

**U.S. Response to ALAI 2009 London Questionnaire**  
**By June M. Besek, Jane C. Ginsburg and Caitlin Grusauskas<sup>1</sup>**

*Note: The full text of the provisions of the U.S. Copyright Act referred to in these responses is available at <http://www.copyright.gov/title17/>.*

*History*

1. *When did your country pass its first ‘modern’ copyright act? On which model was it based and what were its essential features? (a ‘modern’ copyright act being defined as a legislative act conferring protection by way of exclusive rights on any person falling within a pre-defined category of beneficiaries such as authors and artists)*

The first United States copyright statute was passed in 1790<sup>2</sup> pursuant to the Copyright Clause of the United States Constitution.<sup>3</sup> This federal statute was modelled on the Statute of Anne.<sup>4</sup> It provided a fourteen-year term of protection for authors of maps, charts, and books upon recordation of the title in a register in the clerk’s office in the district court where the author resided, publication of that record in a newspaper for four weeks, and deposit of a copy of the work in the Secretary of State’s office within six months of publication.<sup>5</sup> The term of protection could be extended for an additional fourteen years by the author or his assigns by following the same formalities, though the availability of the renewal term depended upon the author surviving through the first term.<sup>6</sup> Penalties were provided for infringement.<sup>7</sup> The protection applied only to authors who were United States citizens or residents; the statute explicitly stated that it would not prohibit the importation, sale, reprinting or publication within the United States of maps, charts and books created by non-citizens outside of the United States.<sup>8</sup> The Act also contained a provision protecting authors from the unauthorized use of their manuscripts

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<sup>2</sup> Act of May 31, 1790, 1 Stat. 124. See 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, OV-1 (2004).

<sup>3</sup> U.S. CONST. art. I, § 8, cl. 8 (granting Congress the power “[t]o 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).

<sup>4</sup> ROBERT A. GORMAN & JANE C. GINSBURG, COPYRIGHT 4-5 (7th ed. 2006).

<sup>5</sup> Act of May 31, 1790, 1 Stat. 124 § 1.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* § 2.

<sup>8</sup> *Id.* §§ 1, 5. Section 5 reads “...nothing in this act shall be construed to extend to prohibit the importation or vending, Reprinting or publishing within the United States, of any map, chart, book or books, written, printed, or published by any person not a citizen of the United States, in foreign parts or places without the jurisdiction of the United States.” *Id.* § 5.

without the need to comply with formalities, thus codifying the common law right before publication.<sup>9</sup>

2. *Was your legislation at all influenced by the Statute of Anne?*

Yes; the 1790 Copyright Act was modelled after the Statute of Anne, adopting a nearly identical regime of formalities (see description above).<sup>10</sup> In fact, the title listed for the 1790 Act repeats the title of the Statute of Anne almost verbatim.<sup>11</sup> Like the Statute of Anne, the 1790 Act, as indicated above, provided authors a fourteen-year term of exclusive protection with a fourteen-year renewal period (if the author was living), enacted registration and deposit formalities, provided penalties for infringement, and excluded foreign works. Similarly, the protection afforded to published works under the 1790 Act, as construed in the 1834 case of *Wheaton v. Peters*,<sup>12</sup> was deemed statutory and not common law protection, a result similar to that reached in the British case of *Donaldson v. Becket*.<sup>13</sup>

3. *Did you have a system of guilds dealing with copyright matters before the introduction of a 'modern' copyright act and if so, are there still provisions in your copyright law that can be traced back to that period?*

Copyright in colonial America was largely based on the concept of copyright as a right belonging to printers and publishers, not to authors, and though historical evidence is insubstantial, the colonies appear to have had no conception of an author-based copyright before 1710 and the enactment of the Statute of Anne.<sup>14</sup> For example, in Massachusetts, beginning in 1662 the Cambridge press was controlled by a licensing board and had an exclusive monopoly on all printing.<sup>15</sup> In 1671, a local publisher was charged with publishing the revised laws of the colony, and had to, by law, have them printed by the owner of the Cambridge press. Fearing that the printer would publish excess copies of his publication, the publisher sought and obtained a court order in 1672

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<sup>9</sup> *Id.* § 6.

<sup>10</sup> R. Anthony Reese, *Innocent Infringement in U.S. Copyright Law: A History*, 30 Colum. J.L. & Arts 133, 148 & n.58 (2007).

<sup>11</sup> Compare “An Act for the encouragement of learning, by securing the copies of maps, Charts, And books, to the authors and proprietors of such copies, during the times therein mentioned,” Act of May 31, 1790, 1 Stat. 124, with “An Act for the Encouragement of Learning, by Vesting the Copies of Printed Books in the Authors or Purchasers of such Copies, during the Times therein mentioned.” (Statute of Anne, 8 Anne c. 19 (1710) printed in GORMAN & GINSBURG, *supra* note 4, at 2).

<sup>12</sup> 33 U.S. (8 Pet.) 591 (1834).

<sup>13</sup> 4 Burr. (4th ed.) 2408, 2417, 98 Eng. Rep. 257, 262 (H.L. 1774) (holding that the Statute of Anne substituted a term of years for any perpetual common law rights in published works); the Supreme Court did not cite *Donaldson v. Becket*, but the Circuit Court judge who heard the case below, and the parties before the Supreme Court, discussed the House of Lords’ decision at length. See Appendix II (Hopkinson, J) and arguments of counsel; see generally Howard B. Abrams, *The Historic Foundation of American Copyright Law: Exploding the Myth of Common Law Copyright*, 29 WAYNE L. REV. 1119, 1128 (1983); see also GORMAN & GINSBURG, *supra* note 4, at 5-6 (discussing the similarity between the British and American cases, the latter holding that copyright was created exclusively by Congress and that there was no common-law copyright at the state nor federal levels).

<sup>14</sup> Abrams, *supra* note 13, at 1172.

<sup>15</sup> *Id.* at 1172 & n.214.

specifying that “no printer shall print any more coppies [sic] than are agreed & paid for by the ouner [sic] of the said coppie or coppies [sic].”<sup>16</sup>

Just over a century later, after the American Revolution, the Articles of Confederation provided for an author-centered system of copyright protection, largely at the behest of dictionary creator Noah Webster.<sup>17</sup> In 1783, the Continental Congress adopted a resolution recommending that the states “secure to the *authors* or publishers of any new books...the copy right of such books for a certain time not less than fourteen years from the first publication.”<sup>18</sup> By this time, Connecticut had adopted a copyright statute, and following the resolution, eleven of the twelve remaining states similarly passed copyright statutes.<sup>19</sup> Though the statutes varied, they shared the common premises that copyright is an author’s right, and that copyright is beneficial to the public; premises that remain the foundation of American copyright policy.<sup>20</sup> In 1789, the Articles of Confederation were replaced by the U.S. Constitution, which contained the Copyright Clause. The Copyright Clause was adopted without debate, though James Madison in the Federalist Papers endorsed a federal copyright system and proclaimed copyright to be an author’s right and in the public interest.<sup>21</sup>

#### *On-line exploitation*

4. *How does your legislation deal with digital libraries? Do you distinguish between traditional and digital libraries and are there special provisions in relation to education?*

For the purpose of this response, it is assumed that the term “digital libraries” means libraries that make at least some materials available to patrons in digital form, remotely. The United States has special exceptions for libraries and archives, but so far, there are relatively few libraries that qualify for special exceptions under the copyright law that are completely digital. Most have physical premises and traditional collections,

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<sup>16</sup> *Id.* at 1171-72.

<sup>17</sup> *Id.* at 1173. On Webster’s own account of his role in the passage of U.S. copyright laws, see Webster, N., “Origin of the Copy-right Laws of the United States,” in *A Collection of Papers on Political, Literary and Moral Subjects* (New York: Webster & Clark, 1843).

<sup>18</sup> Continental Congress Resolution (1783), *Primary Sources on Copyright (1450-1900)*, eds L. Bently & M. Kretschmer, [http://www.copyrighthistory.org/cgi-bin/kleioc/0010/exec/showThumb/%22us\\_1783c%22/start/%22yes%22](http://www.copyrighthistory.org/cgi-bin/kleioc/0010/exec/showThumb/%22us_1783c%22/start/%22yes%22) (emphasis added).

<sup>19</sup> See *Primary Sources on Copyright*, [www.copyrighthistory.org](http://www.copyrighthistory.org).

<sup>20</sup> For example, New Jersey’s copyright act, passed in 1783, contained a preamble:

Whereas learning tends to the embellishment of human nature, the honour of the nation, and the general good of mankind; and as it is perfectly agreeable to the principles of equity, that men of learning who devote their time and talents to the preparing of treatises for publication, should have the profits that may arise from the sale of their works secured to them...

See generally Francine Crawford, *Pre Constitutional Copyright Statutes*, 23 *Bull. Copyright Soc.* 11 (1975).

<sup>21</sup> THE FEDERALIST NO. 43 (1788), *Primary Sources on Copyright (1450-1900)*, eds L. Bently & M. Kretschmer, [http://www.copyrighthistory.org/cgi-bin/kleioc/0010/exec/showThumb/%22us\\_1788%22/start/%22yes%22](http://www.copyrighthistory.org/cgi-bin/kleioc/0010/exec/showThumb/%22us_1788%22/start/%22yes%22).

but increasingly make materials available to users off-premises. In many cases this is done pursuant to subscription agreements and other licenses with right holders, as discussed below.

The balance of this response to question 4 is divided as follows:

- A. U.S. Copyright Exceptions for Libraries
- B. Possible Legislation: Orphan Works and The Section 108 Group
- C. The Library of Congress
- D. How Digital Libraries Operate
- E. The Google Settlement
- F. Educational exceptions

#### A. U.S. Copyright Exceptions for Libraries

U.S. copyright legislation was largely drafted before digital libraries came into being, and its exceptions for libraries were written primarily with traditional “brick and mortar” libraries in mind. The principal exceptions for libraries in the Copyright Act are contained in section 108.<sup>22</sup> The exceptions are applicable to “libraries” and “archives,” although neither term is defined in the statute, presumably because in 1976 when the law was passed, there was a common understanding of what those terms meant. Today, however, many collections of information are referred to as libraries and archives, even where they lack dedicated staff, curation, and other characteristics of traditional libraries and archives. Section 108, however, as described below, does not provide exceptions to all libraries and archives, but only to those that meet certain threshold requirements. (Note that while section 108 refers throughout to “libraries and archives,” for convenience, the balance of this report will refer only to libraries unless there is a material distinction to be made.)

Section 108 allows copying by libraries under certain conditions (i) for their own collections (e.g., for preservation and replacement), and (ii) for library users. To qualify for any of the section 108 exceptions, the library must be open to the public, or at least to researchers in a specialized field; the reproduction and distribution may not be for commercial advantage; and the library must include a copyright notice or legend on copies.<sup>23</sup> Each specific exception has further conditions.

Section 108(b) allows a library to make up to three copies of an *unpublished* copyrighted work in its collection “solely for purposes of preservation and security or for deposit for research use in another library. . . .” The work must be currently in the collections of the library, and any copy made in digital format may not be made available to the public in that format outside the library premises.

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<sup>22</sup> 17 U.S.C. § 108. All statutory references hereafter will be to Title 17 of the U.S. Code, unless otherwise indicated. The text of Title 17 is available on the Copyright Office website at <http://www.copyright.gov/title17/>.

<sup>23</sup> § 108(a).

Section 108(c) allows libraries to make up to three copies of a *published* work to replace a work in their collections that is damaged, deteriorating, lost or stolen or whose format has become obsolete, if the library determines after reasonable effort that an unused replacement cannot be obtained at a fair price. “Obsolete” means the machine or device needed to “render perceptible a work stored in that format” is “no longer manufactured or is no longer reasonably available in the commercial marketplace.”<sup>24</sup> As with copies of unpublished works, copies in digital format may not be made available to the public outside the library premises.

Until 1998, the copying privileges in sections 108(b) and (c) discussed above were limited to “a copy” of a work “in facsimile form.” The Digital Millennium Copyright Act (DMCA) changed these sections to allow a library to make up to three copies and to allow them to be made in digital form. The legislative history of the DMCA, however, indicates that these exceptions were not intended to apply to digital libraries and archives available exclusively via the internet.<sup>25</sup>

Section 108(f)(3) allows libraries to reproduce and distribute “a limited number of copies and excerpts of an audiovisual news program.” This exception was intended to allow libraries to make off-the-air recordings of daily newscasts of the national television networks for limited distribution for scholarship and research purposes.” The statute authorizes physical lending of copies, however, and did not envision electronic transmission.

Section 108(h) allows a library, archives, or nonprofit educational institution to reproduce, distribute, perform or display a copy (including a copy in digital form) of a published work during the last 20 years of its term, for purposes of preservation, scholarship or research. The exception applies only if the work is not subject to normal exploitation and cannot be obtained at a reasonable price. If a work qualifies under section 108(h), the library may make it available remotely to users.

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<sup>24</sup> § 108(c).

<sup>25</sup> The Senate Report states:

[J]ust as when section 108 of the Copyright Act was first enacted, the terms “libraries” and “archives” as used and described in this provision still refer to such institutions only in the conventional sense of entities that are established as, and conduct their operations through, physical premises in which collections of information may be used by researchers and other members of the public. Although online interactive digital networks have since given birth to online digital “libraries” and “archives” that exist only in the virtual (rather than physical) sense on websites, bulletin boards and homepages across the Internet, it is not intended that section 108 as revised apply to such collections of information. The ease with which such sites are established online literally allows anyone to create his or her own digital “library” or “archives.” The extension of the application of section 108 to all such sites would be tantamount to creating an exception to the exclusive rights of copyright holders that would permit any person who has an online website, bulletin board or a homepage to freely reproduce and distribute copyrighted works. Such an exemption would swallow the general rule and severely impair the copyright owners’ right and ability to commercially exploit their copyrighted works.

S. Rep. No. 105-190, 105<sup>th</sup> Cong., 2d Sess. 61-62 (1998).

Sections 108(d) and (e) allow copying for library users under certain conditions. Under section 108(d), a library, in response to a user's request, may reproduce and provide to the user a copy of "no more than one article or other contribution to a copyrighted collection or periodical issue," or "a small part" of any other copyrighted work from its collection or that of another library. Under section 108(e), a library may also make and provide to a user a copy of all or a substantial portion of a user-requested work if it determines, after reasonable investigation, that a copy cannot be obtained at a fair price. However, these exceptions have conditions: they apply only if "the library . . . has had no notice that the copy would be used for purposes other than private study, scholarship or research"; the copy becomes the requesting user's property (so that the library cannot use the exception to obtain copies to add to its collections); and the library displays a warning of copyright where it accepts orders.<sup>26</sup> Sections 108 (d) and (e) do not apply to musical works, pictorial, graphic or sculptural works (other than illustrations or similar adjuncts to literary works), or audiovisual works (including motion pictures) generally.<sup>27</sup>

Sections 108(d) and (e) allow libraries to copy either for their own users or for users of other libraries. The latter is referred to as "interlibrary loan." Thus, supply of copies of journal articles is referred to as a "loan," even though the requestor receives a copy that need not be returned. Copying of entire works under section 108(e) has to date been less common. It is time- and resource-consuming for libraries to copy entire works, so they tend to engage in a genuine loan of the work to the user (through another library). Whether that will continue to be the case once a significant amount of library collections have been digitized (thus reducing the time it takes to reproduce a work for a user) is unclear.

Concerning journal articles and other materials supplied under section 108(d), the limitation that only *a* copy may be made in response to a user request would appear to rule out electronic transmission of such copies, as it inevitably involves making multiple copies of any requested work. Nevertheless, libraries do use electronic means to provide copies to end users (e.g., through e-mail attachments or by posting them to a secure website where the user can access only the article he or she requested).

The exceptions in section 108 are in essence "default rules"; libraries must abide by their contracts, even if those contracts limit uses that would otherwise be available to libraries under exceptions in the copyright law. However, section 108 does not describe the outside limit of permissible library activities. Even if copying or other activities with

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<sup>26</sup> §§ 108 (d), (e). These exemptions encompass "isolated and unrelated reproduction and distribution of a single copy . . . of the same material on separate occasions." However, they do not apply when a library or archives "is aware or has substantial reason to believe that it is engaging in the related or concerted reproduction or distribution of multiple copies" of the same material, whether at one time or over a period of time. Nor do they apply to a library or archives that "engages in the systematic reproduction or distribution of a single or multiple copies" of a work. Libraries and archives may participate in interlibrary arrangements as long as the practice does not substitute for a subscription to or purchase of the work. § 108 (g). Many libraries abide by guidelines developed when the 1976 Copyright Act was passed, designed to help ensure that interlibrary supply of journal articles would not substitute for library subscriptions.

<sup>27</sup> § 108 (i).

respect to a copyrighted work are not specifically permitted under section 108, they may still qualify as fair use.<sup>28</sup>

“Fair use” excuses otherwise infringing activity.<sup>29</sup> Whether a use is fair depends on the facts of a particular case. Certain uses are favored in the statute: criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship and research. However, these uses are not automatically considered fair (nor are other uses automatically considered unfair). There are four factors that must be evaluated in every case: (1) the purpose and character of the use, (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion used, and (4) the effect of the use on the potential market for or value of the copyrighted work.

Libraries rely on fair use where their activities exceed the scope of section 108, particularly where use of works in connection with computers has made strict compliance with section 108 difficult, if not impossible. (For example, in supplying copies of articles to individual users via e-mail, or in exceeding the three-copy limit with respect to back up and preservation of replacement copies in digital form.)

## B. Possible Legislation: Orphan Works and The Section 108 Group

There are two legislative initiatives that may facilitate the development of digital libraries, although both would make only incremental changes.

### 1. Orphan Works

“Orphan works” are copyrighted works whose owners cannot be identified or located by potential users. In 2005 the Copyright Office undertook an inquiry into orphan works, spurred by concern that the inability to locate copyright owners was discouraging beneficial uses of these works. Potential users are sometimes reluctant to make orphan works available to the public, or to use them as the basis for new works, because they fear that if the copyright owner surfaces they may be liable for substantial damages, or forced to settle for an amount disproportionate to the value of the use in order to avoid an injunction.

The Copyright Office report issued in 2006<sup>30</sup> recommended that the Copyright Act be amended to limit the remedies available against users of orphan works who (1) demonstrate that they performed a reasonably diligent search to find the copyright owner without success, and (2) provide reasonable attribution to the author and copyright owner. The limitation on remedies the Office proposed was twofold. First, it would limit monetary relief to reasonable compensation for the use – completely eliminating monetary relief where the use is noncommercial and the user ceases the use upon notice. Second, it would limit the ability of the copyright owner to obtain injunctive relief, so the

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<sup>28</sup> § 108(f)(4).

<sup>29</sup> § 107.

<sup>30</sup> U.S. Register of Copyrights, Report on Orphan Works (Jan. 2006), available at <http://www.copyright.gov/orphan/orphan-report-full.pdf>.

diligently searching user could continue to exploit a work she based on that orphan work, with appropriate compensation to the rights holder. Orphan works legislation, based in part on the Copyright Office report, was introduced but not passed in 2006. It was reintroduced in 2008 and passed the Senate but not the House of Representatives.<sup>31</sup>

The 2008 bills followed the general approach of the Copyright Office proposal. Provided that a user does a “qualifying search” and is unable to locate the copyright owner, then he or she may use the work with limited liability. Both bills provided additional conditions to the exception, however. For example, the user was required to include a symbol indicating that the work used is an orphan work, and to retain evidence of the search that was made. Both bills gave the Copyright Office responsibility for maintaining information about best practices in connection with searching for right holders. The House bill required users to file a Notice of Use in the Copyright Office prior to commencing use of the orphan work.

Orphan works legislation would facilitate the development of digital libraries by making it possible for libraries to digitize and make available online works whose right holders cannot be identified or located. Under the proposals, provided the library first does a reasonably diligent search for the right holder, it would incur little risk of liability for making the work available, although it would have to cease making the work available if the right holder reappears and does not reach an agreement with the library regarding the work’s dissemination.

Orphan works legislation is likely to be reintroduced in the current Congress.

## 2. The Section 108 Group

Section 108 of the U.S. Copyright Act was largely drafted before digital technology came into wide use, and in many respects it is outdated. The Section 108 Study Group was convened in 2005 as an independent group by the Library of Congress and the U.S. Copyright Office to consider how to update section 108 for the digital era. The group, whose members were drawn principally from the library, archives, and content communities, issued its final report and recommendations in March 2008.<sup>32</sup>

*a. Eligibility.* The Study Group had a cluster of recommendations concerning eligibility for the library exceptions. First, it recommended new functional criteria to supplement the minimal eligibility requirements already in the statute – a response, in part, to the lack of definitions for “libraries” and “archives” in the Act and the sometimes casual use of these terms in today’s world. The new criteria include “possessing a public service mission, employing a trained library or archives staff, providing professional services normally associated with libraries and archives, and possessing a collection comprising lawfully acquired and/or licensed materials.”<sup>33</sup> Second, it recommended that museums should be eligible under section 108. Third, it recommended that libraries and

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<sup>31</sup> H.R. 4279, 110<sup>th</sup> Cong., 2d Sess. (introduced April 24, 2008); S. 2913, 110<sup>th</sup> Cong., 2d Sess. (introduced April 24, 2008).

<sup>32</sup> The Section 108 Study Group Report (Mar. 2008), available at <http://www.section108.gov/>.

<sup>33</sup> *Id.* at 34.

archives should be allowed to use outside contractors to assist them in their activities pursuant to the section 108 exceptions, under certain conditions designed to protect right holders from improper use of their works by contractors.

*b. Preservation and Replacement.* The Study Group recommended two new exceptions in section 108 to facilitate digital preservation, and some amendments to sections 108(b) and (c).

(i) *Exception for Preservation of Publicly Disseminated Works.* The Study Group recommended a new exception to allow libraries qualified for digital preservation to undertake proactive preservation of “at risk” published (and publicly disseminated but unpublished) works in their collections. A qualified library would be permitted to make “a limited number of copies as reasonably necessary to create and maintain a preservation copy of any at-risk published or other publicly disseminated work in its collections,” in accordance with “best practices” for digital preservation. It would have to restrict access to the preservation copies to “that which is necessary to effectively maintain and preserve the work,” but could use the preservation copies to make copies pursuant to sections 108(c) or (h).<sup>34</sup> To qualify for the new exception, a library would, among other things, have to maintain preservation copies in a secure environment utilizing recognized best practices; provide an open, transparent means of auditing its archival practices; and possess a demonstrable commitment to preservation, the ability to fund the cost of long-term preservation, and a succession plan.

(ii) *Exception for Preservation of Publicly Available Online Content.* Copyright protected material that is publicly available online, such as websites, blogs and various forms of “user generated content,” presents new and unique preservation issues. Much of this material is not available for purchase by libraries and archives that wish to preserve it, and U.S. law generally does not allow libraries and archives to copy material for the purpose of adding it to their collections. Accordingly, the Study Group recommended a new exception to permit libraries to capture and reproduce publicly available online content for preservation purposes and to make it available to users under certain conditions. “Publicly available” in this context includes “publicly disseminated online content (such as websites) that is not restricted by access controls or any type of registration, password, or other gateway requiring an affirmative act by the user to access the content.”<sup>35</sup> Under the recommended exception, right holders (except for government and political websites) would be able to opt out of allowing libraries and archives to capture their content or to make it available remotely to users.

(iii) *Changes to sections 108(b) and (c).* The group also recommended certain changes to the exception for replacement copying in section 108(c). For example, it recommended changing the three-copy limit to “a limited number of copies as reasonably necessary” provided that the library or archives did not expand the number of access copies. A similar recommendation was made with respect to the three-copy limit in section 108(b). The group recommended a new “trigger” in section 108(c) to permit

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<sup>34</sup> *Id.* at 69-70.

<sup>35</sup> *Id.* at 80.

replacement copying of “fragile” originals. This change would allow libraries and archives to make replacement copies of works likely to deteriorate so that the fragile copy can be kept in storage and the replacement provided to users.<sup>36</sup>

*c. Copies for Users.* The Study Group had no comprehensive recommendations with respect to the “copies for users” provisions. It did, however, conclude in principle that the single-copy restriction in sections 108(d) and (e) should be replaced with a flexible standard more appropriate to the nature of digital materials, such as “a limited number of copies as reasonably necessary for the library or archives to provide the requesting user with a single copy of the requested work” – but only if any electronic delivery of digital copies is subject to adequate protections (1) to ensure that access is provided only to the specific requesting user, and (2) to deter the unauthorized reproduction or distribution of the work. The Study Group also concluded that it may be possible to expand sections 108(d) and (e) to cover certain non-text based works that currently are not eligible (see 108(i)), provided that additional conditions are included to address the risk of market harm.

The Section 108 Group Report is just the first step in the process of amending the law. The Copyright Office is reviewing the report and will likely seek further input from the stakeholders to resolve some existing areas of contention before formulating specific legislative proposals. Whether legislation to amend section 108 will be passed is uncertain. Although the initiative was prompted by libraries that sought clarification of the exceptions in the digital environment, some libraries prefer to rely on the ambiguous – but in many respects much broader – doctrine of fair use.

### C. The Library of Congress

Copyright owners are required to deposit two copies of each copyrighted work published in the United States with the Copyright Office for the benefit of the Library of Congress.<sup>37</sup>

There are limits to what the Library can do with the deposits it receives through mandatory deposit, however. The law allows the Library to keep the works deposited or to give them to other libraries.<sup>38</sup> It provides the Library with no specific authorization to exercise any of the copyright owner’s rights. Thus the Library may not make and distribute copies, or publicly perform a motion picture that it received through mandatory deposit. Moreover, the Library does not currently have the clear right even to make incidental, temporary copies in managing, preserving, or providing access to such works acquired without a license, and thus, must rely on arguments of fair use or implied license.

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<sup>36</sup> *Id.* at 54-55.

<sup>37</sup> § 407 (a). The Library may, through regulations, modify these requirements as to specific types of works.

<sup>38</sup> 17 U.S.C. § 704 (b).

The legal limitations of mandatory deposit are not the only obstacle to the Library of Congress's collection and use of digital materials. The Library currently does not have the capacity to collect and maintain all digital works published in the United States. The Library is working on updating its infrastructure and its regulations. Those regulations currently do not require deposit of materials published only electronically (e.g., on websites), because of the large number of still unresolved issues raised by the mandatory deposit of such materials. While it is quite possible that there will be legislative and regulatory changes in the future to clarify the Library's ability to digitize existing materials and to collect and use digital materials, it is highly unlikely that the Library would be permitted to use copies received through mandatory deposit to provide remote access to users outside Library premises.

#### D. How Digital Libraries Operate

Although the copyright law does not authorize libraries to digitize and make available their collections, many libraries increasingly make materials available to their users pursuant to subscription agreements and other licenses with right holders. Many university students have no need to go to the library on a regular basis; they can get what they need online. For example, law schools and law libraries commonly subscribe to Lexis-Nexis, Westlaw, Hein Online, and other services that make available treatises, law journal articles, news stories, etc. Other database services have products aimed at a broader population (e.g., EBSCO, ProQuest), or at scholars in particular fields, such as science or the humanities (e.g., JSTOR, Elsevier Science, John Wiley). While universities often have the best resources available, increasingly K-12 and local community libraries make available online a range of databases and reference works such as specialized dictionaries and encyclopedias, and in some cases offer downloadable audio books and e-books through services such as NetLibrary.<sup>39</sup>

#### E. The Google Settlement

*Background.* In 2005 Google began scanning copyrighted books from U.S. libraries into its Google Books Search database, without the agreement of the right holders. Google scanned the books, returned digital copies of the scanned books to the library that had provided them, and copied the digitized books into its database. In response to search requests by users, Google would provide the full text for a public domain work; it would provide a few snippets (i.e., shorts amount of text, perhaps a couple lines on either side of a search term) if the work was copyright-protected. In some cases, only bibliographic data was provided, for example where the work in question was a dictionary or similar reference work.<sup>40</sup>

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<sup>39</sup> See, e.g., Welcome to Galileo, <http://www.galileo.usg.edu/welcome/?Welcome> (describing subscription-only information available to students and library users in Georgia); Westchester [NY] Library System Online Resources, <http://www.westchesterlibraries.org/node/7>; Seattle Public Library Databases and Websites, [http://www.spl.org/default.asp?pageID=collection\\_db](http://www.spl.org/default.asp?pageID=collection_db).

<sup>40</sup> Some of the material in the Google Book Search database is licensed through Google's partner program with publishers, and consequently search terms can yield excerpts of several pages. This has led to some confusion on the part of consumers as to the scope of fair use and what Google would be permitted to do, absent the settlement.

In fall 2005 authors and publishers filed separate lawsuits, claiming that Google's activities infringed their copyrights.<sup>41</sup> Google, in response, claimed that its uses qualified as fair use under the Copyright Act.

The parties reached agreement to settle the lawsuit in October 2008.<sup>42</sup> Because the authors' suit was a class action lawsuit, the settlement must be approved by the court. The settlement class consists of all persons with a copyright interest under U.S. law in a book made available to the public and registered in the U.S. Copyright Office as of Jan. 5, 2009. If it is a book of foreign origin, it need not have been registered. The class includes foreign authors and publishers if their books meet this description. Members of the class have the opportunity to opt out, and they must be given notice. The settlement has received preliminary approval, and a worldwide notice program was undertaken. Class members, if they choose to do so, must opt out by May 5, 2009.<sup>43</sup> That is also the date for filing comments on or objections to the settlement. The court has set June 11, 2009 as the date for a hearing to consider whether the settlement is fair and reasonable.

*Outline of the settlement agreement.* Subject to a right holder's decision to opt out, Google can continue to digitize books and include them in its book search database, and allow full text searching. Books are defined as printed sheets of paper bound together, in hard copy. Periodicals and personal papers are excluded.<sup>44</sup>

Under the agreement, Google is permitted to use the books to earn revenue through advertising online when the book is displayed, through individual sales of access to the full text of the book, and through institutional licenses that allow full text display. Money received by Google from these uses is divided up with 37% going to Google and 63% going to the right holders.

The agreement authorizes Google only to make the books available on line to users in the United States. It does not authorize or provide releases for uses outside the

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<sup>41</sup> The Authors Guild et al. v. Google, Inc., Case No. CV 8136-JES (S.D.N.Y.); McGraw-Hill Co. v. Google, Inc., 05 CV 8881 (S.D.N.Y.).

<sup>42</sup> See Settlement Agreement dated October 28, 2008, available at [http://www.googlebooksettlement.com/r/view\\_settlement\\_agreement](http://www.googlebooksettlement.com/r/view_settlement_agreement) [hereinafter, Settlement Agreement.]

<sup>43</sup> Right holders have the following choices with respect to their participation in the Settlement Agreement: (1) They may opt out of the settlement completely, but must do so by May 5, 2009; (2) they may remain in the class but remove one or more works from all Google and library databases provided they make a timely request (by April 5, 2011); or (3) they may remain in the class, allow their books to remain in the database, and decide on a case-by-case basis whether or not to exclude certain display uses (like preview uses). Display uses are really a concern only for books that are out-of-print (i.e., no longer commercially available), since the default for in print books is no display. However, there is something called the "coupling rule," which provides that a right holder who sells access to his book to individual consumers through this program must also make it available in the institutional license database.

<sup>44</sup> Settlement Agreement, 1.16. The settlement also applies to "inserts" such as forewords, essays, poems quotations, letters, children's book illustrations, graphs and charts and other material contained in books but independently copyrightable, where the book as a whole has a different author or is in the public domain. The definition of Inserts specifically excludes photographs and illustrations other than in children's books. *Id.* at 1.72, *see id.* at 3.1.

United States. Also, the licenses provided to Google are non-exclusive. What Google can do with any particular book depends on whether or not the book is commercially available.<sup>45</sup> For works that **are not** commercially available, Google can make both “display uses” and “non display uses” (defined below). For works that **are** commercially available Google may not make any “display uses” without permission of the right holder, but it may make “non-display” uses. However, it should be emphasized that these are default rules, which can be varied by the right holder as to a particular work.<sup>46</sup>

Display uses include (i) “Snippet Display”; (ii) “Front Matter Display (e.g. display of the title page, table of contents, index); “Preview Uses” (up to 20% of a book, but there are different types of preview uses, and for some reference books the default is that no preview use is allowed); and “Access Uses” (display of protected material from a Book in addition to what is allowed by Snippet Display, Front Matter Display or Preview Uses). Non-display uses include uses that do not contain expression from the books, such as display of bibliographic information, full text indexing without display of expression (like number or location of search matches), and internal research and development.<sup>47</sup>

*Payments.* Google is to pay \$45 million for claims of right holders whose books have been scanned. It will pay at least \$60 for every principal work, \$15 per insert, and \$5 per partial insert. It will pay \$34.5 million for launch of the Book Rights Registry and for other administrative costs. It will also make substantial payments for attorneys’ fees of authors’ and publishers’ counsel.<sup>48</sup>

*Book Rights Registry.* The Book Rights Registry will be a nonprofit corporation. It will be managed by a board with an equal number of author and publisher members. Each act of the board requires a majority vote, so neither publishers nor authors can act alone. The Registry is authorized to act on behalf of rights holders in connection with many aspects of the agreement. In essence, it stands between Google and right holders, though in some instances right holders can go to Google directly.<sup>49</sup>

The Registry is to receive payments from Google on behalf of right holders (primarily the 63% of the revenues from advertising, sales and subscriptions), and will divide them among registered right holders after taking a share for administrative expenses. The division is made according to a Plan of Allocation in the agreement.<sup>50</sup> The Registry and Google may agree over time to new revenue models, which include

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<sup>45</sup> Commercially available/not commercially available generally corresponds with in-print/out-of-print. Google makes the initial determination as to whether a work is commercially available, but there are procedures in the agreement for changing the classification and objecting to changes in the classification. Once the Book Rights Registry is up and running, it is charged with working with Google to resolve disputes.

<sup>46</sup> Settlement Agreement, 3.3, 3.4.

<sup>47</sup> *Id.*, 1.1, 1.48, 1.88, 1.106, 1.147.

<sup>48</sup> *Id.*, 2.1.

<sup>49</sup> *See generally* Settlement Agreement, 6.1-6.7.

<sup>50</sup> Settlement Agreement, Attachment C.

“print on demand” copies of books distributed by third parties, custom publishing, downloadable pdf versions of books, or consumer subscription models.

The Registry has many other functions. It will own and maintain a rights information database and attempt to locate right holders. It will supervise the process of resolving disputes among right holders. It will work with Google in setting default pricing schemes for consumer sales, and prices for institutional licenses.<sup>51</sup>

*Author-Publisher Agreement.* There is a separate Author-Publisher agreement that governs issues such as who can decide whether the book is included and whether display uses are permitted; it also governs how the royalties are divided.<sup>52</sup>

*User Access and Revenue Opportunities.* There are four principal ways in which users will access the database.

First: All users will get free access to the Book Search database, and in response to search queries can get the full text for a public domain work. For a copyright protected but not commercially available book, they will be able to view up to 20% of the text under the standard preview, though there are variations for different categories of works. For search queries that turn up copyright protected, commercially available works, users will get bibliographic data (but not snippets as they currently do). Online access uses will generate advertising revenue for Google and right holders.

Second: Users can purchase full text online access to a book. The right holder can set the price, but the default prices are to be worked out between the Registry and Google based on an algorithm designed to find the optimal price to maximize revenue. A user will have perpetual online access, and limited ability to print and copy and paste (though with repeated commands could print the whole book). She may or may not see an insert, depending on whether the insert right holder allows display uses.

Third: A user might also get access through an institutional subscription, which will allow users at the subscribing institution to view full text of the works that are in copyright but not commercially available. Use under an institutional subscription allows limited copy and paste and printing, but with enough commands, the entire book can be copied. There are also provisions for book annotations and the sharing of annotations with students in the same class. Google and the Registry will agree on a price structure, and if they cannot reach agreement, the issue will be decided in binding arbitration.

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<sup>51</sup> The Registry is permitted to license right holders’ U.S. copyrights to third parties. However, it is prohibited from coordinating or representing subgroups of right holders in connection with matters under the settlement agreement. Settlement Agreement, 6.2(b). There is also a provision that restricts the Registry or any similar entity that uses either data or resources that Google provides or “of the same type that Google provides,” from granting a better deal to third parties than Google has. *Id.*, 3.8(a). This restriction lasts for ten years, and is operative only if the authorization includes rights from a significant portion of right holders other than those who have registered with the Registry.

<sup>52</sup> Settlement Agreement, Attachment A.

Fourth, a user might get access under a special Public Access Service provided free to public libraries and not-for-profit higher education institutions that request it. A public library can get this service on one terminal per building; for colleges and universities, the number of terminals that can get free access varies with the number of students. The Public Access Service will allow a user to view the full text of books in the Institutional Subscription database, and to print for a fee, but apparently will not allow copy and paste capability.

It is important to reiterate, however, that the default assumptions are that display uses will be made of works that are not commercially available, but not of commercially available works. But in either case, right holders can decide otherwise.

*Libraries.* There are four categories of libraries, for purposes of the agreement. Their rights, privileges and responsibilities vary.<sup>53</sup> A library is eligible to be a “fully participating library” if it provides a minimum number of books to be scanned, and it signs an agreement with the Registry. Then, Google can provide the library with digital copies of all of the books in that library’s collection. This is called the library digital collection, or “LDC.” There are limitations on libraries’ use of the LDC. For example, they may make copies of it as necessary for preservation and maintenance, and they may use it to make replacement copies permitted under section 108. They are allowed to provide special access to a user with print disabilities, subject to certain conditions, and to permit limited research uses by its faculty and staff. They are prohibited from using the LDC for interlibrary loans, e-reserves or the like, or to sell access to books. They have detailed security obligations with respect to the LDC. These fully participating libraries will get a release for their activities in working with Google to digitize their holdings and for their uses consistent with the agreement.

*Research Corpus.* Digital copies of all books digitized by Google will be combined into a giant database called the “Research Corpus.” The Research Corpus can be hosted at two sites. It can also be hosted at Google (as a third site) if the Registry agrees. The Research Corpus will be available to qualified users for certain specific types of research, such as linguistic analysis and development of new search and indexing techniques.

*Other terms.* The Settlement Agreement provides that disputes between the parties are to be resolved through arbitration. It provides for overall caps on damages from Google and from the libraries, no matter what happens. It imposes on Google and on the libraries detailed requirements for maintaining the security of the digital copies. There are many other terms in this very detailed settlement agreement that cannot be touched on in this brief description.

## F. Educational Exceptions

Section 110(2) of the U.S. Copyright Act, as amended by the “TEACH” Act in 2002, allows certain performances and displays of copyrighted works to facilitate

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<sup>53</sup> See generally Settlement Agreement, 7.1-7.6.

distance education. It allows “the performance of a nondramatic literary or musical work or reasonable and limited portions of any other work,” though it excludes certain works produced primarily for distance education.<sup>54</sup>

To qualify for the exception, the performance or display must be made “by, at the direction of, or under the actual supervision of an instructor as an integral part of a class session,” offered as part of “systematic mediated instructional activities,” and must be relevant and material to the content of the course.<sup>55</sup> The transmission must be directed to students officially enrolled in the course for which it was made, or to officers or employees of governmental bodies as part of their duties. The transmitting institution has a number of obligations with respect to security of the transmitted materials. For example, in the case of digital materials, it must apply technological measures that prevent retention of copies by recipients of the transmission for longer than the class session, and that prevent further dissemination. In essence, this exception permits streaming of copyright protected works in the course of mediated instruction.

5. *Have there been any attempts in your country to expand collective administration to on-line libraries?*

The Book Rights Registry, discussed above in connection with the Google Books settlement agreement, is a form of collective administration. It appears that the Registry for the most part will not be dealing with and licensing libraries directly. Right holders will license Google, and Google will in turn license libraries. However, the role of the Book Rights Registry was not fully delineated in the agreement (and it’s not even certain at this point whether the settlement will be approved, and in what form), so it is difficult to predict how the Registry might interact with libraries in the future.

The Copyright Clearance Center is a collective administration organization that licenses copying and “sharing” of information for business and academic uses, including uses of copyrighted material for “coursepacks,” course websites, e-reserves and similar uses.<sup>56</sup> It is important to note, however, that CCC is not currently as widely representative of right holders as are many RROs in other countries.

6. *How does your legislation deal with the issue of consent of authors to the on-line digitization of works?*

First, we assume that this question addresses activities of libraries. Second, our understanding is that digitizing a work (i.e., converting it from analogue to digital form) and making it available online are separate concepts. Works can be and often are digitized without making them available on-line. “On-line” is also ambiguous. Some libraries, for example, make works available digitally through the library network only to users on the library premises. We assume for purposes of answering this question that it

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<sup>54</sup> 17 U.S.C. § 110(2).

<sup>55</sup> § 110(2)(A),(B).

<sup>56</sup> See Copyright Clearance Center, <http://www.copyright.com>.

is asking about digitizing analogue works and making them available to remote users outside the library premises.

Generally libraries may digitize and make copyright protected works available online to remote users only if they have the consent of the right holders. As discussed above, in some cases section 108(h) may allow a library to digitize and make available works in the last 20 years of their copyright term without the express consent of the right holder, but there are a number of conditions. In some cases fair use may provide a basis for making works available online. For example, the Internet Archive regularly crawls, archives and makes available a wide range of websites through its “Wayback Machine.”<sup>57</sup> The Internet Archive relies in part on fair use and in part on a strategy of notifying website owners when their site is crawled and copied and giving them the opportunity to opt out.

The digitization of analogue works by libraries concerns many right holders. They fear that allowing free public access to library digital copies might limit their ability to enter new markets and could discourage the introduction of digital versions of existing analogue works, depriving rights holders of any financial return from the exploitation of their works in digital markets. It is important to recall in this connection that there is no public lending right in the United States.

#### *International exhaustion*

##### *7. Do you have a rule on international exhaustion of copyright works?*

The “exhaustion” doctrine in the United States is known generally as the “first sale” doctrine;<sup>58</sup> it cuts off the distribution right, (e.g. the exclusive right to distribute copies or phonorecords of a work to the public)<sup>59</sup> at the initial sale of copies of the work.<sup>60</sup> Once the copy has been sold, the copyright owner is precluded from controlling the purchasers’ future distributions of the distributed copies, so everyone in the succeeding chain of title can own and dispose of the copy free and clear of any claim of infringement of the distribution right.<sup>61</sup> Congress has, however, modified the first sale doctrine to grant copyright owners post-sale control over the commercial rental of phonorecords and computer software.<sup>62</sup>

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<sup>57</sup> See Waybackmachine.com, Web Archive, <http://www.waybackmachine.com/>.

<sup>58</sup> 17 U.S.C. § 109(a) (2007) (“Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”). This doctrine is analogous to the “exhaustion” doctrine in the international context. 2 NIMMER, *supra* note 2, § 8.2[B][1] n. 21.

<sup>59</sup> 17 U.S.C. § 106(3) (2007) (giving copyright owner the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending”).

<sup>60</sup> See 2 NIMMER, *supra* note 2, § 8.2[B][1].

<sup>61</sup> See *id.* (explaining the policy rationale for the first sale doctrine in terms of the copyright monopoly giving way to the policy against restraints on alienation); see also PAUL GOLDSTEIN, INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE § 5.5.1.4 (2001).

<sup>62</sup> 17 U.S.C. § 109(b).

Section 602(a) of the Copyright Act creates an “importation right” under which the distribution right is infringed by unauthorized importation into the United States of copies or phonorecords acquired outside the United States.<sup>63</sup> This provision allows a copyright owner to bring a civil suit for importation of copyrighted goods, although the right excludes importation of copies by the United States government or by state governments (except copies for use in schools or for non-archival use of audiovisual works). The provision also permits unlicensed importation of single copies for private use, or importation by certain types of non-profit organizations for archival purposes.<sup>64</sup>

The interplay between the statutory importation right, the distribution right, and the first sale doctrine presents some difficulty under the current scheme; the first-sale doctrine places a potentially significant limit on the importation right. The first sale doctrine applies to copies “lawfully made under this title.” Thus, the U.S. Supreme Court held in *Quality King Distributors v. L’Anza Research International, Inc.* that a copy lawfully made in the U.S., but sold abroad, may be reimported to the U.S. notwithstanding the sec. 602(a) importation right.<sup>65</sup> It is less clear whether the first sale doctrine covers “gray market” copies<sup>66</sup> of a work lawfully manufactured *outside* the United States, but whose U.S. copyright owner has not consented to the distribution of the foreign-made copies within the United States.<sup>67</sup> The Third Circuit held in 1984 that the first sale doctrine was not available as a defense to the unauthorized importation of goods lawfully manufactured overseas.<sup>68</sup> This holding was based on a construction of “lawfully made under this title” in section 109(a) as extending only to copies “legally manufactured and sold” within the United States. The Ninth Circuit has also rejected the application of the first-sale defense to the importation of copyrighted materials manufactured and purchased abroad (in that case, in France).<sup>69</sup> Although this approach is arguably supported by the legislative history of section 602(a), it may be overbroad. If only U.S.-made copies were subject to the first sale doctrine, then there would be no exhaustion of rights in foreign-made copies imported with the copyright owner’s authorization and subsequently re-sold in the United States.<sup>70</sup> (None of the cases have posed that scenario, however.)

Some scholars have read the Supreme Court’s *Quality King* decision to extend the first sale doctrine to all re-sold copies, wherever manufactured (so long as the initial

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<sup>63</sup> 17 U.S.C. § 602(a) (2007).

<sup>64</sup> *Id.* See 2 NIMMER, *supra* note 2, § 8.11[B].

<sup>65</sup> 523 U.S. 135 (1998).

<sup>66</sup> See GORMAN & GINSBURG, *supra* note 4, at 658 (suggesting that grey market goods need not originate outside the United States, but may instead be goods manufactured in the United States and intended for overseas shipment).

<sup>67</sup> 2 NIMMER, *supra* note 2, § 8.12[B][6]; see GORMAN & GINSBURG, *supra* note 4, at 658 (explaining the economic rationale for this phenomenon; currency disparities may make it cheaper for distributors to import goods from overseas, thus underselling authorized United States vendors, than to purchase them within the United States).

<sup>68</sup> *Columbia Broadcasting Sys., Inc. v. Scorpio Music Distributors*, 569 F. Supp. 47 (E.D. Pa. 1983), *aff’d mem.*, 738 F.2d 424 (3d Cir. 1984).

<sup>69</sup> *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 38 F.3d 477, 482 n.8 (9th Cir. 1994).

<sup>70</sup> 2 NIMMER, *supra* note 2, § 8.12[B][6][a].

manufacture was authorized by the local copyright owner).<sup>71</sup> However, Justice Ginsburg’s brief concurrence stresses that the Court did not address the situation “where the allegedly infringing imports were manufactured abroad,” but rather only the narrower situation of a “‘round trip’ journey...of the copies in question from the United States to places abroad, then back again.”<sup>72</sup>

Thus far, the only circuit court to revisit *L’Anza* in the context of goods manufactured and sold abroad, then subsequently imported into the United States, has been the Ninth Circuit in the case of *Omega S.A. v. Costco Wholesale Corp.*<sup>73</sup> Circuit precedent before *L’Anza* had allowed the first sale doctrine as a defense only where the goods were initially manufactured or sold within the United States, and the court in *Omega* held that *L’Anza* did not overrule those precedents.<sup>74</sup> The court distinguished the “round-trip” factual scenario in *L’Anza* from the instant case, in which the goods were manufactured abroad,<sup>75</sup> and reaffirmed its precedents in holding that the first sale doctrine applies only to copies “lawfully made in the United States,” for to hold otherwise would be an impermissible extraterritorial application of the U.S. Copyright Act.<sup>76</sup>

8. *Does your exhaustion regime for analogue works differ from that for digital works? If a distinction is made between (analogue) goods and (digital) services that are provided, how can such a differential treatment be justified?*

The first sale doctrine is applicable to physical copies of copyright-protected works. Thus, it applies to digital works to the extent that they are embodied in physical copies, such as CDs, CD-ROMs or DVDs. It does not apply to digital works distributed electronically rather than on physical media. The reason for the distinction is that on-line, electronic distribution involves making new copies rather than transferring an existing copy. The first sale doctrine is an exception to the distribution right, not to the reproduction right. The Copyright Office in a 2001 report studied the first sale doctrine in the digital context. It ultimately concluded that the doctrine should not be extended to electronic transfers for a number of reasons, including the possible adverse impact on right holders from rapid transfer of copies that electronic transmission entails, and because, as a practical matter, people simply do not transfer and delete.<sup>77</sup>

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<sup>71</sup> See NIMMER, *supra* note 2, § 8.12[B][6][c] (“At first blush...it would seem that the Court has opened the door wide to gray market importations.”) (citing *Quality King*, 523 U.S. at 138 (stating that “the question is whether the ‘first sale’ doctrine endorsed in § 109 (a) is applicable to *imported copies*”) (emphasis added)).

<sup>72</sup> *Quality King*, 523 U.S. at 154.

<sup>73</sup> 541 F.3d 982 (9th Cir. 2008).

<sup>74</sup> *Id.* at 983, 985.

<sup>75</sup> *Id.* at 987.

<sup>76</sup> *Id.* at 987-88. The court held that the “lawfully made under Title 17” language in section 109(a) requires more than that the copies be made by the copyright owner; it requires the making of those copies to occur within the United States. *Id.* at 988.

<sup>77</sup> See U.S. Copyright Office, DMCA Section 104 Report 78-101 (Aug. 2001)

9. *How is the impact of exhaustion rules perceived in your country? Is the focus on the impact on economic rights or is the focus on purely practical (or utilitarian) litigation strategies to deal/cope with exhaustion rules?*

We are not certain what this question is aimed at. However, we make the following observations. As a practical matter, the first sale doctrine is largely taken for granted in U.S. markets, where owners of copies, including individuals, resellers, and libraries have been able to lend, sell and otherwise transfer copies of copyright protected works without having to get permission from the copyright owner. (As noted above, there is no public lending right in the United States.) The copyright law contains exceptions from the first sale doctrine for copies of computer programs and sound recordings (copies of sound recordings are referred to as phonorecords under U.S. law).<sup>78</sup> The exceptions were designed to inhibit the development of a rental market in works that were perceived to be easily copied. There is no exception from the first sale doctrine for copies of films, so the film rental market has remained largely outside the copyright owners' control. A more recent, and possibly troublesome development concerns the online aggregation of sellers of used books, whose listings now appear simultaneously with those for new (royalty-yielding) copies on services such as Amazon.com. The economic impact on authors is foreseeably bad, but under current law, the resellers and the aggregators are fully entitled to exploit the used book market in a maximally efficient way.

#### *Formalities*

10. *Does your copyright system currently impose formalities of any kind? Has it done so in the past? If so, have the formal requirements evolved (increased, diminished) over time? What are the rationales for having in the past, and/or currently imposing formalities? Do you have any registration, deposit systems or voluntary deposit system? How do they function in the digital era? Do you have any suggestion or proposal for introducing or altering formalities or schemes of registration in your copyright system?*

Statutory formalities have historically been a defining feature of American copyright law. From 1790 until the passage of the 1976 Copyright Act, compliance with formalities was a necessary precondition to the existence or persistence of copyright protection.<sup>79</sup> The 1976 Act as initially enacted required that a particular form of copyright notice be affixed on all copies, and failure to affix notice or to cure the omission within 5 years forfeited the copyright. The original version of the 1976 Act further provided that no infringement suit could commence unless the work was properly registered and deposited with the Copyright Office; if the claimant's copyright ownership derived from a transfer of rights, recordation of the transfer was also a prerequisite to suit. The original 1976 Act also preserved the "manufacturing clause" (a measure which required the domestic manufacture of certain works) which had initially appeared in the

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<sup>78</sup> 17 U.S.C. § 109 (b). Lending of a copy of a computer program by a nonprofit public library for non profit purposes is permitted. *Id.*

<sup>79</sup> NIMMER, *supra* note 2, § 7.01.

1891 statute extending U.S. copyright to foreign works.<sup>80</sup> Gradually, however, formalities have been relaxed, and the consequences of noncompliance have been reduced. This is particularly due to the Berne Convention Implementation Act of 1988, which brought U.S. copyright into conformity with article 5.2 of the Berne Convention, which prohibits imposition of formalities on Berne member state authors (but not on local authors) as a condition on the exercise or enjoyment of copyright.<sup>81</sup> Thus, the manufacturing clause has expired, notice is no longer a condition of protection, and registration is a prerequisite to suit only with respect to U.S. works.<sup>82</sup> Registration remains a prerequisite, however, for statutory damages and attorney's fees, whatever the work's country of origin.<sup>83</sup>

Prior to the 1976 Copyright Act, the U.S. copyright regime was governed by a strict regime of formalities under the 1909 Copyright Act and its predecessors, and failure to comply upon publication of the work resulted in forfeiture of copyright protection.<sup>84</sup> At least since *Wheaton v. Peters*<sup>85</sup> ruled that federal copyright was solely statutorily-based and conditioned on compliance with notice, deposit and registration requirements, U.S. copyright law has been thought to espouse a positivist approach to authors' rights, rather than deriving exclusive rights from the act of creating a work of authorship.<sup>86</sup> Before the 1976 Act provided that copyright protection "subsists" upon creation and fixation of the work,<sup>87</sup> the default position with respect to published works was that, absent compliance with the notice and other formalities, the work was in the public domain. This default reflected a policy that sought to protect the public against inadvertent violations as well as to moderate the author's monopoly, placing the burden of compliance on the author to claim rights, rather than on the public to clear rights.<sup>88</sup> The premise that authors who did not comply with formalities did not want protection for their works often proved false in practice, however: too often, formalities became a "trap for the unwary."<sup>89</sup>

In order to palliate the divestitive effects of publication without notice, courts devised limiting constructions of "publication," a term the 1909 Act did not define.<sup>90</sup>

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<sup>80</sup> 17 U.S.C. § 601 (repealed). NIMMER, *supra* note 2, §§ 7.01, 7.22. The manufacturing clause required domestic manufacture of works consisting primarily of nondramatic literary material in the English language, and was applicable to authors who were United States domiciliaries. Violation of the manufacturing requirement resulted in a prohibition on importation and a prohibition on public distribution in the United States, with the consequence that an infringer of the reproduction and distribution rights as to works imported or distributed in violation of the manufacturing clause could assert the violation as a complete defense. However, violation of the manufacturing clause did not invalidate the copyright in the work.

<sup>81</sup> GORMAN & GINSBURG, *supra* note 4, at 465-66.

<sup>82</sup> 17 U.S.C. § 411(a).

<sup>83</sup> *Id.* § 412.

<sup>84</sup> NIMMER, *supra* note 2, § 7.01.

<sup>85</sup> 33 U.S. (8 Pet.) 591 (1834).

<sup>86</sup> GORMAN & GINSBURG, *supra* note 4, at 464-65.

<sup>87</sup> 17 U.S.C. § 102(a).

<sup>88</sup> *Id.* (noting that law and economics analysis supports this regime; it is more efficient to have the author assume costs of notification than to have the public assume costs of tracing right holders).

<sup>89</sup> *Id.* at 466.

<sup>90</sup> GORMAN & GINSBURG, *supra* note 4, at 467.

Some courts developed a doctrine of “limited publication,” which provided that a restricted distribution or communication of a work was not “publication” within the meaning of the statute, so it followed that a missing or defective notice on such a work would not divest the author of copyright.<sup>91</sup>

In addition to the notice requirement, the 1909 Act also contained a deposit requirement. Although publication with notice was the way to obtain statutory copyright, the statute required that once such copyright was obtained, the owner had to “promptly” deposit copies of the work and a register a claim with the Copyright Office. However, the consequences of failure to register and deposit were not fatal to the copyright itself, though they were required as a prerequisite to a suit for infringement.<sup>92</sup> Registration was a condition precedent to statutory copyright protection for unpublished works, although failure to do so still allowed for common law copyright protection.<sup>93</sup> Finally, registration and deposit were preconditions to grant of the statutory “renewal term” – the “renewal” was of the registration, which must have been made before the end of the first (28-year) term of copyright in order to be renewed for a second 28-year term.

The advent of the 1976 Act and adherence to the Berne Convention have not, however, resulted in the elimination of formalities. Sections 407 through 412 of the current Act provide an administrative regime that both maintains comprehensive records of copyright claims and develops the collection of the Library of Congress, a regime that was largely unchanged by the Berne Convention Implementation Act.<sup>94</sup> Section 407 provides for mandatory deposit of two copies of works in the Copyright Office (for the use or disposition of the Library of Congress) by the copyright owner or the owner of the publication right within three months of publication in the United States.<sup>95</sup> The Register of Copyright is authorized to exempt certain categories of material from the deposit requirement,<sup>96</sup> and is also authorized to demand the deposit of works, with penalties for noncompliance, but forfeiture of copyright is not one such penalty.<sup>97</sup>

Section 408 lays out the procedure for registration. Unlike the deposit requirement, registration may be accomplished by the owner of any exclusive right, applies to unpublished works and works published outside the United States, and may be

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<sup>91</sup> *Id.* at 469-70 (also noting courts’ varying approaches to defective notice, with some liberally construing the statutory requirements and overlooking minor defects as long as the author was in “substantial compliance,” and had sought to comply with the requirements, or failure was accidental or mistaken).

<sup>92</sup> NIMMER, *supra* note 2, § 7.16[A][2][b] (citing *Washingtonian Publishing Co. v. Pearson*, 306 U.S. 30 (1939)).

<sup>93</sup> NIMMER, *supra* note 2, § 7.16[A][2][c][i].

<sup>94</sup> GORMAN & GINSBURG, *supra* note 4, at 485-86, 488.

<sup>95</sup> *Id.* at 485-86.

<sup>96</sup> Unpublished works and works published outside the United States are not covered by the deposit requirement, and the Register may, under section 407(c), exempt additional categories. NIMMER, *supra* note 2, § 7.17[C].

<sup>97</sup> GORMAN & GINSBURG, *supra* note 4, at 486. *See also* NIMMER, *supra* note 2, § 7.17[B] (noting that despite failure to deposit, “copyright is preserved notwithstanding an unexcused refusal to comply,” which is in contrast to the 1909 Act regime, which voided copyright when an owner failed to comply within three months of a demand from the Register of Copyright).

made at any time during the copyright term.<sup>98</sup> The application for registration requires information that will aid in the computation of the copyright's duration as well as basic information about the author and the work.<sup>99</sup> Continuing the 1909 Act regime, the current Act provides that, as to U.S. works, registration is a condition precedent to bringing a suit for infringement, regardless of whether the infringement predated or followed the registration. The 1976 Act nonetheless introduced some adjustments. Specifically, the Copyright Office's refusal to issue a registration certificate is no longer fatal; a court may find that the Copyright Office erred in refusing to issue a certificate. Further, a work registered and copyrighted as unpublished need not be re-registered upon publication, although that is a permissible option.<sup>100</sup> Perhaps most significantly, as a result of U.S. adherence to the Berne Convention, registration of copyright is no longer a prerequisite to an infringement action for all works. The Berne Convention Implementation Act effectively created a two-tiered system of registration; registration is not a precondition to suit for Berne Convention works originating outside the United States, but remains a precondition for works first published in the United States and unpublished works by United States authors.<sup>101</sup>

While registration of copyright is now "permissive," the statute has provided the following incentives for timely registration: (1) Early registration will ensure prima facie proof of validity of the copyright (section 410(c)); (2) for works of United States origin, registration is a prerequisite to an infringement action (section 411(a)); (3) statutory damages and attorney's fees may be awarded only if registration is made prior to the commencement of the infringement (section 412, which makes these remedies available even as to infringements before registration if the latter is made within three months after first publication). Among copyright practitioners, the last-mentioned incentive is regarded as particularly important.<sup>102</sup>

The final category of formalities is the recordation of documents related to copyright, particularly the recordation of transfers of ownership. Building on the registration requirement, which envisions an efficient system for tracking copyright status and ownership, the recordation requirement, codified in section 205, facilitates such tracking for subsequent transfers of ownership.<sup>103</sup> Recordation of transfers provides constructive notice of the facts contained therein, provided that the work is registered and the recorded document identifies the work so that it can be located by a reasonable title search.<sup>104</sup> The first to record prevails in a subsequent dispute, although after the Berne Convention Implementation Act, recordation is no longer a prerequisite to suit (though it was under the original 1976 Act).<sup>105</sup>

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<sup>98</sup> GORMAN & GINSBURG, *supra* note 4, at 486.

<sup>99</sup> *Id.* at 487-88.

<sup>100</sup> NIMMER, *supra* note 2, § 7.16[B][b].

<sup>101</sup> GORMAN & GINSBURG, *supra* note 4, at 489.

<sup>102</sup> *Id.*

<sup>103</sup> *Id.* at 493.

<sup>104</sup> *Id.* at 494.

<sup>105</sup> *Id.*

Formalities, long lamented in copyright commentary,<sup>106</sup> have now garnered favor in some quarters, particularly with respect to exploitations on the Internet. The 1976 Act and post-Berne adherence shift to formality-free initial protection means that any work created since 1978, no matter how trivial (so long as minimally “original”) automatically enjoys exclusive rights. On the other hand, the Internet has put vast amounts of copyrighted content at the de facto (if not de jure) disposal of countless users. A clash between users disinclined, or practically unable, to clear rights, and the “subsisting” rights of authors may seem inevitable. The relaxation of formalities is also evoked as a cause of “orphanage” of works: were registration required, then right holders might more easily be found.<sup>107</sup> Hence current calls to “reformatize copyright,”<sup>108</sup> to return to the author or right holder the burden of asserting claims to copyright, and thereby to enlarge the public domain with works whose authors do not “care” sufficiently about to mark off their ownership. In other words, the draconian features of U.S. formalities, once seen as deplorable, now are celebrated. Whether or not a return to the copyright-confiscatory function of formalities is desirable, the United States’ Berne obligations would forbid it from imposing a reformatized regime on foreign works. Berne’s reservation of domestic protection in the country of origin would permit the United States to reinstate formalities with respect to U.S. works, but, in addition to the complexity and discrimination that such an expansion of current “two-tier” approaches would introduce, it is not apparent that Congress would in fact enact a reintroduction of formalities.

If mandatory formalities are unlikely to return in force, voluntary compliance can, and should, by all means be encouraged. In the Internet context, the “Creative Commons” icons can be considered a kind of voluntary notice system, alerting the online public to the uses the copyright owner does (and does not) authorize. Copyright management information embedded in digital copies of the work (and protected against removal or tampering)<sup>109</sup> performs a similar function.

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<sup>106</sup> See, e.g., Shira Perlmutter, *Freeing Copyright From Formalities*, 13 CARDOZO ARTS & ENT. L.J. 565 (1995); Irwin Karp, *A Future Without Formalities*, 13 CARDOZO ARTS & ENT. L.J. 521 (1995). Arthur Levine, *The End of Formalities: No More Second-Class Copyright Owners*, 13 CARDOZO ARTS & ENT. L.J. 553 (1995).

<sup>107</sup> Lawrence Lessig, Op-Ed., *Little Orphan Artworks*, N.Y. TIMES, May 20, 2008, at A23.

<sup>108</sup> See, e.g., Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STANFORD L. REV. 484 (2004); James Gibson, *Once and Future Copyright*, 81 NOTRE DAME L. REV. 167 (2005), David Fagundes, *Crystals in the Public Domain*, 50 B.C. L. REV. 139 (2009).

<sup>109</sup> 17 U.S.C. § 1202.