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Digital Information, Licensing, and the Threat to Fair Use

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*By James S. Heller***

Sommaire

Des changements dans l'industrie du logiciel pourraient avoir de profondes répercussions dans nos milieux de travail. L'avènement des licences d'accès pourrait réduire et peut-être même éliminer certains droits accordés aux bibliothécaires et aux autres consommateurs de l'information par la législation américaine sur le droit d'auteur. L'auteur nous met en garde que l'*Uniform Computer Information Transactions Act* pourrait permettre aux propriétaires de licences de restreindre la transmission de l'information en format numérique. Par conséquent, les droits acquis en matière d'utilisation équitable et d'exception pour les bibliothèques seraient éliminés. Les dispositions restrictives toucheraient même le domaine public. L'ère de la numérisation a permis aux bibliothécaires d'accéder à une vaste documentation, mais il faudra être vigilants afin de s'assurer qu'il existera un équilibre entre les droits des propriétaires et ceux des utilisateurs.

Over the last decade probably no area of law has been more volatile than that of intellectual property, copyright law in particular. It has been grist for numerous law review articles, but the topic is not just academic. How we librarians work depends on copyright legislation and regulations, and their interpretation by the courts. But I am not going to spend much time discussing those federal laws, regulations, and cases.

I will not tell you about the *TEACH Act*, recently introduced in our 107th Congress to promote digital distance education.[1] I will not report on the database protection bills that failed to pass in our 106th Congress, as they failed in both the 104th and 105th Congresses.[2]

I will not discuss the *Sonny Bono Term Extension Act*,[3] which extended the term of copyright from the life of the author plus fifty years, to the life of the author plus seventy years. Things have certainly changed from the first American copyright act, where the term was fourteen years, with an additional fourteen years if the author renewed the copyright.

I will not describe recent (and unfortunate) rule-making by the Library of Congress regarding the anti-circumvention provisions of the *Digital Millennium Copyright Act (DMCA)*.[4] Copyright owners often use technology protective measures (TPMs) to prevent unauthorized access to or copying of a digital work. The anti-circumvention legislation prevents someone from overriding these protective measures.

When Congress passed the *DMCA*, it had some concern over the effect of the access control measures on legitimate uses; the anti-circumvention provisions ought not apply when the protective measures diminished one's ability to access certain classes of works in non-infringing ways. The Library of Congress was charged to determine the classes of works to which anti-circumvention provisions should not apply.[5] During the rule-making proceedings, the library community advocated that the prohibition not apply if it limits the *Copyright Act's* first sale doctrine, long-term access to digital works, or access to databases of governmental or factual works that have "thin" copyright protection. However, the Library of Congress construed their charge narrowly, and did not accept those recommendations.[6]

I will not tell you about recent court decisions, such as *Ticketmaster* v. *Tickets.com*.[7] In this case, a federal district court held that hypertext linking to a web site is not "copying," and also that linking to and pulling functional and factual elements from a web site is likely a fair use. Neither will I dis-

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1 *The Technology, Education, and Copyright Harmonization Act of 2000.* S. 487 (107th Cong.)

2 H.R. 354 and H.R. 1858 (106th Cong.); H.R. 2652 and S. 2291 (105th Cong.); and H.R. 3531 (104th Cong.).

3 P.L. 105-298 (Oct. 27, 1998).

4 17 U.S.C. 1201

5 17 USC 1201(a)(1)(B) provides that "The prohibition contained in subparagraph (A) shall not apply to persons who are users of a copyrighted work which is in a particular class of works, if such persons are, or are likely to be in the succeeding 3-year period, adversely affected by virtue of such prohibition in their ability to make non-infringing uses of that particular class of works under this title, as determined under subparagraph (C)."

6 37 CFR 201 (20010); 65 FR 64556 (Oct. 27, 2000).

7 There are two separate decisions from the federal district court for the Central District of California: 54 U.S.P.Q.2D (BNA) 1344, Copy. L. Rep. (CCH) para 28,059, and Copy L. Rep (CCH) para. 28,14.

cuss *Los Angeles Times* v. *Free Republic*,[8] where the same district court held that *Free Republic* could not post news articles published in the *L.A. Times* on *Free Republic's* bulletin board web site, to which its readers could add their comments.

I will not discuss *Tasini* v. *New York Times Co.*,[9] a case now before our Supreme Court. The issue in Tasini is whether newspapers and magazines have the right to convert articles by free-lance authors into digital format and make them available individually in databases such as NEXIS without the author's permission. Nor will I tell you about *Random House* v. *Rosetta Books*, a case filed in a New York federal court in February, 2001. Years ago Random House contracted with authors Kurt Vonnegut, William Styron, and Robert Parker to publish their works "in book form." Defendant Rosetta Books now wants to publish the same works as e-books. Random House alleges that they have exclusive electronic rights to publish those works electronically. The court will determine whether "book form" also means e-books.

I will address instead, a different topic: digital information, licensing, and the threat to fair use. When the United States *Copyright Revision Act* was passed 25 years ago,[10] Congress passed an act that was, for the most part, technologically neutral, one they hoped would last for generations. For example, in defining the types of works eligible for copyright protection, Congress spoke of "original works of authorship *fixed in any tangible medium of expression, now known or later developed . . .*"[11]

But no one could foresee that technological change would not be merely evolutionary, but revolutionary. No one foresaw that in many cases digital works would supplant print, that nearly everyone would have access to a computer in their workplace, at home, or at their public library, or that a handheld device could access digital information from around the world. And no one could anticipate the world of licensing, where *accessing* information would become, in many respects, more important than *owning* information.

The change from ownership to access — the world of licensing — brings us to the *Uniform Computer Information Transactions Act*, more commonly known as *UCITA*. More than a decade ago the National Conference of Commissioners on Uniform State Laws (hereinafter, NCCUSL), the American Law Institute, and the Permanent Editorial Board of the UCC decided to undertake a revision of Article 2 of the *Uniform Commercial Code.*

From 1995 to 1999 NCCUSL and the ALI worked together developing a new article of the UCC - 2B. Because of considerable opposition within the ALI to the proposal, Article 2B was not brought up for a vote at their 1999 Annual Meeting. NCCUSL decided to move forward on its own. It redrafted 2B as a stand-alone uniform act - the *Uniform Computer Information Transactions Act* - taking it outside the UCC and obviating the need for approval by the ALI.

The scope of *UCITA* is very broad. According to NCCUSL, *UCITA* "provides a comprehensive set of rules for licensing computer information, whether computer software or other clearly identified forms of computer information".[12] Their purpose is clear. NCCUSL wrote that "[f]reedom of contract is a dominating underlying policy for *UCITA*, exactly as that principle is the foundation for the law of commercial transactions generally, and exactly as that law has served all commercial transactions in the United States and has contributed to the economic growth and health of the United States".[13] Yet we need to ask what freedom of contract means for libraries, how this new licensing regime will affect the way libraries acquire and provide access to digital information.

One way to help determine whether something is good or bad is to identify who is for it, and who is against it. Every major American library association opposes *UCITA*. Attorneys General from 26 states oppose *UCITA*. The Clinton Federal Trade Commission opposed *UCITA*. Consumer groups oppose *UCITA*.

Who supports it? Trade associations such as the Business Software Alliance, the Software and Information Industry Association, and the Computer Software Industry Association. Other trade associations opposed *UCITA* until last year, when NCCUSL exempted the motion picture, broadcasting, recording, and publishing industries from the Act's coverage. Publishers such as Reed Elsevier, Dun & Bradstreet, and SilverPlatter support *UCITA*, as do technology companies such as America Online, Intel and Microsoft.

As we approach the mid-point of 2001, only two states have passed *UCITA* legislation, Maryland and my home state of Virginia. Although it sailed quite smoothly through those two state legislatures, the waters have become a bit rough for *UCITA* supporters. A May 17, 2001 article in *Computer World* notes that opponents "appear to have succeeded in stalling the bill in states where it's being considered, robbing the ven-

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[8] 54 U.S.P.Q.2D (BNA) 1453; Copy. L. Rep. (CCH) para 28,075; 28 Media L. Rep. 1705. Subsequent to the initial ruling, the parties entered into a Stipulation for Entry of Final Judgment. Free Republic was assessed statutory damages in the amount of $1,000,000. 56 U.S.P.Q.2D (BNA) 1862; 29 Media L. Rep. 1028.

[9] 206 F.3d 161 (2nd Cir. 2000) (cert. granted, 121 S. Ct. 425). [The plaintiffs (freelance writers) argued successfully that they should be compensated for articles that publishers reprint online. *N.Y. Times Co.* v. *Tasini*, 150 L.Ed. 500, 121 S.Ct. 2381 (2001).]

[10] P.L. 94-553, 90 Stat. 2541 (1976).

[11] 17 USC 102(a) (italics added).

[12] Summary of *UCITA* by the National Conference of Commissioners on Uniform State Laws: < http://www.nccusl.org/uniformact_summaries/uniformacts-s-ucita.asp > [Hereinafter, "NCCUSL Summary of *UCITA*"].

[13] Id.

dor-backed measure of the early momentum it gained last year . . ."[14] Indeed, some states have added anti-*UCITA* "bomb shelter" language to their laws, refusing to enforce against residents or businesses of their state a choice of law provision in a computer information agreement stating that the agreement is governed by the laws of a state that enacted *UCITA*.[15]

Let us take a step back, to July, 1999, when leaders of major information industry technology companies wrote to NCCUSL, urging adoption of *UCITA* because "it is true to three commercial principles: commerce should be free to flourish in the electronic age; rules should support use of new (in this case electronic) technologies; marketplace forces should determine the form of these transactions."[16]

I am sure we all support an exuberant economy. But we should not do so at the expense of other important public policies such as the free sharing of information in the public domain and the rights those who use intellectual property have under the *Copyright Act*, such as fair use. We should support rules that further the development of new technologies, but not those that enable vendors to hide terms in contracts few are likely to read, or change contract terms by sending an e-mail message one may never see.

What about the marketplace? Not long after Virginia passed *UCITA* legislation, Governor James Gilmore wrote that "[n]othing could be more basic to a free market than the right of vendors and purchasers to negotiate their respective rights and responsibilities. *UCITA* underscores the right of software and information vendors, and their customers, to negotiate contractual terms."[17]

We all agree that the marketplace works quite well for goods. If I want to buy a car I can choose between a Ford, a Toyota, a Honda, or a host of other automobiles. If I want to purchase a washing machine I can choose between a Maytag, a Whirlpool, or a G.E. But information is *not* fungible; it should not be treated as a commodity. If a judge, a professor, a lawyer, or a student wants to read a book or article written by a particular author, they want *that* book or *that* article. You cannot simply substitute someone else's work.

Where choices exist, consumers can seek terms they consider fair. Vendors who must compete for business are more willing to negotiate. But a vendor can make a "take it or leave it" offer to a consumer who has little or no bargaining power. This is particularly true for legal information, where the market is dominated by two (or arguably three) major publishers.[18] Terms that are negotiable in the competitive world of "goods" become, in a non-competitive world, *de facto* industry standards.

Whether a library owns a work, or instead has only a license to use it, is vitally important. NCCUSL wrote that "[t]he difference between a licensing contract and a sale contract is that the license generally contains restrictions on use and transfer of the computer information by the licensee during the life of the contract, and it may or may not transfer title to the licensee."[19]

When Virginia's Governor Gilmore wrote that *UCITA* permits parties "to enter into contracts defining their respective rights in intellectual property,"[20] he highlighted the most fundamental problem with *UCITA*: it has the potential to dilute — perhaps even eliminate — fair use, the library exemption, and the first sale doctrine.[21]

The first sale doctrine of the *Copyright Act* permits the owner of a copy of a work to lend it, to sell it, or to give it away.[22] But in the world of licensing you are not "the owner of a copy." Individuals may be precluded from donating certain materials to libraries, and a library may no longer be able to lend part of its collection to other libraries.

A copyright owner's right to make copies of his or her work is subject to important exceptions, most notably fair use.[23] When planning your summer vacation, fair use permits you to go to your public library and photocopy a magazine article on vacationing in Quebec. Your child may copy an article on the 2000 U.S. presidential election for her social studies class. But the library's license may include a clause that prohibits copying that same article when it is in digital format, or even a small part of it. Presumably you and your child are bound by the license agreement between the library and the publisher, even though you had no say in its formation, and even though what you want to do is permissible as a fair use. There may be problems for the library, too

Under *UCITA* "If a license expressly limits use of the information or informational rights, use in any other manner is a breach of contract."[24] The library user's breach - even if their conduct is a fair use — is the library's breach.

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[14] Patrick Thibodeau, "UCITA Opponents Slow Software Licensing Law's Progress," *Computer World*, (May 17, 2001). <http://www.computerworld.com/cwi/story/0,1199,NAV47_STO60652,00.html>

[15] Iowa Code § 554D.104 (2001); W. Va. Code § 55-8-15 (2001).

[16] Letter to Gene LeBrun, President, National Conference of Commissioners on Uniform State Laws., July 13, 1999. Business Software Alliance Webpage: <http://www.bsa.org/usa/policy/consumers/990713-letter.phtml>

[17] James S. Gilmore, *Legal Backgrounder*, (July 14, 2000).

[18] Two publishing giants – the Canadian Thomson Company and British/Dutch Reed-Elsevier — acquired the West Group and Lexis respectively during the 1990's, as well as numerous other American legal publishers. In January, 2001, West announced its purchase of Findlaw.com, a free internet site. Dutch Wolters-Kluwer owns CCH, Aspen Publishing, and most recently, Loislaw.com, a low-cost electronic legal research site.

[19] NCCUSL summary of *UCITA*, *supra*, note 12.

[20] James Gilmore, *supra*, note 17.

[21] 17 U.S.C. 107-109.

[22] 17 U.S.C. 109.

[23] 17 U.S.C. 107.

[24] *UCITA* section 307(b).

And if the library breaches the licensing agreement, the licensor may terminate the contract *and* recover the information.[25]

The U.S. *Copyright Act* also includes specific rights for libraries.[26] For example, section 108 provides that a library staff member may copy an article for a teacher or a student, or for another library to fill an interlibrary loan request. The "library exemption," heavily negotiated for in the 1970's, could disappear in a licensed world.

UCITA supporters respond that the Act includes important safeguards. They point to language in the Act providing that unconscionable terms are voidable.[27] In other words, if you have a problem, go to court.[28] But few consumers or libraries have the resources to do so; even if they did, proving unconscionability is not easy.[29]

UCITA supporters also maintain that consumers and libraries are protected under the Act's "preemption" and "fundamental public policy" provisions. *UCITA* states that any of its provisions which are preempted by federal law are unenforceable to the extent of the preemption,[30] and that courts may refuse to enforce terms when enforcement is clearly outweighed by public policy considerations.[31]

But these safeguards do not provide adequate protection for consumers or libraries. Some American courts have held that state contract law and federal copyright law are different animals; contracts that restrict user rights do not necessarily "preempt" the *Copyright Act*[32]. The *UCITA* safeguard does not go far enough. In addition to providing that parts of "the Act" that are preempted by federal law are unenforceable, *UCITA* also should invalidate contractual terms that are *inconsistent with* federal policy. With this change, terms designed to negate fair use, the library exemption, or the first sale doctrine – rights intensely negotiated for and adopted by Congress a generation ago – would be invalid.

Here is an example of what is wrong with *UCITA*. Let us say I want to share with a colleague copies of federal statutes and court decisions relevant to these issues. I find them on a licensed electronic database, and after removing any proprietary information, I download the cases and laws or make a print copy. But I discover that the license agreement permits me only to "transfer and store temporarily insubstantial amounts of downloadable data." What is the problem?

Under American copyright law, works of the federal government are not protected by copyright. [33] I certainly may copy selected laws and court decisions from print codes and print case reporters. But although these cases and statutes are in the public domain, the license may prohibit me from copying them.

Should the world of digital information, governed by license, have practices and rules so different from the world of print? Virginia's Governor Gilmore apparently believes so, since he has written " . . . this new Internet reality justifies new rules of engagement. *UCITA* follows that paradigm by permitting the parties to enter into contracts defining their respective rights in intellectual property."[34]

It appears that these "new rules of engagement" encourage end runs around the law. For example, although "database protection" legislation that would protect non-copyrightable databases has been stuck in Congress for years,[35] publishers can get the result they want by license. Although our legislators have decided not to create the "new rules" desired by the publishing community, the industry can do it themselves through licensing.

NCCUSL has stated that "[f]irming the law and establishing some certainty with respect to the rules that apply, and that apply uniformly, is the modest goal of *UCITA*."[36] Following NCCUSL's lead, Governor Gilmore wrote that consumers and businesses need "predictable, coherent, and uniform rules for the electronic marketplace."[37] Unfortunately, the only thing predictable about *UCITA* is its uncertainty.

Both Virginia and Maryland passed *UCITA* in versions different from what resulted as the final version from

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[25] *UCITA* sections 618, and 814-815.

[26] 17 U.S.C. 108.

[27] *UCITA* section 111.

[28] For example, *UCITA* section 114(c) provides that whether a term is conspicuous or is unenforceable are questions to be determined by a court.

[29] See, for example, John E. Murray, Jr., *Murray on Contracts* section 96 (Michie, 1990). Murray quotes the following statement from Judge Skelley Wright "in the well known case, *Williams* v. *Walker-Thomas Furn. Co.*, 350 F.2d 445, 449 (D.C. Cir. 1965)": "Unconscionability has generally been recognized to include an absence of meaningful choice on the part of one of the parties together with contract terms which are unreasonably unfavorable to the other party."

[30] *UCITA* section 105(a).

[31] *UCITA* section 105(b).

[32] See, for example, *ProCD* v. *Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996), holding that terms in a shrinkwrap license are enforceable, even though those terms abrogate user rights under the *Copyright Act*, because the rights created by contract are not equivalent to any of the exclusive rights within the general scope of copyright. The court wrote at 1454: "A copyright is a right against the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create "exclusive rights." Other courts have held that section 301 of the *Copyright Act* does preempt terms in a contract. See, e.g., *American Movie Classics* v. *Turner Entertainment*, 922 F.Supp. 926 (S.D.N.Y. 1996).

[33] 17 U.S.C. 105.

[34] James Gilmore, *supra*, note 17.

[35] See note 2, *supra*.

[36] NCCUSL summary of *UCITA*, *supra* note 12.

[37] Gilmore, *supra* note 17.

NCCUSL. At its summer 2000 meeting — which took place months after Virginia passed its *UCITA* legislation — the Conference accepted carve-outs for the banking, media, and entertainment industries. NCCUSL wrote that "in lengthy discussions, these amendments were worked out as a package and with the adoption of these amendments by the Conference, these associations formally in writing have withdrawn their opposition to the enactment of *UCITA*."[38] NCCUSL was willing to amend *UCITA* to placate certain industries. But they did not work very hard to address the concerns of consumer groups and library associations, which continue to oppose *UCITA* initiatives in the states.

UCITA is bad for consumers, and it is bad for libraries. It will allow vendors to prohibit the transfer of information in digital format from consumer to library and from library to user, and among libraries, companies, and individuals. It binds licensees to terms disclosed only after they have paid for the software. It allows vendors to change terms unilaterally by e-mail or perhaps even by posting to their Web site. It enables licensors to override existing legislative and judicial policy, and will help create a pay-per-view world where the information vendors hold all the cards.

This scenario is not just academic. Consider what appeared in the March 2001 issue of Harper's:

The following restrictions appear in an 'eBook' edition of Alice in Wonderland published by Volume One for the Adobe Acrobat eBook Reader:

Permissions on Alice in Wonderland:

COPY: No text selections can be copied from this book to the clipboard.

PRINT: No printing is permitted on this book.

LEND: This book cannot be lent to someone else.

GIVE: This book cannot be given to someone else.

READ ALOUD: This book cannot be read aloud

NCCUSL presents *UCITA* as nothing less than the savior of our economy: "expansion of commerce in computer information... is the primary source of economic development in the United States and is projected to be the economic mainstay of the United States for the foreseeable future."[39]

The framers of our Constitution also saw copyright as a means, but not to so narrow an end. More than two hundred years ago they wrote that Congress has the 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."[40] I doubt that they would approve of laws that treat information as a commodity which can be put behind a copyright owner's lock-and-key.

The U.S. Supreme Court has stated repeatedly that the primary purpose of copyright is not to compensate creators. Rather, copyright is a means to a greater societal end – the publication and dissemination of knowledge.[41] The digital world offers libraries access to a world of information we never dreamed of. But the licensing world clearly has its perils. Like the U.S. Marines, we must be ever vigilant, and on guard to preserve user rights against legislation such as *UCITA*.

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[38] National Conference of Commissioners on Uniform State Laws, *Amendments to the Uniform Computer Information Transactions Act*, Meeting in its One-Hundred-and-Ninth Year, St. Augustine, Florida, July 28 – August 4, 2000. The Digital Commerce Coalition notes that the trade associations include the Motion Picture Association of America, the Magazine Publishers of America, the Newspaper Association of America, the National Association of Broadcasters, the Recording Industry Association of America, and the Association of American Publishers). Digital Commerce Coalition Web page: <http://www.ucitayes.org/issue/support.phtml>

[39] NCCUSL summary of *UCITA*, *supra*, note 12.

[40] United States Constitution, art. I, sec. 8, cl. 8. Note that the term of protection has gone from fourteen years, renewable for fourteen more by the author only under the first *Copyright Act* of 1790, to life of the author plus 70 years today.

[41] *Feist Publications* v. *Rural Telephone Service*, 499 U.S. 340 (1991), *Twentieth Century Music Corp.* v. *Aiken*, 422 U.S. 151 (1975); *U.S.* v. *Paramount Pictures*, 334 U.S. 131 (1948).