900s. The world is also well aware of respected artists and authors that created long-lasting works prior to any copyright laws. Shakespeare, da Vinci, and all of the artists from the Renaissance come to mind.
the rise of writing and publishing in the guises of technology, lower cost publication materials, spread of literacy, increasing wages – it still served as a meaningful element in fostering an environment for greater production.


Fair Use as the Balance of Copyright in Practice

Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts.16

Early conflicts between the public interest and the copyright owner expanded even as the types of works recognized grew. The earliest disputes focused on the basics of copyright, such as what could be copyrighted.17 Cases considered the copyrightability of photographs,18 advertisements,19 creative but functional products (e.g., lamps),20 landscaping,21 yoga poses,22 and many other works with creative aspects. They also considered how technology played a role in copyright, such as considering if changing a work’s format affected copyright protection.23 (It does not.)

The battle between the interests intensified as technology advances became more frequent, with each innovation pitting risk of damage to the author’s market against the public interest in exploration, expansion, and advancement. The ferocity of litigation

16 Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975).
17 Baker v. Selden, 101 U.S. 99 (1879) (uncopyrightability of a bookkeeping system); Wheaton v. Peters, 33 U.S. 591 (1834) (uncopyrightability of court opinions); (copyright protects photographs).
19 Bleistein v. Donaldson Lithographing Co., 188 U.S. 239 (1903),
21 Kelley v. Chicago Park Dist., 635 F.3d 290 (7th Cir. 2011).
22 Bikram's Yoga Coll. of India, L.P. v. Evolation Yoga, LLC, 803 F.3d 1032 (9th Cir. 2015).
and public debate has increased in proportion to how quickly and easily each new invention could duplicate a work. In earlier years, such inventions were relatively rare. While courts struggled with newer technologies that copied works in different forms, like piano rolls in their playing of music, the question did not come up frequently.

With the creation of photocopiers, though, courts have seen significant litigation on technologies including audio recording devices, video recording devices, computers, and the web. Actions or services made possible because of new technologies – indexing, database creation, and automated functionality, for example -- have similarly been challenged.

Early on, without explicit statutory language guiding examination of such issues, courts came up with an equitable test balancing the interests, as articulated by Justice Story:

[T]he question of piracy, often depend[s] upon a nice balance of the comparative use made in one of the materials of the other; the nature, extent, and value of the materials thus used; the objects of each work; and the degree to which each writer may be fairly presumed to have resorted to the same common sources of information, or to have exercised the same common

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25 Williams & Wilkins Co. v. United States, 487 F.2d 1345 (1973) (an equally divided Court finding fair use in library photocopying); Am. Geophysical Union v. Texaco Inc., 60 F.3d 913 (2d Cir. 1994) (photocopying by a corporate library for its users constitutes infringement).
27 Recording Indus. Ass’n of Am. v. Diamond Multimedia Sys., Inc., 180 F.3d 1072 (9th Cir. 1999).
28 Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir. 2007) (thumbnail images on Google Images).
29 Id.
30 Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014) (digitized books as part of a larger database); Authors Guild v. Google, Inc., 804 F.3d 202 (2d Cir. 2015) (legality of reproduction in the form of snippets).
31 Mike Masnick, Amazon Gives In To Ridiculous Authors Guild Claim: Allows Authors To Block Text-To-Speech, TECHDIRT (Feb. 27, 2009, 6:09pm), https://www.techdirt.com/articles/20090227/1759173928.shtml.
This concept, now called fair use, was later codified in 17 U.S.C. §107, reading

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, 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.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

This test is the one most often examined when a copyright owner’s exclusive rights are exercised without authorization or remuneration and a public interest is invoked. Through these cases, fair use has been tested and fleshed out, adjusting and adapting to new technologies in a manner that bright line rules cannot. The public interest is the primary force behind fair use, the principle that, in certain circumstances, public benefit can justify the abridgement of author’s rights to control their work or to

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obtain payment for the use of their work. No court considering fair use has dismissed the public interest, though each court may have viewed the value of it as against copyright owners’ interests differently.

Libraries and Copyright

Libraries and archives have a unique public role in copyright, as evidenced by §§108, 109, and 407 of the code. Each of these sections acknowledges libraries’ importance to society by extending to them rights that are not available to others. Section 108 protects libraries’ (and archives’) rights to preserve materials, to share materials with their users and other libraries, and to effectively ignore the last 20 years of a copyright term in certain instances. Section 109, generally recognized as first sale, has provisions that circumscribe the ability to lend, lease or rent computer programs, but explicitly excludes libraries and educational institutions from that prohibition. The deposit requirement in §407, while not applicable to all libraries, ensures that the nation’s library collects literary works, facilitating its purpose to preserve and make available the works to all of the nation’s residents.

Why have libraries been granted such rights? Simply put, they serve an intermediary function between the copyright owner and the user, and their actions advance the public interest in a way that neither a creator nor a user does. They act in the interests of both sides of copyright, increasing a work’s visibility (copyright owner’s interest) as well as their communities’ access to information for educational or entertainment purposes (public interest).

A library supports the copyright owner through the purchase of materials for collections and increasing exposure to works. It has been long known that people read books that they would not otherwise discover through libraries and that through these discoveries, those able to do so often elect to purchase permanent copies of some titles to add to their collections. Even where a subsequent purchase is not made, greater exposure to an author’s works itself is a public interest whether viewed by governments or authors. From a nation-wide or world-wide perspective, access to information educates and establishes the informed citizenry that the Founders had envisioned. For authors, particularly those in academic or scientific fields, exposure is as valuable, if not more valuable, than compensation, as those seeking to shape practice or understanding need to have their publications consumed for knowledge to spread. Those who write primarily to entertain also benefit from greater exposure, as individuals who may never

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33 Infra, Alexander at note 81.
have discovered their writings otherwise would be so exposed and would be able to generate business and interest through word of mouth.\textsuperscript{34} Harry Potter, for example, gained its following not through marketing but through its fans.\textsuperscript{35}

On the other side of balance, libraries benefit the public interest by making materials available to individuals in their communities, typically without consideration to that individual’s wealth, power, or privilege.\textsuperscript{36} In this manner, libraries serve a greater public interest than other entities, ensuring that access to information is not restricted only to those who have the ability to purchase it. They also have responsibilities to preserve information, so that tomorrow’s users will have access to (at a minimum) no less access than today’s users. No other entity has that responsibility, and their protections advance the interests of researchers and society in every generation.

Since inception, libraries have been able to meet the obligations to both the copyright owner and the public through ownership of their collections. Ownership is gained through either purchase or gift, ensuring that the copyright owner was paid for their work or otherwise voluntarily relinquished control over the copy. Once ownership of a copy is transferred, the rights of first sale and alienation apply, with the library freely able to lend their books to any user without any restrictions or additional payments to a copyright owner. The expense to libraries was no more than the average user paid, but the benefits to society were much greater, as more people had access to the materials collected.

The balance intended by copyright, then, plays a more significant role for libraries and society than it does for any individual creator or purchaser.


\textsuperscript{36} There are exceptions, as certain populations have been banned from libraries over the years. For example, black Americans faced significant barriers to libraries. Maurice B. Wheeler, Debbie Johnson-Houston & Billie E. Walker, A Brief History of Library Service to African Americans, 35 AM. LIBR. 42, 43 (2004).
The Unbalancing of Copyright in Libraries

One relatively recent development has upset this balance, aiming to remove traditionally copyright-based transactions from the scrutiny of the courts. That development is the use of contract to abrogate the rights that normally attach with acquiring a copy of a copyrighted work. By licensing a work instead of selling it, no transfer of a copy is ever made, and therefore, the copyright interests formerly protected by ownership and the right of alienation are replaced by the rights of a renter against a landlord. The exceptions built into the copyright code – such as reselling a copy – are therefore avoided through contract.

With the stated intention of serving authors’ interest, publishers have adopted licensing as a primary distribution strategy, not only for users but also for libraries. The outcome of this movement is predictable, leading to actions that would have been impossible with earlier technologies. Materials have been unilaterally retracted, as they were when Amazon removed copies of Orwell’s 1984 from Kindle readers without notice or process. 37

The restrictions on library use are even greater than on individual users. Publishers have set e-books to expire after a certain number of unilaterally-determined uses, such as when HarperCollins decided that e-books licensed to libraries would expire after 26 uses, 38 despite actual usage statistics from libraries that show materials lasting significantly longer than that number through standard maintenance and repair. Some materials are not for sale to libraries at all, or are subject to differential pricing. 40 Most

39 Speaking from personal experience from the libraries where I have worked, print books can circulate hundreds of times without replacement (e.g., Bluebook).
41 Devin Coldewey, Necessary Evil? Random House Triples Prices of Library E-Books, TECHCRUNCH (March 2, 2012), https://techcrunch.com/2012/03/02/necessary-evil-random-house-triples-prices-of-library-e-books/. This practice has long been in place, as differential pricing was already
of these actions have been taken in the interests of furthering private profit, not the public interest, and publishers have not been reticent to acknowledge this.

The growth in our digital business gives us access to a greater number of students in any given classroom and generates new sources of revenue from our existing adoption customers. In contrast to print publications, our digital products cannot be resold or transferred. We therefore realize revenue from every end user.42

For example, Macmillan’s decision, now reversed, to limit the copies of e-books a library can license, regardless of how large the community that library serves, was based on the belief that readers will buy the books if the alternative is to stand in a virtual line in the form of a long library waiting list.43 While this assumption perhaps true for some readers, what the publisher ignores is that some readers lack the funds to purchase the item and it is those readers who most heavily rely on libraries44 and will primarily suffer from policies such as these.


42 Cengage, Cengage Learning Holdings II, Inc.: Annual Report for Fiscal Year Ended March 31, 2019, at 6 from SPARC p 11
Even outside of openly profit-motivated structures, many license terms routinely restrict what libraries can do with the licensed content, undermining some of the rights explicitly granted to libraries in §108 (e.g., interlibrary loan, preservation copies) of the copyright code. Again, because use is governed by licenses and escapes the definition of ownership, §108 often does not seem to apply. The harms caused by such terms echo throughout society. By limiting what can be loaned through interlibrary loan, all communities face an unnecessary loss of access. By preventing preservation, there is no reliable way to ensure that the knowledge of this generation will be preserved for future users.

Across the board, every limitation will harm poorer communities more than they will wealthy ones and future generations more than current ones, increasing the nation’s existing inequality divide. By building strategies on profit, and undermining dissemination and preservation, publishers have disrupted copyright’s purpose and have done so in a way that has not just held the public interest in check but has actively harmed it. With first sale eliminated, one cannot donate or sell materials at lower costs to people or libraries unable to afford the initial price; society will only be able to retain access to works as long as they can afford to pay repeatedly for the same content; and there is no guarantee that any information available through licensing will exist beyond today.

This paper argues that public, academic, and other non-profit libraries are fundamentally different from parties in other cases, and therefore, they can raise arguments that no other entity can. Libraries’ unique standing in the copyright code as serving the public interest means that when they negotiate terms, they stand in the place of the public in a way that businesses negotiating for themselves do not. These libraries are non-profit organizations acquiring materials for the public, and any license negotiated by these entities should take the unique purpose and relationship into account.

45 Even within these categories of libraries, the strength of the arguments will depend on the specific materials acquired and publishers involved, as the mission of the library may result in completely different types of transactions. Corporate and commercial libraries are intentionally excluded from this analysis as their purposes are so fundamentally different from non-profit libraries that the reasoning in this paper is less likely to apply.
Harmful Licensing Practices or Terms

It is important to note that licenses themselves are not inherently harmful, as there are many that have beneficial and unique aspects beyond what is traditionally conveyed through copyright.

Aggregator databases or streaming services, for example, give users and libraries options to access quantities of information or services that would not be available through mere purchasing. From providing services (e.g., suggesting new titles) to meeting temporary needs, such options may only be viable through licensing. In many cases (particularly for the individual user), that type of expansive, temporary access may bring a greater benefit than purchasing a smaller, permanent collection. Similarly, short-term licenses for materials that libraries and individuals have no interest in owning (e.g., many multiple copies when a best-seller is released) may be better met by short-term rentals than long-term purchase. Since the intent of access in these databases and their associated licenses is very different from a traditional acquisition, limiting rights in exchange seems to present a legitimate, conscious trade-off.

However, licensing practices for electronic materials that seek to replace a standard acquisition with a restrictive lease are harmful. They charge higher prices for the works while conveying fewer rights, meaning that a library is able to acquire less content for its community while simultaneously losing the ability to guarantee continued access. The heart of this type of transaction (i.e., library collection building) is what copyright was intended to protect, but through contract, the balance has shifted so that the private interest has completely obscured the public one.

The only licensing practices and terms that this paper targets are those in the second category, those that seek to replace a purchase with a lease when the end goals for libraries and society remain the same as it did at the time of the nation’s founding. These are the terms that are particularly offensive to the concept of balance in copyright, those that limit actions that fall within a library’s primary purpose (acquiring content, lending, preservation, ILL) and that aim to use changing technologies (i.e., digital format) to prohibit actions that were legal in an analog world.

It is also important to note that while only a single term (i.e., publishers) is used in this article to describe those that publish materials that libraries acquire, publishers are not identical. Some support preservation activities, such as partnership with libraries, LOCKSS, CLOCKSS, or other digital preservation platforms. Others include perpetual access in their license agreements, and still others have no objection to language that protects fair use. This paper focuses on publishers which engage in the types of licensing practices described above and below as harmful.
Restoring Balance

Since publishers appear to be emboldened by each unchallenged restriction to further expand their efforts to use contract to undermine copyright, this paper proposes exploring legal strategies in anticipation of libraries taking bolder action. With increased action, the likelihood of litigation similarly heightens. For public and academic libraries interested in fighting for the balance in copyright, an offensive approach may now seem wiser than the traditional defensive posture. While most libraries have historically been reluctant to go on the offense, due to fear of risk and cost, recent events such as the covid-19 pandemic have demonstrated how fear of potential harm can cause actual harm to communities. After all, had libraries had ownership rights over digital works, users would have retained access during library building closures despite budget cuts. Or, had libraries engaged in “risky” activities like controlled digital lending\(^{46}\) earlier, closing physical libraries would have had less of an impact on access to content.

Libraries that have not been afraid to challenge common assumptions about copyright and technology have indeed incurred notable costs,\(^{47}\) both in terms of money and time but have established greater protections for libraries in the process. For example, the libraries involved in the HathiTrust litigation ended up with a court decision that recognized that digitizing print collections and making them available through a searchable database were fair use, and that making multiple copies of the same for preservation and access purposes was similarly acceptable.\(^{48}\)

\(^{46}\) Controlled digital lending (CDL) is a model that allows libraries to digitize titles that they own in physical form and lend the digital copy in place of the original. The library may only lend simultaneously the number of copies that it owns, and any digital copy circulated must have sufficient digital-rights-management controls that a user cannot wholesale copy and redistribute it. For more on CDL, see https://controlleddigitallending.org/. See also, Dave R. Hansen & Kyle K. Courtney, A White Paper on Controlled Digital Lending of Library Books, CONTROLLED DIGITAL LENDING BY LIBRARIES (2018), https://controlleddigitallending.org/whitepaper.

\(^{47}\) While the actual cost of the litigation is unknown, AIPLA provides insight into the average costs of copyright litigation. The median costs for copyright litigation, inclusive of pre- and post-trial appeal where applicable, in 2019 were: $500,000 (when 1M or less was at risk), $1,750,000 (when between 1-10M was at risk), and $3,500,000 (when between 10-25M was at risk), and $6,500,000 (when over 25M was at risk). Even the costs just at early stages (initial case management) for low cost (1M or less at risk) had a median cost of $25,000. AM. INTELLECTUAL PROP. LAW ASSOC., 2019 REPORT OF THE ECONOMIC SURVEY (2019).

\(^{48}\) Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014).
Below, five potential paths to challenging licensing terms are discussed: transforming a license into an effective sale, antitrust, preemption, copyright misuse, and the unconscionability doctrine. All of the arguments are admittedly novel and untested, but each warrant exploration. All have common underlying themes: libraries have a unique purpose when it comes to copyright, the public is poorly served by allowing license terms to override copyright purposes, and existing law is flexible enough to restore copyright's balance. The individual remedies below deliberately rely heavily on equitable theories in law which were established even before this nation was formed and where decision-makers are free to look beyond precedence, common law, and statutory law.

POSSIBLE LEGAL PATHWAYS

Sale v. License

As described above, a library’s ability to provide reliable, consistent, and equitable access to information relies on ownership. Licenses by their very natures deprive libraries of the ownership necessary to carry out their missions. Therefore, the first path to be explored is whether a license can be converted to a sale outright. This type of approach is not without precedent, as courts have noted that even where license has been signed, “[it] is well-settled that in determining whether a transaction is a sale, a lease, or a license, courts look to the economic realities of the exchange.”

Two Ninth Circuit cases --- Vernor v. Autodesk\(^5\) and UMG v. Augusta\(^6\) --- provide the parameters under which licenses for copyrighted content should be evaluated. The mere existence of a license in these cases was insufficient to determine whether the transaction was a sale or lease. Instead, three questions gained prominence in the assessments: (1) were the parties to the transaction aware of the terms before execution; (2) were there significant restrictions on what the licensee could do with the work; and (3) did the licensor show “sufficient incidents of ownership” to indicate a continued interest in the work? Where the answer to all three questions is


\(^{50}\) Vernor v. Autodesk, Inc., 621 F.3d 1102 (9th Cir. 2010).

\(^{51}\) UMG Recordings, Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011).
yes, then the document will be upheld as a license, but where one component is missing, the document can be challenged and enforced as an outright sale instead.

An alternative test was articulated by Brian Carver where he argued that any transaction where the seller intends for the buyer to have continued, perpetual access at the time of the transaction should be considered an outright sale.\(^{52}\) His stance is echoed in the international case of UsedSoft GmbH v. Oracle International Corporation, where a license that granted unlimited and perpetual use was considered a sale.\(^{53}\)

Despite the existence of the Vernor/UMG test and the alternate theories, when defendants have asserted that a license transaction should be considered a sale, it has often failed. This section discusses why these cases have failed, and why libraries might be successful in advocating for a different or added test when they are involved.

All past cases have been brought by for-profit organizations against commercial actors,\(^{54}\) where each entity has a profit motive. It is unsurprising, then, that the test developed seems to be based more on commercial or business principles as opposed to copyright, despite copyright being a factual element of the cases. The first prong of the test raises a question common to contracts—the sophistication of the parties, notice, and the meeting of minds. There is nothing specific to copyright in the question. The second and third questions do relate to copyright insofar as they seem to look at what rights, in the bundle of rights contained within copyright, the licensor intended to keep, but discussion focuses primarily on the copyright owners’ rights with minimal consideration to the public interest embedded in copyright law. While first sale is considered in the cases, the analysis only considers whether or not the work can be resold for commercial purposes, and that for-profit lens influences the outcome. After all, it is not coincidence that the statutory exceptions built into copyright are primarily for non-profit purposes.

The main difference between libraries and all parties to earlier actions, of course, is that libraries are non-profits which acquire works solely for the public interest, one of the two core interests underlying copyright. Their unique role warrants consideration of a different test, whether in addition to the current questions or as a

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\(^{54}\) The court in Vernor did allude to the American Library Association’s brief in favor of first sale but did not feel it necessary to discuss them in reaching its decision that the software was licensed. The hypothetical posed hers is one where a library would be a party to the action and the arguments raised would therefore have to be discussed.
stand-alone inquiry. This new test would also have three parts: (1) historically, have these transactions been accomplished through sales, if so, (2) is the purpose of the license to avoid the alienation rights of a sale, and (3) is the public interest intended by copyright still adequately served by the license?

If one looks at the intended purpose of the content and license and finds that both represent a transaction that, in analog form, would have been executed through sale, and that a sale is necessary to effect copyright’s purpose, the transaction should retain its historical characteristics and the license should be deemed a sale. In such cases, the contrived use of a license furthers only the private interests of profit and control, and copyright owners should not be able to use technology to strip away rights that previously existed and were intended by Congress.

Consider how this element of the test might play out under different circumstances:

Print book, sold under a license. While licenses have been upheld for print works, the circumstances have been quite different from the types of licenses entered into by libraries with publishers. For instance, a license was determined to be legitimate in F.E.L. Publications, where a music publisher published and licensed songs to various parishes.\(^55\) The license terms permitted the making of copies to include in hymnals at a set cost per copy or a flat annual fee. This use is distinctly different from the building of a library collection, though, where a library is not seeking to make copies for simultaneous use but rather simply wants to acquire a resource and make it available to its community in the number of copies acquired. In the case of a library, buying a book from a bookstore or book jobber seems to be the historic transaction to reference. In such an instance, it seems that Bobbs-Merrill may be most relevant. In that case, the publisher had attempted to set a minimum pricing for resale by printing on the copyright page of a book the following notice: “The price of this book at retail is $1 net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.” The court determined that publisher had no right to dictate terms of resale.\(^56\) Ownership of the print book in a regular library transaction, then, would transfer to the library without restriction. The rights of alienation to a

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\(^55\) F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago, 754 F.2d 216 (7th Cir. 1985).

\(^56\) It is acknowledged that the facts before the court are very different from e-book license terms, as the condition in Bobbs-Merrill sought to restrict the actions of the buyer even where the buyer had not received notice of or agreed to the restriction. With e-book licenses, the parties to the contract are aware of the terms and (at least in theory) have agreed to them. Nonetheless, the case illustrates courts’ reluctance to allow copyright owners to dictate downstream transfers.
physical copy are not controversial, but this option is covered here to highlight how acquisition of books was intended to operate. If there is agreement on this point, then the next example should illustrate how troubling it would be to treat digital equivalents differently simply because of a change in format. The purpose of use remains the same on both sides of the transaction, only the format and pricing model has changed.

License of an e-book, where the library intends to permanently add the book to its collection and the licensor has put its work into the marketplace. Traditionally, that marketplace would have been a bookstore, where the licensor would have had no ability to limit sale to a particular set of people. The licensor has no substantive copyright objection over perpetual acquisition, as it has demonstrated willingness to allow perpetual acquisition, just on condition of charging use or periodic fees. The purpose of licensing directly undercuts the type of transaction where copyright was intended to apply. That the licensor then restricts use through a contract should not frustrate the purpose and the transaction should be considered a sale. The e-book would be fully alienated.

License of an aggregator database (e.g., Westlaw). In these cases, the licensee has no intention to purchase, largely because the purchase price for all titles is not affordable or because what is desired is as much the service (e.g., search engine) as the content. The analog version of this would be a subscription library or a fee-based research service, where neither party has any intention or interest in transferring ownership of the materials but instead seeks to supply or acquire temporary access or a service. Because neither party has any expectation of ownership transfer, these types of transactions would still be considered licensed transactions.

Short-term rentals. Again, in these cases, there is no intent, either on the part of the licensor or the licensee to permanently add a title to the licensee’s collection. There may be a short-term need for extra copies, or a desire to access a copy for an immediate purpose, and in an analog world (e.g., Blockbuster) such arrangements commonly came with use terms (e.g., limitation on time and purpose of use). In these cases, then, the transaction again would be considered a license.

In terms of information that could be useful in case of a lawsuit, collection development and maintenance policies that describe what a library has traditionally collected and why would assist courts in distinguishing between materials that libraries buy versus those which they would not add to their collections permanently.
Preemption

First, Congress may in express terms declare its intention to preclude state regulation in a given area.... Second, in the absence of an express declaration, preemption may be implied when the federal law is ‘sufficiently comprehensive to make reasonable the inference that Congress “left no room” for supplementing state regulation.’ ... Finally, state law may be preempted ‘to the extent that it actually conflicts with a valid federal statute.’ **57**

The second path is more useful if the entire license cannot be invalidated, instead arguing for the nullification of license terms that interfere with the exceptions to copyright found in sections 107 (fair use), 108 (preservation and interlibrary loan), and 109 (lending) of the copyright code. This path is intended to apply only to licenses for materials that historically would be acquired through purchase.

In relation to copyright, the scope of preemption as outlined in 17 U.S.C. §301 asks if the work(s) in dispute falls within the subject matter of copyright (§§102, 103) and if the claimed right(s) is within the rights (§106) that a copyright owner has been granted. If the answer to both questions is in the affirmative, then state action on that right is preempted.

This section’s premise is that preemption is not confined to the terms in §301 and that non-state actions can be preempted. While preemption is most commonly used to prevent a state from enforcing laws that interfere with the federal government’s powers, cases have applied preemption against non-state actors. Courts have already acknowledged that preemption in copyright exists beyond the boundaries of §301, and non-state actors have lost several attempts to enforce licenses in cases where the terms drift into various copyright territories. For example, Wrench v. Taco Bell noted that “a breach of contract claim may be preempted if the breached promise is merely a promise not to infringe the owner’s copyright.”**58** And Canal v. Lutvak determined that a contract cause of action for a breach of a license (i.e., continued use of a copyrighted work after expiration of a

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57 AAMC II, 928 F.2d at 522 (quoting Darling v. Mobil Oil Corp., 864 F.2d 981, 985–86 (2d Cir.1989)).

license) could be preempted by Congress’ setting of infringement as the appropriate remedy. In both cases, the parties were non-state actors.

As applied to publisher-library licenses, preemption could be used to challenge clauses that limit the ability to exercise the exceptions to copyright contained in §§107-109. These exceptions contain public interest rights that are as meaningful as the rights that have been granted to the copyright owner. Though no preemption claim has yet been raised specifically for circumventing copyright exceptions, the matter seems to be implied and has been considered in dicta. In Pataki, the question was whether a state law’s disclosure requirements on a standardized test were preempted by copyright laws, and in answering the question, the court considered the exceptions to copyright necessary to the analysis. It reaffirmed that “conflict preemption” occurs either when “compliance with both federal and state regulations is a physical impossibility,” ... or where state law “stands as an obstacle to the accomplishment and execution of the full purposes and objective of Congress,” a principle that would seem to apply as much to the exceptions to copyright as to the exclusive rights granted to the copyright owner.

How might a preemption claim work in practice? Any attempt would focus on specific licensing terms (i.e., those that prohibit lending, interlibrary loan, preservation, or fair use), unequal bargaining power (discussed in greater detail in the sections below), and would demonstrate how the terms trespass on Congress’ authority to determine copyright rights and restrictions. Congress chose to effect copyright in a particular way that these license terms override, and this transparent attempt to negate public rights should translate into the invalidity of the relevant license terms.


60 College Entrance Examination Bd. v. Pataki, 889 F.Supp. 554 (1995) (“In the present case, the moving plaintiffs argue that by forcing them to publish copyrighted secure tests, the STA alters the balance struck by Congress between the exclusive rights of copyright owners found in § 106 of the Copyright Act and the exceptions to those exclusive rights found in §§ 107–118 of the same Act... [T]he moving plaintiffs assert that “[u]nless the forced publication compelled by the [STA] fits within an exception created by Congress—the fair use doctrine—the [STA] is necessarily at war with, and preempted by, the Copyright Act.”

61 Id. at 564 quoting Ass’n of Am. Med. Colleges v. Cuomo, 928 F.2d 519, 522-23 (2d Cir. 1991).
Antitrust

The third path is one that seeks to change the entire culture of licensing through use of antitrust. Even if an action is brought against a single or small number of actors, any determination that a licensing practice runs afoul of antitrust should result in immediate, wide-ranging reform of that practice.

Antitrust is grounded in the principle that competition is good for the consumer, and that anticompetitive behaviors such as unreasonable restraints of trade, monopolistic conduct, price fixing, and price discrimination are suspect. On the surface, intellectual property and antitrust might appear to be inherently incompatible. After all, prevention of monopolistic conduct is an explicit antitrust purpose,62 where stopping such conduct is seen as “protect[ing] the process of competition for the benefit of consumers, making sure there are strong incentives for businesses to operate efficiently, keep prices down, and keep quality up.”63 On the other hand, copyright is a monopoly legitimized by Congress, and as noted in a later section (see Misuse), courts have no expectations that these monopoly owners foster competition or keep costs down.

However, once one takes a look at the actual descriptions within antitrust, it becomes apparent that the monopolies bestowed by copyright are not the same as the monopolies seen to endanger the economy. An antitrust violation often involves an actor abusing market power, where market power is defined as “the ability profitably to maintain prices above, or output below, competitive levels for a significant period of time.”64 It is unlikely that an individual author will ever hold market power such that she would run afoul of antitrust laws. Corporations who own parts of the rights within copyright, though, may engage in behaviors that would draw antitrust scrutiny. Thus, where Congressional-granted monopolies would not by themselves raise antitrust concerns, how those monopolies are used might.

To overcome any misapprehension that IP is immune from antitrust review or that IP monopolies automatically confer market power, the Department of Justice (DOJ) and the Federal Trade Commission (FTC) have articulated the three general principles in assessing antitrust allegations when IP licenses are involved:

64 Id. at 4.
(a) for the purpose of antitrust analysis, the Agencies apply the same analysis to conduct involving intellectual property as to conduct involving other forms of property, taking into account the specific characteristics of a particular property right;
(b) the Agencies do not presume that intellectual property creates market power in the antitrust context; and
(c) the Agencies recognize that intellectual property licensing allows firms to combine complementary factors of production and is generally procompetitive.65

While these principles explicitly encompass licenses for all types of intellectual property, it is important to note that the examples it provides throughout describe instances where both the licensor and the licensee are commercial actors interested in exploitation of the IP in the course of business. They lean heavily on patent and operational software, which have significantly different characteristics than the types of copyrighted materials that libraries and users license, so the document by itself does not shed a great deal of light on how licenses between other types of actors should be assessed. For that reason, this section relies as much on general antitrust principles as the DOJ/FTC document.

Libraries seeking antitrust determinations must first set forth arguments showing an actor’s unreasonable restraint of trade beyond just the ownership or control of a copyrighted property. In the case of publisher e-book licenses with libraries, most of the arguments appear to fall in the categories of (1) abuse of market power where the actor can “force a purchaser to do something that he would not do in a competitive market”66 or (2) “the ability of a single seller to raise price and restrict output.”67

Both SPARC and the American Library Association (ALA) have already raised antitrust concerns in the case of major publishers. The ALA’s Competition in Digital Markets outlines the following anticompetitive behaviors by book publishers: refusal to make products available to libraries at any price (Amazon), delayed sales to libraries (Macmillan), abusive and discriminatory pricing (Simon & Schuster), leases for private

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65 Id. at 2.
use only (Netflix, Spotify), prohibition on preservation activities, publisher consolidation leading to 45% of market power (presumptively illegal under Clayton Act), pricing that outstrips inflation, bundling (e.g., Big Deals), unfair bargaining power due to non-substitutable goods, and using market power to breach privacy. SPARC, in opposing the merger between Cengage and McGraw-Hill, adds weight to these anticompetitive claims specifically in the textbook market and raises additional questions about publishers elevating prices to make up for reduced sales, suppressing secondary markets, engaging in unfair pricing, coordinating price increases harmful to consumers, and privacy.

This section suggests that there may be additional antitrust violations to consider, one falling under the category of tying and the other as a general restraint of trade.

**Tying**

The first path involves the concept of tying, which is defined as: “an arrangement whereby a seller sells a product to a buyer only if the buyer purchases another product from the seller.” With respect to publisher-library licenses, the assertion is that publishers have tied e-materials to delivery platforms in a manner that harms the consumer. The claim of tying is made here in cases where a publisher sells a title exclusively in e-book format, has market power, and forces a library to use their reading application or delivery platform exclusively with their e-books. The tying may not come in the form of an explicit license requirement but might simply be executed through technological controls, where an e-book cannot be accessed except through the publisher platform or cannot be read except through a proprietary reader.

A tying claim must prove three points. First, there must be two (or more) separate markets where access to the tying product is conditioned on also acquiring the tied product(s). Second, “the seller [must have] appreciable economic power in the tying product market.” Third, the “arrangement affects a substantial volume of

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commerce in the tied market.” Tying’s objective is usually to use dominance in one market to gain market share in an unrelated one or to restrain free competition in the tied market. In licenses between publishers and libraries, the goal does not seem to be to gain dominance in the tied market but rather to use tying to accelerate price increases or exert control over the tying market. If the perspective of a court or an agency that this objective is an essential part of the analysis, then tying would not work in the instance of library licenses. However, if all they require is the satisfaction of the three-pronged test, there is a way forward.

Copyright in platforms is obviously separate from the copyright of any given book, as they are considered different categories of works even within the copyright code. Further, the market for e-books is one that meets readers’ demand for substantive content. Even if the market is narrowed – e-books to libraries, fiction e-books, academic e-books - the market is clearly one that involves the content of copyrighted works. Delivery platforms and reading applications are two different functional markets, both of which have characteristics that can be separated from the e-book market and both of which are used by consumers of e-books to gain access to their works. Delivery platforms can operate separately from e-books, as is demonstrated by online booksellers like Amazon or Barnes and Noble. The same can be said of e-readers such as Overdrive, Kindle, or Simply-E. E-books can be read independently of any designated software, providing that the publisher provides the e-book in a commonly used format such as epub. Though delivery systems and reading applications clearly serve a function independent from a book and can be separated, they are not always available separately.

In answer to the second prong of the test, it would be difficult for major publishers to deny that they have appreciable economic power in the tying product market (e-books). (The inquiry into independent publishers would be more complex, as they may hold too little of any given market to be presumed to have market power). Major publishers not only serve as the only seller of the content provided by their organization, but due to decades of rapid consolidation, often hold 10% or more of the overall market. An example is the postsecondary course material market, where estimates show that Pearson holds approximately 40% of the market share, Cengage holds 24%, and McGraw-Hill holds 21%.

The third test – substantial volume of commerce in the tied market – is the trickiest to prove, because for many publishers, the platform or reading application is

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73 SPARC, supra note 69 at 17.
not sold independently. The platforms used to access BNA titles, for example, are integrated such that one cannot access their titles without using the platforms. The only purported cost charged to the subscribing library is for the content, so publishers may claim that even if a delivery platform or reader is considered a tied product, the tying produces only benefits for the consumer, as the platform or reader is free. But even free products within a market where all products are free can raise antitrust claims, as is shown by inquiries into Google (search engine74) and Microsoft (browser litigation75) over the years.

Some publishers may also claim that there is no intent to gain dominance in the tied markets because their products only work for their own titles. They have no overall applicability to e-books created by other publishers. In other words, they are not attempting to replace existing readers or delivery platforms with their own but are simply offering these products as a convenience to the consumer. That would be a persuasive response if materials in the tying market (e-books) could be purchased without the designated reader or platform, but is not persuasive where that separation is not offered and where e-books come at much higher costs when tied (library licenses) than in untied markets (individual user licenses).

The costs of creation and production of an e-book should be no more than for a print book, as it requires no greater resources to write, review, or edit an electronic text than a printed one. Further, electronic delivery eliminates printing and delivery costs. The copyrighted work – the book’s content – is the same regardless, so any upcharge is related to something else, whether the format or these platforms. Insofar as the costs exceed the cost of production (which should match or be lower than the production of the print) and are not rationally related to the commerce generated by a licensee’s commercial actions, extra revenues should be attributed to the tied market(s) and should count as “commerce” in those markets.

This is not an unreasonable conclusion as publishers have cited the need to update their platforms as the justification for above-inflation annual increases.76 Publishers have also acquired non-monetary benefits through tying -- in the form of user data --- which should also be counted in calculating how much “commerce” it does in the tied market.

76 Antitrust Guidelines, supra note 63.
A separate but related antitrust charge might apply using the same facts, that of exclusive dealing, where “a license prevents the licensee from licensing, selling, distributing, or using competing technologies.” In the case of e-materials and libraries, publishers implement these restrictions through license but through system design; the end result is the same regardless.

Should tying be found, it still may not rise to the level of an antitrust violation. To determine if a violation occurred, a court can choose to find a per se violation or evaluate it under the more moderate rule of reason. Since a per se violation involves little analysis, this paper assumes that a court would evaluate publisher-library licensees under the rule of reason, which involves weighing the procompetitive effects of an action as well as the anticompetitive effects.

There are not many procompetitive effects of the arrangement described, but based on arguments raised by licensors in past cases, it is imaginable that a publisher would claim the following procompetitive effects: lower prices for consumers, reduced piracy, and differential pricing advantageous to public interest (e.g., allows lower pricing for education as opposed to commercial use). The first simply is not true if the library is viewed as the consumer; as detailed above, costs are actually higher when the content is tied to the platform than when it is not. The last is similarly suspect, as the differential pricing between libraries and users actually works against the public interest in these cases, making it more difficult for society generally to access information.

The second point is one that is raised regularly, that restraining digital objects (e.g., by tying it to a platform) is necessary to protect against piracy that would reduce sales (and therefore, competition), which in turn protects innovation. The theory here is that authors are more likely to generate new works if they do not fear that their works would be pirated. The underlying philosophy is reflected in reports by both the Copyright Office and the Patent and Trademark Office which assert that digital formats require more protection as they are more vulnerable to illegal reproduction and distribution than physical formats. An ancillary claim is that library lending itself is...

77 Id. at 30.
78 Suture Express, Inc. v. Owens & Minor Distribution, Inc., 851 F.3d 1029 (10th Cir. 2017); 1 Holmes, Intellectual Property and Antitrust Law § 5:3 (A per se violation is defined as “practices as being so plainly anticompetitive and without possible redeeming competitive virtue as to be per se, or conclusively, unreasonable.”); Copperweld Corp. v. Independence Tube Corp., 467 U.S. 752 (1984) (the rule of reason requires courts to conduct a fact-specific assessment of “market power and market structure ... to assess the [restraint]’s actual effect” on competition).
harmful to copyright owners’ interests, and digital formats, which allow for more efficient lending, would therefore magnify the harm. If true, then strategies to limit this harm would be beneficial.

The challenge for publishers is proving this last point. Existing data shows that neither free access nor piracy necessarily reduces sales, and publishers (albeit mostly in music publishing) have already developed a track record of fabricating data because actual data is either non-existent or fails to help them. Similarly, in the few cases where library lending is directly attacked, it has been easily refuted.


80 WILLIAM F. PATRY, HOW TO FIX COPYRIGHT 157-58 (2011) (artists such as Neil Gaiman and Monty Python found increased sales with piracy, as people who otherwise would not be exposed to their work saw it through those venues and were interested enough to subsequently buy the works). Paul Heald, How Copyright Keeps Works Disappeared, 11 J. EMP. LEG. STUDIES 829 (2014) (a study on public domain materials showed that free access actually increased sales of the works). Brett Danaher, et al., Converting Pirates Without Cannibalizing Purchasers: The Impact of Digital Distribution on Physical Sales and Internet Piracy, 29 MARKETING SCIENCE 1138 (2010) (describing two studies, one of music on iTunes and the other of television programs available through NBC or Hulu, showing more unauthorized copying when legal access was temporarily disrupted. Once the content became legally available again, unauthorized downloads went down, further illustrating that that paid content could compete with free.).


82 As early as 1814, publishers were claiming that the “presence of books in public libraries discouraged members of the public from buying them. Upon further questioning ... [the publisher] admitted that the presence of books in libraries acted to increase sales, because it diffused a taste for reading.” ISABELLA ALEXANDER, COPYRIGHT LAW AND THE PUBLIC INTEREST IN THE NINETEENTH CENTURY 49 (2010) (referencing the Minutes of Evidence Taken Before the Select Committee on the Copyright Acts of 8 Anne, c. 19; 15 Geo. III, c. 53; 41 Geo. III, c. 107; 54 Geo. III, c. 116, at 3-6, 280 (1818)). See also Richard LeComte, Writers Blocked: The Debate over Public Lending Right in the United States during the 1980s, 44 Libr. & the Cultural Record 395 (2009).
The anticompetitive effects of tying manifest both in prices and efficiencies. In e-book markets where users do not have to use the publisher’s platform or designated reader (e.g., popular e-book fiction directly to end user), the prices charged are equivalent to or less than the analog equivalent. In the e-book markets where there are tie-ins (e.g., popular e-book fiction to libraries, textbooks to end users), the prices are significantly higher. SPARC provided such data with respect to the textbook market:

Over the last two decades, the cost of textbooks has far outpaced inflation, home prices, medical care, wages, and—at times—even the cost of tuition and fees, rising 184 percent since 1998, three times the rate of inflation. The trend is even more evident in the change in wholesale prices. According to the Bureau of Labor Statistics (BLS) Producer Price Index (PPI) for Textbook Publishing, producer prices for college textbooks have increased 742% since 1980, almost six times the rate of inflation for all commodities.83

Further, there are non-monetary costs. In the non-tie-in market, the user typically has the right to read the title an unlimited number of times and retains access through their lifetime (subject to revocation rights). In the e-book market for libraries, both of these rights are lost. Depending on the publisher, the number of uses or the length of time of use can be circumscribed by license. In publisher-library licenses, users also lose their rights to privacy without even the illusion of consent. In contrast, when a user purchases an e-book, they must accept the license agreement which in essence says that their use will be tracked, as is evidenced by the language drawn from Amazon’s Kindle book license:

The Software will provide Amazon with information about use of your Reading Application and its interaction with Kindle Content and the Service (such as last page read, content archiving, available memory, uptime, log files, and signal strength). Information

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83 SPARC, supra note 69 at 5-6.
provided to Amazon may be stored on servers outside the country in which you live.

While one could make a convincing argument that the user is completely unaware of license terms in any case, there remains the fact that there is at least the appearance of consent in individual-distributor licenses, as the user has to assent to the license to acquire access to the book. In the use of library materials, the user is not a party to the license at all and therefore has no opportunity to consent to the loss of their data, even if they are an unusually hyper-aware consumer who reads all applicable licenses.

Last, e-book markets with tie-ins create inefficiencies. In the markets free of tie-ins, users can search for titles across multiple publishers (e.g., Amazon search interface). This provides an efficiency in searching that facilitates both discovery and consumption. For markets with tie-ins, both users and libraries need to use the publishers’ sites to find a title, and in some cases, use the title. This creates inefficiencies for the user not only in finding the works but also using them, as they may require different platforms for use. To access all of their content, they would need to switch between platforms, and they would have no ability to search across all their licensed e-books for common notes. Similarly, for libraries, the tie-ins and unwillingness to license or sell just the e-book ensure that library catalogs and discovery layers cannot work effectively for their communities. In their catalogs, libraries may not be able to link directly to a title if deep linking is not permitted, and in their discovery layers, the proprietary aspect of platforms means that publishers can restrict (and have restricted) the information that discovery layers can index. This means that even when a user believes that they are searching the library’s full holdings, they likely are not.

Data gathering to dispel pro-competitive assumptions about libraries or licensing to libraries.

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84 In a review of software transactions, it was found that 2% or fewer of purchasers read the license agreements. Yannis Bakos, Florencia Marotta-Wurgler, & David R. Trossen, Does Anyone Read the Fine Print? Consumer Attention to Standard-Form Contracts, 43 J LEG STUDIES 1 (2014).
User surveys. While libraries and their proponents often describe the benefits of library lending, publishers and copyright owners have countered with a list of harms. User information should convincingly put at least one side of this debate to rest. The survey could be as brief as two questions: (1) Have you discovered any authors or titles through the library that they would not have encountered otherwise? (2) Have you ever purchased a title after first having been exposed to it through a library? While the proportion of yes/no answers to the second question may vary depending on wealth of the users in the population, the answers to both questions are typically in the affirmative.

- The questions focus on establishing the benefits of lending, simply because once those are proven, it becomes an opponent’s job to prove both that there are harms and that they outweigh the benefits.
- More questions (e.g., where a book is not available through your library, do you purchase it) or more detailed questions (e.g., what percentage of borrowed titles do you purchase) may provide more nuanced information, but to defeat the noise coming from additional questions, the survey would have to be considerably longer, which historically has deterred response.
- Possible library association roles
  - Model questions. While a library association (or even an external research organization) could coordinate a broader effort, response rates are likely to be higher if the questions come from an individual’s local library. But library associations can facilitate local surveys by producing model questions both to reduce duplication of effort and to encourage consistency in phrasing such that information from different libraries can be compared.
  - Provide a central data location where libraries can share their data, and where the association can add search facets (e.g., small, public library) that may not be in the survey data but can be extrapolated from the submitting library.

Review of current technologies. Research whether or not the digital form is more vulnerable than a print form, as the change in technologies may actually prove the opposite. There are any number of technologies that exist today --- from blockchain to watermarking and digital footprints – that can either ensure a one-to-one distribution or can make it easier for copyright owners to track
unauthorized reproduction. Also, with scanner apps available on every mobile platform, copying an analog work is remarkably easy. When those two facts are combined with current copyright adjacent laws on circumvention\textsuperscript{86}, one could argue that the digital format is more protected than the analog, as any publisher-produced digital format uses some form of digital rights management. Any user circumventing that technology would bear the civil risks of infringement as well as the criminal and civil penalties of circumvention,\textsuperscript{87} whereas someone scanning a print book and distributing the scans faces only standard infringement claims.

\textit{Review of library controls.} Another common justification to prevent sales of e-materials is that the lack of control over a work results in more wide-spread piracy. Because it is not possible to prove a negative – that library users are not pirating e-books borrowed from the library – libraries instead should document how their e-content is controlled through DRM and demonstrate library principles that are aligned with maintaining this type of control. Libraries set budget allotments and collection policies based in part on accurate counts of copies and uses. That data is only reliable if specific use data on copies is available, and that type of collection is only possible where a library can see how many times each of its copies has circulated.

\textbf{Data gathering to bolster the anticompetitive arguments}

Library associations should:

\begin{itemize}
\item Include in current price surveys assessments of price increases where the only provider is the publisher as compared with instances where multiple distribution channels exist.
\item Report on differences in costs where titles are available to both the individual and a library. Libraries may contribute by submitting such information when they find it to a central organization, if a portal or mechanism for such reporting is made available.
\item Establish a repository for information gathered by individual libraries below.
\end{itemize}

\textsuperscript{86} 17 U.S.C. §1201 et seq.

\textsuperscript{87} While one might hope that the circumvention statutes themselves would be reformed, as they stand now, they allow for recovery of actual or statutory damages (17 U.S.C. §1203) as well as criminal penalties up to 10 years’ imprisonment (17 U.S.C. §1204).
Individual libraries should document:

- Requests for and responses to alternative pricing. For example, if a publisher makes other pricing options available, noting the difference in costs and terms may help a court to determine if those costs/terms are reasonable or not. If they are not, then they will bolster any claim here (or under Misuse) that no reasonable alternative to an excessive pricing structure exists.

- Requests for and responses to outright purchase of e-materials (as opposed to licensing). Past antitrust and misuse claims in music licensing have been defeated on lack of evidence, where the claim itself, if substantiated, would have survived. The documentation here is to ensure that no claim can be defeated for lack of information. Even if that information is not directly related to the claimant, if enough is gathered, it could serve to show a pattern or culture of practice.

If tying is found to violate antitrust laws, publishers may still create, maintain, and offer their platforms and readers, just as separate products. It is possible that the bells and whistles tied to such products will gain them legitimate business, but those without the budget for add-ons would at least have the option to gain access to content without paying for ancillary, unnecessary services.

It is, of course, possible that publishers would make the platform optional while charging the same prices for the content only, in which case, some of the other paths described in this paper might serve as next steps.

**Unreasonable Restraint of Trade**

The second antitrust path is more unusual, as it asks courts to look beyond existing case law to consider the purpose of antitrust itself, described by the Federal Trade Commission:

> Free and open markets are the foundation of a vibrant economy. Aggressive competition among sellers in an open marketplace gives consumers — both individuals and businesses — the benefits of lower prices, higher quality products and services, more choices, and greater innovation. The FTC’s competition mission is to enforce the rules of the competitive marketplace — the
antitrust laws. These laws promote vigorous
competition and protect consumers from
anticompetitive mergers and business practices.⁸⁸

[F]or over 100 years, the antitrust laws have had the
same basic objective: to protect the process of
competition for the benefit of consumers, making sure
there are strong incentives for businesses to operate
efficiently, keep prices down, and keep quality up.⁸⁹

The facts to support an antitrust claim here have commonalities with tying,
monopolistic conduct, and unreasonable restraint of trade but there is no truly
analogous instance in antitrust’s history. The argument requires courts to recognize
a market that is neither a good nor a service. The arguments made here might be
easier to make under misuse or another equitable principle, but because the effects
of the practice are anticompetitive and have an impact not just on libraries but
direct consumers, I have included this claim in this section instead.

Antitrust claims against many IP uses readily lend themselves to the usual “rule
of reason” or “per se” tests in the field. These are the IPs that have no value without a
specific form. For example, a computer program is only usable as code, and a sculpture
gets its value from its physical form; they must be contained and used in a very specific
form and therefore conform to the reasoning as goods. But for some patents and
copyrights, the value is in the work, independent of form. An example in patent might
be a new medical tool design, one that could be effected through any number of
materials – plastic, metal, glass. In copyright, the literary aspect⁹⁰ of books comes under
the same description; whether in print, online, e-book, microform, audio, it is the
content that users are primarily seeking, not the format. While a consumer, if offered
multiple formats, may select the one that is most convenient to them, at the end of the
day, the content is still useful independent of the container but the container has no
value without the content.

⁹⁰ Unlike the literary aspects, any design aspects, such as illustrations, may indeed be restricted by form.
The crux of this second antitrust argument is this: major book publishers have used their monopolies over copyrighted works to attempt to eliminate whole markets. With respect to their dealings with libraries, they have eliminated the vertical relationships (booksellers, jobbers) that encouraged competition and now instead control both production and distribution. They are eliminating secondary markets by only allowing rental of works instead of purchase of copies of those works. Neither market elimination is a natural evolution of commerce and both are only possible through exerting market power gained through copyrighted works. By restricting user choice, such an actor has decreased competition and established an environment where exploitative pricing cannot be escaped.

The anticompetitive actions can be found in discriminatory pricing against the public interest, vertical licensing agreements, privacy violations, and in the language of license agreements with libraries (e.g., confidentiality clauses). The facts supporting the first three allegations are the same as they were in the tying claim above. The last refers to instances where the publisher refuses to grant access to content without the library’s agreement to clauses on confidentiality or user privacy. Confidentiality restrictions commonly are required and can apply to aspects of cost and rights contained in the license agreement itself. While public entities often have state legislation to reject such clauses, private libraries often have no power to object to these types of terms. The inability to share basic information about cost means that publishers’ charges for the same resource to similar entities can vary widely, with the libraries unable to share information that would allow them to negotiate for more competitive prices. Privacy clauses can be even more troubling, requiring the library to assent to the tracking of user data without the user’s consent and denying access to content without that assent.

The data that would be useful to gather in this subsection is the same that has been recounted in the tying subsection above. Libraries should also document negotiations where they have requested striking these clauses and have been denied. The request, the response, the publisher, and the title(s)/database(s) should be part of the data gathered.

Misuse

The fourth path looks at the doctrine of copyright misuse and aims for two potential outcomes: to force a publisher to license works to libraries or to render a license unenforceable.

The arguments contained in this section may sound very familiar to antitrust claims of refusal to deal, unreasonable restraint on trade, or illegal monopolistic conduct, and
it is true that the claims of each share common aspects. However, misuse has a lower bar than antitrust so warrants its own discussion. It could also serve as an adjunct to an antitrust claim, where some actions might be determined to be a violation of antitrust while others would find greater success under misuse.

Lasercomb v. Reynolds extrapolated from the patent misuse doctrine to develop the following description of copyright misuse:

The grant to the [author] of the special privilege of a [copyright] carries out a public policy adopted by the Constitution and laws of the United States, “to promote the Progress of Science and useful Arts, by securing for limited Times to [Authors] ... the exclusive Right ...” to their [“original” works]. United States Constitution, Art. I, § 8, cl. 8, [17 U.S.C.A. § 102]. But the public policy which includes [original works] within the granted monopoly excludes from it all that is not embraced in the [original expression]. It equally forbids the use of the [copyright] to secure an exclusive right or limited monopoly not granted by the [Copyright] Office and which it is contrary to public policy to grant.\(^91\)

Copyright misuse is not often invoked, though each time it is (most often in software or music licensing cases), it is in the context of using a copyright in a manner contrary to the public policy interests embodied in the grant of copyright. Defendants have been successful in using misuse to cast doubt on infringement claims where the licensee’s ability to conduct business normally is compromised,\(^92\) the licensee’s price

\(^91\) Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 977 (4th Cir. 1990).

\(^92\) Id. (prohibiting licensee from independently engaging in any activities in the computer-assisted die-making software was considered copyright misuse); DSC Communications Corp. v. DGI Technologies, Inc., 81 F.3d 597 (5th Cir. 1996) (claim of infringement where competitor downloaded a copy of an operating system to insure interoperability with a new microprocessor card); Alcatel USA, Inc. v. DGI Technologies, Inc., 166 F.3d 772 (5th Cir. 1999).
options are inappropriately restrained, the licensor has misused the judicial process, or the licensor charged fees for works in the public domain. Despite past successes, though, there are several major obstacles in misuse arguments when licenses are involved. Courts have generally held that...

...a copyright holder can legally refuse to grant a license and can also generally restrict the use of the licensed copyrighted material. Thus, ostensibly high licensing fees have been held insufficient to support the defense in and of themselves, as have limitations on television broadcasting rights of sporting events and the allegedly obscene nature of the copyrighted material.

In other words, courts have fully supported a licensor’s right to refuse sale, set high prices, or set differential prices (e.g., educational v. commercial use). For libraries, the two strongest avenues for a misuse argument are restrictions against the public interest

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93 Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Services, 746 F. Supp. 320 (S.D. N.Y. 1990) (misuse could be found if a program service could show that a licensing corporation had used its legal monopoly power to force cable program services to purchase the corporation’s blanket license at exorbitant prices); Coleman v. ESPN, Inc., 764 F. Supp. 290 (S.D. N.Y. 1991) (copyright misuse can be a defense if evidence exists that there were no reasonable alternatives available other than the blanket license offered by the music publishers’ organization).

94 Alcatel USA, Inc. v. DGI Technologies, Inc., 166 F.3d 772 (5th Cir. 1999) (software copyright holder sued for copyright infringement to restrain defendant from the use of material over which the holder had no rights, committing knowing misrepresentations to the court and the adverse party in order to obtain an injunction against that party).


and unreasonable costs, but in order for these to prevail, they would need to overcome the obstacles presented by standard licensing practices. This section examines past cases and outlines how libraries’ unique role in copyright might achieve success.

**Refusal to Deal**

This subcategory includes a publisher’s refusal to grant a license, limiting the number of copies acquired, or limiting the number of uses per copy, and again concentrates only on licenses for content that libraries would normally acquire if acquisition were an option.

As has been discussed, publishers like Amazon no longer license e-books to libraries; others, like Macmillan, have either delayed library access or have limited the number of copies of a book a library can license; and still others have set limits on how many times an e-book can be used before it has to be repurchased. If libraries are unable to gain effective and reasonable access, then two public purposes of copyright have been frustrated: access and preservation. Libraries were designed to provide equal access to information, and by preventing library access, publishers have essentially excluded the poor from access. Further, without access, content cannot be preserved for future generations, even if the license agreements otherwise would permit such action. While licensors typically have the right not to license or to set restrictive terms, there are two reasons why libraries may still be able to allege misuse.

The first is the historical background of books, where books generally were available to anyone or any entity that could purchase them. Neither the author nor the publisher could discriminate against purchasers; anyone could walk into a bookstore and acquire a copy of the work. The only constraints on the number of copies that could be bought were set by the number of copies in the store. Books could be used, reused, repaired indefinitely without additional payments to the copyright owner. That publishers have taken a technological advance to create inequities and barriers that did not exist with earlier technologies should be seen as against the public interest and against copyright’s purpose.

The second distinguishing feature is use. Unlike other industries, where works could be used in a manner to support a message (e.g., political campaign) or product (e.g.,

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97 Arguably, a bookseller could limit the number of copies that any given person could purchase, but then that limitation would apply across the board, without a discriminatory effect. Even under such a limit, that bookseller could not stop a purchaser from leaving the store with the maximum number permitted, returning later and again buying the maximum number permitted.
advertisement), libraries provide public access to works for education, research, and basic consumption. Where it may indeed make sense to reserve to the copyright owner the right to withhold a license when (1) they disapprove of how their work might be used to advance another purpose or (2) the industry’s historical practice has been to selectively limit sales, one can argue that a copyright owner does not have the right to withhold permission for a public use that Congress intended.

How might this argument be used? Misuse has been declared by courts as a defense to infringement, not a vehicle for affirmative relief, though libraries might consider reopening that question here. Where publishers have declined to license works to libraries at all, the reasoning behind the misuse doctrine seems to apply offensively. One needs to defeat the practice to even gain access to the work.

There are other instances in which misuse might be more necessary in its usual defensive posture, such as if a library obtains access to a licensed work through one of its staff (e.g., the license is not in the library’s name but in the name of one of its employees) and uses it in a manner consistent with library practices but not with the license. This type of use is likely to make the most sense in the case of e-books where the use intended by the library is the same as would have been intended with a print book (i.e., access and preservation).

Data gathering
In addition to the data suggested in the tying subsection on lending, as well as standard statistics already gathered by libraries (e.g., ILL lending, circulation statistics), the data suggested here for libraries to collect is intended to inform courts of the varied impacts of the public purpose of copyright. Even where courts are aware of such arguments in theory, actual data provides validation for what might seem to be a common fact to libraries but might be too abstract for others to fully understand without hard statistics.

Number of titles that circulated for the first time in each of the previous 20 years and their years of publication. This data is useful in illustrating the importance of the preservation right. Many libraries acquire titles that do not circulate immediately but which they feel carry useful knowledge that will be necessary in future years. In a licensing environment, it makes no sense for a library to continually pay for a work

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99 The 20 years is arbitrary and could be reduced or increased if desired. Essentially, the purpose is simply to capture enough information that a pattern can be detected. Where a library also tracks “in library use”, this information should also be reported.
for which there is no immediate need, and by the time it is needed, the title may be unavailable from any source. In contrast, in an ownership environment, that title remains available regardless of immediate use. This type of data may not be available through all ILSes, so library associations are encouraged to (1) advocate for the saving of data that supports such reporting, and (2) publicize queries for ILSes where the data can be gathered now (so that libraries can easily run the reports).

**Number of titles that did not circulate in each of the previous 20 years.** Most libraries will have titles that do not circulate every year, and this again illustrates the preservation function of libraries. The texts remain available to users at time of need, even if that need is not today.

**What percentage of print titles are replaced in a given year, tagged with the reason(s) for replacement (e.g., lost, damaged) and the source for replacement (e.g., publisher, bookstore, secondhand market, copy under 108).** Underlying assertions by the Copyright Office and publishers that the digital form harms copyright owners are two assumptions (1) that print forms deteriorate so quickly that users or libraries would be forced to replace them regularly, so controlling digital forms to mimic that deterioration is fair, and (2) that such replacement brings a monetary benefit to the copyright owner. Data showing the small percentage of titles replaced each year should address the first assumption, and data showing where libraries acquire replacements from secondhand stores can help to demonstrate that even where replacement is needed, the author is not necessarily the beneficiary of monetary gains.

**Number and percentage of titles held by the library, charted by their publication dates and their acquisition dates.** Libraries know that print does not deteriorate as quickly as publishers allege, as they have materials that are centuries old in their collections, and a chart showing how long they have held and how often they have used the books in their collections is relevant to dispelling common assumptions.

**Where print titles have to be replaced for damage, how many times they circulated before replacement; where print titles haven’t been replaced, the average number of times a title circulates; and where titles are popular (e.g., popular fiction), the average number of times a title circulates.** This data can be used to attack specifically the terms that limit circulation to a particular number of uses before expiry. The data can show both that library print books survive many more uses
than their offered e-equivalents, and that many of a library’s books never circulate at high numbers so that a price set on an assumption of a set number of circulations may be seen as arbitrary and against public interest.

User surveys. Expand on the research already done by Pew Research Center\textsuperscript{100} to determine how many people would have no alternatives to information access if their local library ceased to exist. This data should provide information useful to assessing the public interest right of access to information, particularly for disadvantaged populations.

\textit{Unreasonable Costs}

This is a much more challenging misuse argument to make, simply because of the historical acceptance of courts that owning intellectual property “entitles the owner to exact royalties as high as he can negotiate with the leverage of that monopoly.”\textsuperscript{101} While the statement has been most commonly used in patent cases, it has been applied to copyright as well.

Again, though, libraries have characteristics that no other entity does. In reviewing existing cases where cost was alleged as misuse, almost all have fallen into two categories. The first involves operational software\textsuperscript{102} – software that was not creative but designed to perform a practical action – where other competing products remained on the market. The courts rejected the cost arguments in operational software cases because competing products existed (i.e., the licensee was not restricted only to work with the licensor) and they felt that the price reflected a reasonable recoupment of the costs of development. For instance, in MAI Systems, a case involving diagnostic software, the court denied the claim that high license fees equaled misuse, instead noting that it was normal and appropriate to recoup these costs through licensing fees.\textsuperscript{103}

The second group of cases involves blanket music licenses where the licensees (e.g., cable operators) acquired the rights to programs without owning the rights to the music

\textsuperscript{100} Horrigan, \textit{supra} note 44.
\textsuperscript{103} MAI Systems, \textit{supra} note 102 at 367.
contained in the programs. The industry practice was for licensees to acquire the rights to programming without reviewing background music, and then acquiring a separate license that would account for any music use. Public performance organizations like ASCAP and BMI provided such blanket music licenses to organizations, giving them broad access to a wide range of musical works for a set fee (e.g., % of revenues). Blanket licenses provided an efficient and convenient way to get coverage without individual negotiations with each artist. Where licensees attempted to use cost as an argument to invalidate the licensing practices under the misuse doctrine, they invariably lost. The three relevant factors were: insufficient evidence, proof that realistic alternatives existed, and undisputed evidence that blanket licenses reduced transaction costs that would otherwise be prohibitive (i.e., that the pro-competitive effect was greater than the anti-competitive effect).

Taking libraries’ unique characteristics into account, the decisions in past cases regarding costs seem inapplicable. Investment in authors and publishing is substantially less than in software development, as a book (regardless of format) requires no upkeep. The text of a work does not change unless edits are made in reprinting, and even then, the costs are no different than they would be in print. One might argue that they are even less costly in digital format as reprinting and physical redistribution are unnecessary.

Books are distinctly different from software in that there is no head to head competition. In other fields, there may be dozens of competitors (e.g., word processing programs) to achieve the same purpose, but one cannot substitute one author’s works for another (e.g., if Lord of the Flies is assigned for an English class, no other book can be used to replace it). And unlike the cases where courts have supported IP owners’ rights

104 The agreements typically denied the rights of the operator to replace the music, so that was not an alternative option for the licensees.
105 Nat’l Cable Television Ass’n, Inc. v. Broad. Music, Inc., 772 F. Supp. 614, 644 (D.D.C. 1991) (hereinafter, BMI) (“the tremendous efficiency of the blanket license, which, ultimately, reduces costs to buyers and maximizes output. This beneficial economic effect arises from the elimination of potentially thousands of transactions that would otherwise have to occur, in negotiating licenses, monitoring of use, sales, and enforcement of copyrights.”)
108 BMI, supra note 105.
109 There are costs in platform development, but as noted in the earlier section on Antitrust, platforms involve a different copyrighted work than a book.
to extract as much profit as possible from their monopoly, the parties involved here are not two commercial entities, both with profit motives where their actions can be assessed in light of how licenses further (or hinder) their respective businesses or industries. Where the library is a party, there is now a different purpose that courts have not yet judged.

Libraries are also distinctly different from the entities that use blanket music licenses. Cable providers use blanket licenses because they do not know what music their programs will use; by contracting to have immediate access to a broad range of music, they can use their programs without delay and without independent negotiation for the music rights. Collection development policies at libraries show a culture of selection and curation. It is diametrically opposed to the situation that cable stations find themselves in; librarians evaluate and select resources to add to their collections permanently. Unlike blanket licenses that are designed to accommodate current use where selection is not part of the normal enterprise, libraries can show that Big Deals110 – when there are no options for ownership or access to individual titles – is a misuse of market power to consolidate and extend that power.

Big deals – a large bundle of journals, less costly together than the individual titles would be – have taken up an increasing percentage of library budgets.111 They contain works that a library has no interest in as well as essential titles and were, at least in earlier pricing models, the types of aggregator databases described at the outset. At lower costs, some libraries were willing partners in the bargain being struck – much greater access to titles than they could afford through ownership for much lower costs – but as costs have exceeded inflation and the option to acquire individual titles disappeared, libraries no longer have a meaningful choice. They cannot choose to select

110 “A Big Deal is a comprehensive licensing agreement in which a library or library consortium agrees to buy electronic access to all or a large portion of a publisher’s journals for a cost based on expenditures for journals already subscribed to by the institution(s) plus an access fee. Multi-year Big Deal agreements typically limit the ability of the library to eliminate subscriptions or reduce expenditures to the publisher while specifying an annual price increase that is less than the price increases that would apply if the library continued to purchase the individual journals.” Kenneth Frazier, What’s the Big Deal?, 48 SERIALS LIBRARIAN 49 (2005) DOI: 10.1300/J123v48n01_06.

a single title and should their budgets be cut, they would lose access to all titles. How might this be seen as inappropriately extending market power? Since the necessary titles cannot be obtained without licensing the other titles, publishers are receiving added payment for materials that the library does not need.

Data gathering:
Library should document when they have asked to purchase the electronic text instead of licensing it. They should record not just the question, but also the response. This documentation would serve to ensure that there is sufficient data on alternatives that a court cannot dismiss a suit for lack of data.

**Unconscionability Doctrine**

It is, of course, far too late in the day to seriously suggest that the law has not made substantial inroads into such freedom of private contracts. There exists an unavoidable tension between the concept of freedom to contract, which has long been basic to our socioeconomic system, and the equally fundamental belief that an enlightened society must to some extent protect its members from the potentially harsh effects of an unchecked free market system . . . . [T]he law has developed the concept of unconscionability so as to prevent the unjust enforcement of onerous contractual terms which one party is able to impose under the other because of a significant disparity in bargaining power.\(^\text{112}\)

The last path described for libraries is to neutralize e-book license terms that limit any of the rights enumerated in sections 107 (fair use), 108 (preservation, ILL), and 109 (first sale) through the unconscionability doctrine. This again would only be applicable to e-book licenses where the library would purchase the book for its permanent collection if such a purchase were possible.

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Generally, where terms are considered unconscionable, the remedy is to render the contract or the unconscionable terms as unenforceable or to reform the terms of the contract to be reasonable.

The determination that a contract or term is or is not unconscionable is made in the light of its setting, purpose and effect. Relevant factors include weaknesses in the contracting process like those involved in more specific rules as to contractual capacity, fraud, and other invalidating causes; the policy also overlaps with rules which render particular bargains or terms unenforceable on grounds of public policy.\textsuperscript{113}

Though unconscionability is an equitable principle, it was largely undefined and difficult for courts to apply until the Uniform Commercial Code replaced the general principle with section 2-302.

(1) If the court as a matter of law finds the contract or any clause of the contract to have been unconscionable at the time it was made the court may refuse to enforce the contract, or it may enforce the remainder of the contract without the unconscionable clause, or it may so limit the application of any unconscionable clause as to avoid any unconscionable result.

(2) When it is claimed or appears to the court that the contract or any clause thereof may be unconscionable the parties shall be afforded a reasonable opportunity to present evidence as to its commercial setting, purpose and effect to aid the court in making the determination.\textsuperscript{114}

\textsuperscript{113} Restatement (Second) of Contracts § 208 (1981).
Williams v. Walker-Thomas subsequently provided a two-part test for unconscionability: (1) unfairness in the formation of the contract (procedural unconscionability), and (2) excessively disproportionate power or terms (substantive unconscionability). Despite recognition that the UCC does not mandate both substantive and procedural accountability to be found, most courts have been reluctant to find unconscionability except where both queries are answered in the affirmative. Where there is ample evidence of one, less evidence is necessary in the other. Empirical research found that the few cases where courts were willing to find unconscionability without affirmative answers to both questions were where great substantive unconscionability was found.

That same research identified three patterns relevant to the current inquiry. First, courts are more comfortable in analyzing and finding procedural misconduct, as those claims are grounded in traditional contract law (e.g., age and expertise of parties, meeting of the minds), than they are in determining substantive unconscionability. Second, it is very rare in merchant-consumer contracts for a finding of unconscionability to go against the consumer; it is much more likely that a merchant would be determined to have acted in an unconscionable manner. Courts are much less likely to interfere in a commercial contract, though they do recognize that even between merchants, a wide difference in sophistication could lead to a successful charge of unconscionability. Third, unconscionability was unlikely to be found where both parties were represented by counsel.

Using this test, in cases where publisher-library licenses replace the standard book purchase, the premise for substantive unconscionability echoes the arguments in the preceding sections. Any or all of the following can be used to support the premise of unequal bargaining power: each book is unique and therefore has no competition and publishers each have a monopoly over their titles. The character of books is such that there are no equivalents; if a faculty member recommends a particular book to read, for instance, no substitute can take its place. And while copyright is a legislatively-granted monopoly, in a normal book market, a consumer (or library) could still find competition (e.g., among bookstores) and have alternative methods of acquisition (e.g., used bookstores). In the case of licensing e-

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books, alternative streams or competitive pressures for pricing have been eliminated in a manner that dictates unequal power.

In addition, there are data points that can support an assertion of unequal terms. These would include cost comparisons between past purchases and current licensing, cost comparisons between what consumers and libraries pay, data showing that cost increases dramatically outpace inflation, and restrictive licensing terms that do not reflect historic use. The comparison between past purchases and the cost of licenses will demonstrate that for the same type and quantity of content, intended for the same use, libraries face much higher costs in licensing than can be justified by the cost of creating and publishing the work. Despite the higher costs, they often also get fewer rights, such as no rights of preservation. Cost comparisons between what consumers and libraries pay for the same content can be presented as evidence of discriminatory pricing against the public interest. After all, with higher costs to libraries than to the average user, a library is able to acquire less content for its community for the same amount of money. Inflationary rates, whether compared to print prices or the Consumer Price Index, can demonstrate that the rates are not rationally tied to the costs of producing and publishing the copyrighted work. Last, most libraries will have data in their integrated library systems that show that a print book can be used hundreds if not thousands of times before its condition fails such that it has to be replaced. In contrast, the licenses that limit use of titles to a set number of uses (e.g., Harper & Row’s 26-use rule) force repurchase of content when its analog equivalent would have lasted far beyond that number, illustrating an abuse of copyright through format.

Procedural accountability may be more problematic, mostly because it is impossible to know how courts view libraries in an environment where disputes have typically only involved two types of players: commercial and consumer. Arguments could be made both to treat a library as a commercial actor or as a consumer, though neither role fits very well. Factually, the library is not a commercial actor, does not have profit as a goal, and therefore bargains very differently than a commercial actor would. Libraries also do not have the same bargaining power as commercial entities have, as they do not engage directly in the types of sales that publishers seek. At the same time, they are not wholly unsophisticated actors and therefore do not share the same characteristics as the average consumer. They may be represented by counsel, but those attorneys may not participate at all in negotiation. For example, in academia, counsel represents the entire university and library operations are unfamiliar enough that most of their license negotiations happens at the library level.
The better approach may be to advocate for recognition of a status different from a consumer or a commercial entity. In a license between a publisher and a library, the library serves as a proxy for the public and the license should be seen as one between a merchant and the public at large. The purpose of the contract should include the two purposes of the copyright act— the author’s and the public’s— whether or not these interests are stated in the contract itself. When a contract is crafted to avoid the application of copyright law, and in particular, its public interest protections, that should be deemed unconscionable.

The copyright owners’ interest is apparent in such licenses, but the public purpose has been undermined, as has been demonstrated through the loss of rights when formats changed from analog to digital. There may not be, then, agreement on the license terms but simply the exercise of unequal power by the copyright owner onto the public.

If unconscionability were to succeed as a claim, the license itself could be invalidated, as all parts, from costs to limitations, come from unequal negotiations. It is far more likely, though, that any success would be on narrower terms, one which mandates a library price equivalent to what users pay or which strikes any provisions that limit preservation, interlibrary loan, or resale activities.

Data gathering
In addition to the use and replacement statistics mentioned in earlier sections, libraries should gather:

Cost comparisons between past purchases and current licensing. Where a title exists in multiple forms, document the difference in price. Where a title now only exists in digital form, document the change in costs while it was in print as well as the costs in the current format (while building in inflation, so as to keep the analyses fair).

Cost comparisons between what consumers and libraries pay. Document the differences in costs for the same title to different users. Where there is only a single format, this data can support a discriminatory pricing claim against the public interest where it is shown that until the new format, all users were able to access the work equally and at the same cost.

Data showing that cost increases dramatically outpace inflation. Some of this work has already been done by ALA or other library organizations, so collecting this
information simply entails identifying what already exists and filling in gaps as needed.

Conclusion

In setting out possible paths to restore the balance of copyright, this article does not seek to eliminate the right to contract or negotiate. If the balance of copyright can be maintained through negotiation or if a contract appropriately balances the rights, then there can be no objection to either action. Thus far, though, the unequal power during negotiation has not produced equitable results. Without some action by libraries, users, or other public facing organizations, the balance of copyright will continue to tip towards copyright owners exclusively.

The paths explored above are not the only possible ones, and admittedly each one by itself does not address the multitude of problems that libraries face with licensing. They may not even be the best paths after deeper analysis and information gathering. But the purpose of raising them is to push libraries to consider that the battle for balance in copyright will be lost if society continues to allow powerful copyright owners to dictate the terms of copyright’s future. If libraries have a role in that fight, it is to safeguard the public’s interests. How they choose to do so may vary from library to library, but it is not inconceivable that some libraries will recognize that taking measured legal risks now will ultimately be less risky to the public good than allowing the status quo to continue.

The most complete solutions to any problem are not those developed under the stress of a lawsuit. In those instances, the field of vision is narrowed to respond to the suit, not to choose approaches that make sense in a more holistic manner. By developing reasonable copyright models prior to challenge, libraries can use space and time to consider all possible paths, evaluate the strengths and weaknesses of each, gather information they think will be relevant to any challenges, and thereby place libraries in the best position necessary should defense be required.

The suggestions for data gathering and documentation contained here are aimed at providing useful data stores to libraries as they challenging common assumptions. The information collected can serve to educate ourselves, copyright owners, legislators, and courts, as well as to illustrate patterns of practice that may not be common enough outside libraries to be understood without statistics.

It is hoped that the balance of copyright will return without need for any of the described paths, but given where copyright stands today, it seems unlikely that balance will be regained without visible and continuous efforts to defend libraries’
public missions of providing access to and preservation of knowledge for present and future generations.