

Before
The Library of Congress, The United States Copyright Office
and
The Department of Commerce, National Telecommunications
and Information Administration
Washington, D.C.

Inquiry Regarding Sections 109 and 117)

Docket No. 000522150-0150-01

Comments of the Library Associations

We file these comments to the Copyright Office’s Inquiry on behalf of five major library associations, the American Library Association, the American Association of Law Libraries, the Association of Research Libraries, the Medical Library Association, and the Special Libraries Association (the “Libraries”). These associations represent the interests of tens of thousands of libraries, librarians and institutions, as well as their public and private patrons.

Section 104 of the Digital Millennium Copyright Act (“DMCA”) directs the Register of Copyrights and the Assistant Secretary for Communications and Information of the Department of Commerce to submit a report to the Congress by October 28, 2000, evaluating the effects of the amendments made by title 1 of the Act and the development of electronic commerce and associated technology on the operation of sections 109 and 117 of title 17, United States Code, and the relationship between existing and emerging technology and the operation of those sections.

The Libraries believe there are unsettling trends undermining the Constitutional and legislative balance between incentives to create works and the public access to ideas and content that require federal review and action. Consumers obtaining digital works

are routinely required to assent to contract terms that require waiver of long-standing limitations on the exclusive copyright rights, including the first sale doctrine, fair use and preservation. While copyright policy supports a digital first sale doctrine, the current state of the law post-DMCA permits diminished use of the doctrine, impeding the free flow of information and libraries' ability to provide public access to digital works. The Copyright Office should use this inquiry as the platform from which to urge Congress to take meaningful steps to clarify the terms of a digital first sale doctrine to ensure that state laws and contractual terms that unduly restrict the rights of information users do not preempt federal copyright policy.

Introduction: The Role of the First Sale Doctrine In U.S. Copyright Law

The balancing of incentives to create and provide public access to ideas and content is fundamental to U.S. copyright policy. *See, e.g. Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). The Constitution empowers Congress to enact copyright legislation for the specific purpose of “promot(ing) the Progress of Science and the useful Arts, by securing for limited Times, to Authors and Inventors, the exclusive Right to their respective Writings and Discoveries.” U.S. Const., art. I, § 8, cl. 8. Pursuant to that public purpose, the Copyright Act grants to authors the exclusive right to distribute copies of their work, 17 U.S.C. §106(3), but limits that right by distinguishing between ownership of a copyright (the bundle of exclusive rights granted an author) and ownership of a copy (the tangible material in which a work is fixed), 17 U.S.C. §202, and by extinguishing the copyright owner's distribution right upon the first sale of each copy, *see* 17 U.S.C. §109. Of course, no copyright exists in government works, nor in facts or data.

The limitation of the distribution right to the first sale, as codified in Section 109 of the 1976 Act, was intended to continue the first sale doctrine established by decisions under Section 27 of the 1909 Act.¹ The treatment of the first sale doctrine by U.S. courts has consistently reflected the belief that the public benefit derived from the alienability of creative works outweighs the increased incentive to create that would stem from granting authors perpetual control over copies of a work. *Burke & Van Heusen, Inc. v. Arrow Drug*, 233 F. Supp. 881, 884 (E.D.Penn. 1964);² *Blazon, Inc. v. Deluxe Game Corp.*, 268 F. Supp. 416, 434 (S.D.N.Y 1965) (quoting Nimmer, Copyright, §103.31 at 385 (1963) for the proposition that “[after the first sale], the policy favoring a copyright monopoly for authors gives way to the policy opposing restraints of trade and restraints on alienation.”); *See, e.g., C.M. Paula Co. v. Logan*, 355 F. Supp. 189, 191 (N.D. Tex. 1973) (same). The balancing approach to the doctrine was recognized by the Supreme Court early this century. *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908).³ The Libraries

¹ *See* Staff of House Comm. on the Judiciary, 89th Cong., 1st Sess., Copyright Law Revision, Part 6, Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill 28-29 (Comm. Print 1965) (submitted by Register of Copyrights) reprinted in 4 Omnibus Copyright Legislative History (George S. Grossman ed., 1976) (clarifying that the distribution right would not prevent an owner of a lawfully made copy from selling, lending, renting, giving, or destroying the copy). *See also* Act of Mar. 4, 1909, ch. 320, §41, 35 Stat. 1075, 1084 (stating that “nothing in [the Copyright Act] shall be deemed to forbid, prevent or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.”). The doctrine is said to have its roots in the English common law rule against restraints on alienation of property. *See, e.g.,* H.R. Rep. No. 98-987 at 2 (1984), reprinted in 1984 U.S.C.C.A.N. 2898, 2899.

² In *Burke & Van Heusen*, a copyright proprietor attempted to restrict use of records containing its copyrighted musical compositions to promotional distribution in conjunction with shampoo sales. *Id.* at 884. The court held that the defendant’s sale of the records independent of shampoo did not infringe the plaintiff’s vending right, because receiving proceeds from the initial sale of the records completed the plaintiff’s reward under the copyright statute. *Id.* at 882. Beyond that reward, the plaintiff enjoyed “no further right of control over the use or disposition of the individual copies of the work. *Id.*”

³ In *Bobbs-Merrill*, the plaintiff owned copyright in a book, copies of which were printed with the following notice: “The price of this book at retail is one dollar net. No dealer is licensed to sell (the copies) at a less price, and a sale at a less price will be treated as an infringement of the copyright.” *Id.* at 341. Notwithstanding the notice, the defendant sold the books at retail for eighty-nine cents. *Id.* at 342. The Court rejected the plaintiff’s copyright infringement claim, holding that the while the vending right

believe that recent developments surrounding distribution practices involving digital works undermine this constitutionally crafted balance.

Questions Regarding Section 109

(a) What effect, if any, has the enactment of prohibitions on circumvention of technological protection measures had on the operation of the first sale doctrine?

The DMCA's enactment of prohibitions on circumvention places criminal penalties on top of contractual restrictions, thereby increasing publishers' ability to control access to works. The public, which enjoys use and lending rights with respect to works that were subject to the first sale doctrine because they were purchased outright, now faces licensing and legal barriers to private as well as public lending and use. While content owners contend that technological measures merely control unlicensed access and prevent piracy, as the Libraries explained in comments and testimony in the Section 1201 rulemaking proceeding, many measures currently in use or development blur control over initial access with control over library lending and fair use practices such as viewing, reading, extracting, copying and printing. These measures may also allow copyright owners to control use and disposition of copies of digital works long after the copyrights have passed into the public domain. The same concern applies to those who seek to regulate access to digital versions of government works. This unlimited control is contrary to the core principle of the first sale doctrine.

protected plaintiff's multiplication and sale of his production, the right had been exhausted when the plaintiff sold copies of the book "in quantities at a price satisfactory to it." *Id.* at 351.

America's libraries have long been among the nation's largest volume-purchasers of copyrighted works.⁴ Libraries and their staffs are also diligent law abiders. They understand and adhere to the balance that the Constitution and copyright law have struck between the rights of copyright owners and users. However, recent adoption of legislative changes in the DMCA has reinforced a view of the legal environment that makes sharing of certain digital works suspect. It must be stressed that from the Libraries' perspective, fair use, preservation and the first sale doctrine are as important in a digital environment as they are in the print world.

Technological measures, augmented by the threat of criminal sanctions for circumventing those measures, permit publishers to control uses in new and unprecedented ways. Publishers can now block a lawful licensee's access to digital content by activating a control and device embedded into the code. While the law prohibits sale of devices designed to circumvent technological protections, and certain individual practices will be prohibited commencing October 28, 2000, the mechanisms may be activated without regard to whether the conduct at issue is infringing. License restrictions on what would ordinarily be fair use, permissible dissemination under the first sale doctrine or allowable preservation, may ultimately be enforced through these measures. Moreover, one patron's misuse may be used as the pretext for foreclosing access not just to the offending individual but to all authorized users, to the public's detriment. For example, one university recently had several services turned off by the

⁴ According to surveys published in 1998 by the National Center for Education Statistics (U.S. Department of Education), the 8,891 U.S. public library systems alone spent \$789 million on library materials, including electronic formats, in 1995. The 3,303 U.S. academic libraries spent \$1.3 billion on information resources in all formats in 1994. These libraries now spend well over \$2 billion.

vendor because of “unusual patterns of use” (i.e., excessive searches and downloads) by one individual.

Technological measures also impact on a library’s ability to implement customized systems for ensuring compliance with license terms. When works are owned outright and are subject to the first sale doctrine, a library is able to exercise managerial discretion over the lending and use of its materials. In a publishing world dominated by digitally controlled works, libraries are forced to comply with one-size-fits-all technological enforcement measures that sometimes result in delays and diminished access by patrons. For example, access controls based on shared passwords have already proven problematic for some libraries. According to one university librarian, “We have gone to great lengths to organize and maintain a myriad of passwords to give to off-campus users. Passwords are getting to be a nightmare; I have pages of them.” Licenses that limit access to students registered at a university, for example, may also impede full utilization. These licenses are frequently administered according to users’ domain names, which may prevent libraries from making works available to visiting professors, scholars and community members with access to the library. Distance education users who are covered by the license but who attempt to log in from distant IP addresses also face severe and often impassable technological hurdles.

Technological measures that limit the machines from which a digital work can be accessed are another common impediment to full utilization of licensed resources. A recent survey by the Libraries of the impact of technology disclosed that many databases are available on only one computer in a library, which means that only one user can dial in at any given time. For example, the *Nature* web site bundles together several journals

online that are password protected. Only one individual can use the site at any given time. This means that even though all the journals were lawfully acquired, a single patron using just one of the purchased works effectively blocks use of all the other journals available on the site. In the print format, each issue could be simultaneously used by separate users. There is no copyright rationale for preventing multiple users from accessing different journals at the same time, yet the technological measure and prohibition on circumvention of that measure enforce the restriction.

The blurring of distinctions between lawful access and use was not the intent of Congress when it passed the DMCA's anti-circumvention provisions. The DMCA and its legislative history indicate that the prohibitions were not to affect other rights, remedies and limitations in the Act. *See* 17. U.S.C. §1201(c)(1). However, any reservation of these rights is moot if it remains illegal for a library or a user to circumvent technological measures in order to use the underlying works in ways that have traditionally been permitted under the first sale doctrine, fair use and preservation. In light of these developments, the Libraries urge copyright reform to reaffirm and assure their ability to lend digital works in the public interest and to facilitate uses of those works that are consistent with traditional copyright law principles.

(b) What effect, if any, has the enactment of prohibitions on falsification, alteration or removal of copyright management information had on the operation of the first sale doctrine?

Copyright Management Information ("CMI") technologies such as "digital watermarks," "digital signatures," and "digital object identifiers" do not by themselves prevent access to a digital work, but they do give content owners an unprecedented

ability to track ongoing use of digital works. Despite Congressional efforts to protect privacy in the DMCA, CMI technologies allow publishers to monitor who is looking at a work and exactly what the users are doing with it. Deployed in conjunction with access controls, CMI technologies impose unprecedented limits on and accountability for a library's ability to lend and make fair use of lawfully acquired digital works.

Digital publishers now have the ability to manage the kind of day-to-day operational decisions that were previously within the discretion of libraries. Previously, as owner of a particular copy of a book, a library was entitled to set the terms of patron access to that copy; as licensee of a digital work subject to technological measures, the library may be denied such right. The inability to establish uniform usage procedures will become increasingly problematic as the number of licensed works proliferates. Libraries are already finding it difficult to keep track of and interpret varying contract terms. In light of the accountability imposed by CMI and the criminal sanctions associated with circumvention, many individual librarians are understandably reluctant to make the fair use judgment calls that previously were standard management decisions or expose patrons to the new sanctions. Where uncertainty about permissible use exists, liability concerns may lead librarians to forego uses that are actually permitted under license and the law. According to one university librarian, "Technological devices such as watermarking have affected interlibrary loan, class reserve, and classroom use in the application of fair use. Electronic journals are still available in print versions so interlibrary loan and reserves are still possible. But when publishers start eliminating print versions, such electronic restrictions will be a significant problem unless electronic versions are treated just as print versions where fair use applies."

The combination of technological measures and CMI systems also gives information publishers an unsettling ability to track individual intellectual inquiry in ways that would not have been permissible traditionally under the first sale doctrine. To the extent that the first sale doctrine ensures individuals' and libraries' right to share and lend lawfully owned copies of a copyrighted work, the doctrine facilitates the exchange and intellectual collaboration that is central to the First Amendment "marketplace of ideas." Mindful of the accountability imposed by CMI, libraries are asked to comply with licensing terms that effectively restrict the time, place, and duration of private intellectual engagement. Intellectual inquiry is especially threatened when CMI technologies are deployed in conjunction with access blocks. According to one library system: "Some journals from the American Chemical Society request that they be allowed to send 'cookies' to users' workstations to monitor use. When users refuse this invasion of privacy, they are denied access at their workstations even though the organization has a subscription." Even though the definition of CMI in the DMCA specifically excludes "any personally identifying information about a user of a work or of a copy," 17 U.S.C. §1202(c), the way CMI technologies are actually implemented chills use of a library's digital resources for research in areas where anonymous inquiry and the absence of a digital trail are critical. Of course, this chill can affect not only scholarly researchers, but more broadly faculty, students and the general public.

America's libraries have always had the right to allow their patrons to enter the library's facilities, access works lawfully owned by the library, and use those works, often anonymously, as allowed by copyright laws.⁵ Copyright law has never meant that publishers can control who looks at information and whether a page can be copied for

private use. Now, increasingly sophisticated technological measures and private licenses between parties with unequal bargaining power threaten to curtail the abundant access to information and private intellectual inquiry that American libraries, both public and private, were founded to facilitate. While the exact nature and extent of the detrimental effects remain unclear at this time, the need for a full understanding of the interaction between CMI and first sale, on the one hand, and privacy rights on the other, is increasingly apparent. As with other developing aspects of technology and privacy, legislative analysis and action are needed to avert adverse effects.

(c) What effect, if any, has the development of electronic commerce and associated technology had on the operation of the first sale doctrine?

In the past decade, electronic distribution has grown into a dominant method for publishing many kinds of copyrighted works. As a general proposition, owners of copyright in digital works distribute these works by licensing usage rights rather than selling physical copies of the copyrighted work. Because the first sale doctrine codified in section 109 of the Copyright Act applies only to lawfully owned copies of a copyrighted work, some suggest this statutory limitation on a copyright owner's right to control distribution of a copyrighted work beyond the initial sale of copies is inapplicable to licensed works. As a result, many digital licenses are able to—and do—restrict both the resale and lending of digital works and the licensee's ability to use lawfully obtained copies in ways that have traditionally been permitted under fair use, the first sale doctrine and the rules of preservation with regard to analog works.

The Libraries have found that licensing rather than selling digital works has allowed content owners to implement a price and market discrimination business model

⁵ Indeed, many states have laws prohibiting libraries from revealing circulation records.

which forces libraries to choose between second-class, but affordable products and more expensive digital versions. To the extent that “deluxe” digital versions feature content and search mechanisms not available in lower-priced formats, libraries’ limited budgets threaten to exacerbate the “digital divide” between those who have access to electronic information services and those who do not.

Where libraries are able to afford access to digital products, licensing terms routinely affect uses that were traditionally lawful under the first sale doctrine. Routine library practices permitted under copyright law, such as interlibrary lending, lending for classroom or at-home use by patrons, archiving, preservation, and duplication for fair use purposes, have all been restricted – in some cases severely restricted and in other instances barred – by licensing agreements. Alternatively, in some instances, sharing of digital works may be made only upon payment of additional fees. Loss of access to digital works for these purposes also promises to increase the information-access gap between the rich and the poor. The Libraries’ recent inquiries to members and others has determined that:

1. Interlibrary lending of digital works is threatened by restrictive practices

Because digital products are costly and library budgets are limited, few facilities can afford to acquire access to all the digital works that are likely to be sought by patrons. Interlibrary lending has traditionally enabled libraries to borrow from each other’s collections on behalf of patrons seeking access to material that is unavailable in the patron’s local library. The practice is often prohibited by the licenses under which digital works are acquired. Public libraries in communities with limited resources - whose patrons are among the least able independently to purchase access and among the least

likely to have direct access to other publicly accessible collections, such as at public colleges and universities - have traditionally been the most dependent on interlibrary lending. Accordingly, these libraries are the most disadvantaged by the containment of interlibrary lending of digital works. Librarians around the country have provided detailed commentary on the loss of this lending right:

- “We will not be doing any ILL [interlibrary lending] to other libraries using online journals. Since we have dropped many print journals in favor of online only, libraries that have depended on us for our unique collection will have to go elsewhere.”
- “Most licenses do not cover inter-library loan privileges, and must be negotiated. While we are able to ILL anything from our print collection, publishers are reluctant to extend that provision to electronic material.”
- “We are not allowed, and do not practice, interlibrary loan of materials that we [license] in electronic format, which means that if we no longer hold a print copy, we are not able to provide interlibrary loan to things that we purchase rights to.”
- “The terms for some products are unacceptable or cost prohibitive, and we have not licensed these products, so our users do not have access. Unlike printed books or journals, digital products are generally not available through inter-library loan and often there is no print equivalent. Since there is seldom a method for a single user to access the digital products the library does not license, these products are essentially unavailable to our users.”

Restrictions on interlibrary lending can be devastating to scientific and medical interests. As one academic medical library recently reported:

- “We recently had difficulty obtaining an article from the *European Journal of Surgical Oncology* for one of our users on interlibrary loan. Two libraries were not able to supply the article because they only had the electronic copy of the journal and the license does not allow interlibrary loan use. We were finally able to obtain the article from the National Library of Medicine. Obviously, whoever requested the article was made to wait longer for receipt of information that may have been important for patient care or research.”

Even where licenses permit some interlibrary lending, lack of staff and expertise in interpreting contract terms may make the practice impracticable. One library system recently reported:

- “The mish-mash of licensing terms has simply made inter-library loan of digital materials impractical for us to provide—to the detriment of users around the globe with whom we otherwise share scholarly material. We have hundreds of contracts with different e-journal and full-text vendors with different terms governing inter-library loan. Some of our licenses do permit us to print out the digital text and loan the printed version. However, because of the complexity of these terms, the high volume of inter-library loan that we do, and the low-paid short staffing in our interlibrary loan department, we have had to resort to the practical expedient of simply not providing any inter-library loan of digital materials.”

Interlibrary lending is a vital aspect of our educational system. Acquired digital works should have the same status as their print and analog companions when it comes to library loans. The first sale doctrine should be clarified to ensure that core federal copyright principles associated with interlibrary lending are guaranteed regardless of format.

2. Licensed Digital Works are the Equivalent of “Chained Books,” Often Unavailable for Classroom and Offsite Use.

Lending a lawfully purchased copy of a work for classroom and offsite use has historically been within the discretion of libraries under the first sale doctrine. As teachers and patrons increasingly seek digital works for these purposes, the impact of usage limitations imposed by licenses has become apparent. Many digital works agreements limit access to one specific computer terminal, causing one librarian to liken licensed digital works to “chained books” that can only be read at a specific table. Other librarians share frustration with such limitations:

- “There is an ongoing, unresolved problem between desire to provide access to material and technical service’s concern with signing restrictive site licenses.”
- “Some vendors/publishers have been very reluctant to permit access to their databases from off-campus Some publishers have instituted pricing policies which penalize libraries for offering access to off-campus users. This restricts what we are able to provide for distance education and what is available for students and faculty in their local residences.”
- “The proportion of contemporary culture and communication in electronic format is increasing rapidly. Loss of ability to “clip” or “Xerox” bits of video, music, and electronic-only publications limits what students and faculty could take to class when most media in our collection were print or LP records.”

Copyright law should provide an explicit right to use all works in a school’s library in classrooms within that institution, whether the works are in digital, analog or print format. Off-campus uses by enrolled students and faculty should also be explicitly allowed as a corollary to the first sale doctrine.

3. Licensing Provisions That Preclude Rights Traditionally Available Under The First Sale Doctrine Threaten A Digital Future Without Access to History

Under Sections 107, 108 and 109 of the Copyright Act, libraries are able to archive lawfully purchased works for future use and historical preservation. They are also now explicitly authorized to convert particular copies of a work into new formats (for instance by scanning print works into microfilm and digital formats) to ensure against loss of access as technology evolves and playback equipment becomes outmoded. As libraries obtain more electronic products under license rather than purchase, they are losing control over archiving and preservation, because many licenses prohibit copying digital works for archival or any other purpose, and because the prohibitions on copying are enforced by technological measures. Where they were once the foremost guardians

of America's public domain literary heritage, libraries are finding themselves increasingly at the mercy of publishers' abilities and commercial incentives to archive.

From the Libraries' perspective, works that exist only on content providers' servers may be subject to corruption, sabotage, subsequent alteration and selective preservation. If digital works are not archived in a professional manner (appropriate storage media, care and environmental maintenance, adequate indexing, etc.) the risk of loss to authors and society is enormous. There are no firm statistics on losses because the transition to digital publishing is still in the relatively early stages, but it is entirely likely that profit-motivated publishers will not invest in archiving older works that may no longer be marketable on a large commercial scale. Indeed, libraries are already finding that subscription services do not always maintain older works. The PALS network subscribed to by one college library recently dropped its 1993 full-text database, leaving the library without access to those works.

Libraries have also expressed concern that they will lose access to digital works in the event that publishers merge, cease operations, or decide not to convert existing works into new formats as technology evolves. As one librarian explained, "Under the terms of purchase we are generally not permitted to make copies, and as these media are damaged or deteriorate the information is simply lost to humanity. Often the companies are no longer in business, and when they are still in business they frequently no longer have this older material in stock. It might as well have never existed."

Mindful of the uncertainty, libraries are often forced to trade off between current and future interests. One academic medical librarian explained: "Our users are demanding electronic products and we cannot afford to maintain both print and electronic

products due to cost considerations. We are unsure of the permanence of electronic products and our ability to have archival access to electronic publications. When we license an electronic journal, will we be able to access an issue 20 or 30 years from now as we can with a print journal?"

Libraries around the country echoed these concerns:

- "Archiving of e-journals is generally not permitted by license. Print journals are generally available, but do not include value-added supplements (video, sound, images) An increasing number (of print journals) will become 'electronic only' in future years."
- "Archiving is not possible at all with our First Search and Infotrac. We are dependent on current subscription for access. Theoretically, we have archival rights to keep EBSCO disks and some encyclopedias etc. However, as the interface and computer formats change, using the old disks becomes impractical and eventually impossible because technological and legal restrictions usually prohibit migrating the information to newer formats."
- "Changes in format for technology limits access and use. National Geographic 20 volume set is not compatible with NT network system and is no longer accessible."
- "We try to select our subscriptions carefully, with a view to a long-range subscription with long-standing, reputable companies. ... This is a distinct drawback to licensing versus straight-out ownership."
- "Elsevier has granted electronic access to their journals, but tells us they will only provide access for a 9 month period, so we will lose access to those electronic issues that we once had. We cannot afford their Science Direct product at the moment, which would give us more comprehensive, stable access to their journals."
- "We have had to return tens of thousands of dollars worth of CD-ROMs to vendors like Standard and Poors when our subscriptions ran out, leaving us with no archival data for many years of business information. The price of purchasing this archival information in another format is prohibitive. The data is simply no longer available to the economists and MBA students on our campus."
- "In just [one] week ... we had to withdraw and discard 75 titles that were on older computer disks because we were not sure if we had the rights to transfer them to more current media. With millions of items to keep track of and short

staffing, we simply cannot devote the staff resources to researching the rights of every title in order to know if we can preserve it or not. The practical consequence is that if the publisher or the laws make it difficult for cash-strapped libraries to save this material, it simply will not be saved.”

Federal copyright law should ensure that America’s libraries have the full legal tools required to preserve bodies of works in digital, as well as analog and print, formats. The 1998 amendments to Section 108 initiated legal support for this effort by removing the “digital” barrier to certain copying and by allowing three, rather than one, copies to be made of covered works. It is time now to review the state of preservation of digital works in a systematic way. The Libraries believe the time is at hand to enable repository libraries around the country to be designated custodians of specific parts America’s digital history and supported in that work..

4. Restrictive Licensing Terms and Pay-per-use Models May Hamper Research in the Very Areas Where it is Most Needed.

High prices and limited budgets routinely force the Libraries to acquire digital products subject to license limitations on transactions, usage hours, or the number of simultaneous users. In order to acquire certain digital products, libraries face restrictive terms that effectively diminish the use of scholarly works, contrary to copyright policy applicable to print works. To the extent that high prices reflect a lack of competitive information sources, and to the extent that scholarly research tends to build on existing information, restrictive license terms may effectively discourage research in the very areas where it is most needed.

The problem has been confronted even by relatively large and well-financed library systems. In order to schedule access to certain high-demand sources, students and faculty there are “being forced to do research late at night during off-peak hours.”

Visiting other schools or asking colleagues at other institutions to provide research assistance has been the only means of accessing certain other sources that the university cannot currently afford.

Scheduling disincentives have already been compounded by cost disincentives at some university libraries. As one librarian explained, “Document delivered articles, for which we pay copyright, are delivered with a technological device that prevents a second viewing or online storage. So, to get the item again, we have to pay again—a situation that doesn’t exist when we purchase a periodical in print.” As individuals and research institutions face increased financial burdens at every step in the research process, some projects may be discouraged. Licensed access with transactional pricing may well enable current information publishers to maintain perpetual monopolies over the information categories they currently dominate.

Licensing terms that unreasonably burden libraries’ and their patrons’ use of works acquired by contract rather than outright purchase should be preempted by an appropriate federal digital first sale doctrine.

5. The Lack of a Clear Digital First Sale Doctrine Eliminates Private Donations as a Long-standing source of Library Materials

Libraries have long relied on private donations to add continually to their collections. School libraries and public library children’s collections have traditionally been regular recipients of books and audio materials donated by the families of children who have outgrown them. As educational CD-ROMs become more common and more in-demand by students and teachers, the libraries have found themselves confronted with licensing agreements that render them unable to use donated digital works. The result is

that public funds are sometimes used to purchase digital works that might have been acquired by donation under the first sale doctrine. This is especially detrimental to Libraries and their patrons in light of the budget constraints limiting libraries' ability to afford costly digital works, and licensing terms that routinely prohibit interlibrary loan as an alternative means of providing patrons with access to digital works. According to one public elementary school librarian, "When the CD-ROM is given to me in its original case--for example, a counting or letter recognition CD-ROM that a child has outgrown--I feel I should be able to accept it if it would be a useful addition to our curriculum. . . . I feel CD-ROMs should be treated like books, and should be able to be legally used by those other than the original purchaser."

Libraries must be allowed to receive donations of digital works without fear of legal reprisal to donor or library.

d) What is the relationship between existing and emergent technology, on one hand, and the first sale doctrine, on the other? e) To what extent is the first sale doctrine related to, or premised on, particular media or methods of distribution? f) To what extent, if any, does the emergence of new technologies alter the technological premises (if any) upon which the first sale doctrine is established?

The first sale doctrine is neither media-specific nor technology-specific. The rights and privileges that are codified in the Copyright Act are intended to operate as a whole, with "checks" such as the first sale doctrine preventing the remuneration rights of authors from chilling the public access to creative works that is the goal of copyright law. *See generally Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975).

Some argue that current law prevents application of the first sale doctrine to digital works, because the doctrine limits only the distribution right, not the reproduction right, and because use of a digital program necessitates copying it into the hard drive of a

computer. The Libraries do not agree. Even though Section 109(a) states that the doctrine applies “notwithstanding the provisions of section 106(3),” (the distribution right), a proper application of Section 109 takes into account fair use and necessary activities incidental to application of doctrine (such as reproduction). See cf. 17 U.S.C. §117 (confirming that an owner of a copy of a computer program does not infringe the reproduction right by copying that program as an essential step in use).

Moreover, the Supreme Court has held that the Copyright Act “should not be so narrowly construed as to permit evasion because of changing habits due to new inventions and discoveries.” *Id.* 158 (affirming that reception of an electronic broadcast by a retail outlet did not constitute a public performance under the 1909 Act). When technological change renders its literal terms ambiguous, the Act must be construed in light of its basic purpose. *Id.* at 157.

The numerous privileges and exemptions that libraries and their patrons enjoy under copyright law evidence the long-standing conviction that the rights accorded by the first sale doctrine are fundamental to the basic purpose of the Copyright Act. Even when the threat posed to the phonorecord and software industries by modern duplication technologies led Congress to prohibit commercial rental of those works, libraries and educational institutions retained certain lending rights that were deemed to serve a “valuable public purpose.” H.R. Rep. No. 735, 101st Cong., 2d Sess. (1990), reprinted in 1990 U.S.C.C.A.N. 6935, 6539. As explicitly recognized by Chairman Kastenmeier at the 1990 hearings on the Computer Software Rental Amendments Act of 1990:

[A] bill to change the first sale doctrine . . . is not a modest proposal. It is . . . a major substantive proposal involving a fundamental change in one of the main tenets of copyright law.”

Software Rental Amendments of 1990: Hearing Before the Subcomm. on Courts, Intellectual Property and the Admin. of Justice of the House Comm. on the Judiciary, 101st Cong, 2d Sess. 2 (1990) (statement of Rep. Robert Kastenmeier) (quoting Prof. David Lange).

During consideration of the 1990 amendments, Rep. Carlos Moorhead noted, “*Legislation to reform the first sale doctrine frequently arises from a collision course between intellectual property law and technological change.*” 136 Cong. Rec. H8266 (daily ed. Sept. 27, 1990) (emphasis supplied). Such reform is appropriate, as Congress noted in 1998 by directing the Copyright Office to consider additional changes to the copyright law that might be needed.

The first sale doctrine presupposes that copyright proprietors will realize “a fair return” on their creative investments from the first sale of a copy. *See, e.g., Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F. 2d 847, 854 (2d Cir. 1963) (stating that the ultimate issue in application of the first sale doctrine is whether or not the copyright proprietor has “received his reward,” quoting *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942)). When market conditions threaten to undermine incentives to creative production, a re-balancing of owner’s rights and user’s privileges may be warranted. However, where the author’s interests and those of the public conflict, “the public interest must prevail.” *See Register’s Report on the General Revision of the U.S. Copyright Law* (1961) (explaining the purpose of public interest limitations on author’s rights), reprinted in 8 Nimmer On Copyright at App. 14-17.

The piracy rationale that has warranted past modifications to the first sale doctrine may eventually be rendered obsolete by copy control technologies. Until such time as

that determination can be made, the increased incentive to digital publishing that may be achieved by restrictive licenses must be balanced against the benefit that the public receives from library lending. Full application of the first sale doctrine requires extending the section 117 “essential copy” rights that currently facilitate use of computer programs to use of digital works lawfully acquired under the first sale doctrine. Certainly, the public interest in ensuring that libraries are able to carry out their mission of providing access to works – to promote the progress of knowledge – requires no less.

(g) Should the first sale doctrine be expanded in some way to apply to digital transmissions? Why or why not?

As our survey has shown, vital library services have been diminished by the loss of control over collections that results from restrictions on the application of the first sale doctrine to licensed digital works, so some rethinking of federal policy is urgently needed. We are in the midst of an accelerating transition to digital formats; print versions of some publications currently remain available for uses such as interlibrary and offsite lending which are banned by digital licensing terms. However, these substitutes are becoming less available as users demand the additional content and search mechanisms that are typically available only in electronic formats.

For libraries to serve the informational needs of the American public in the future as effectively as they have in the past, the binding that ties copyright policy embodied in the first sale doctrine (as well as the fair use doctrine and preservation of works) to lending and usage rights must be strengthened with respect to digital works. This Copyright Office study should recognize this fact and recommend changes to Section 109

consistent with the proposals herein. Specifically, a first sale doctrine for the “digital millennium” should include these points:

1. Interlibrary Lending: Fundamental public copyright policy should not permit distinctions in lending based on the format of the work. The Copyright Act should reaffirm and strengthen the rules on interlibrary loans of digital works.
2. Unchaining Works: All works acquired by a library should be available for use in the classroom, regardless of geographic location, and use by enrolled students and faculty, wherever they are located.
3. Preservation: As recently as 1998 when Congress modified Section 108, it reaffirmed the libraries vital role as the preservers of our nation’s recorded history. The trends since passage of the DMCA require additional initiatives. One such initiative to ensure preservation of works in digital formats would be creation of a national system of digital library repositories, wherein specific libraries or institutions would be designated as custodians of specific parts of America’s digital history and assisted in their efforts to serve as the preserver of these works.
4. Unreasonable Licensing Restrictions: Federal law should preempt state statutes and contractual terms which unduly restrict the access rights all to which all Americans are entitled to with regard to copyrighted works. A unitary federal policy, providing minimum standards respecting limitations on the exclusive rights of ownership (including but not limited to first sale, fair use and preservation) should be established.

5. Donations: Federal policy as expressed in copyright law should encourage donation of works to libraries irrespective of format. Donors and recipients of digital works should not face threats of litigation or reprisals for the generosity of the gift or the willingness to receive.

If the Copyright Office does not recommend and the Congress does not act, many publishers will continue to legislate digital first sale limitations in their stead—by contract—to an end that fails to effectuate the federal policy of balance between the interests of information owners and users. Restrictive licensing of digital works has become the industry standard, and as print sources become increasingly obsolete, acquiescence is the only means by which many users can gain access to the information they need.

From the Libraries' perspective, this practice deprives many libraries of vital control over their collections. Essential library services such as interlibrary lending, archiving, preservation, and lending for classroom and offsite use have been severely curtailed. Digital products are expensive; for many citizens, library and classroom access is their *only* access. Foreclosing that access will exacerbate the "digital divide," which, in our information-based economy, may mean lost productivity for generations to come. Perhaps even more disturbing is the risk to our nation's rich cultural heritage that is posed by the licensing away of the libraries' archiving rights. The profit motive that properly governs the publishing industry simply cannot ensure that today's digital works will remain available to tomorrow's historians, scholars, and scientific and medical researchers.

As the Supreme Court articulated in *Sony Corp. v. Universal City Studios, Inc.*, “The monopoly privileges that Congress may authorize are *neither unlimited* nor primarily designed to provide a special private benefit. Rather, the *limited* grant is a means by which an important public purpose may be achieved.” 464 U.S. 417, 429 (1984) (Emphasis added.) That important public purpose – the continued flow of ideas and information – is directly served by the limitations on copyright that Congress has built into the law. However, as the debate over the proposed Uniform Computer Information Transactions Act (“UCITA”) has demonstrated, unless an express federal digital policy preempts state laws, content owners will continue to turn to local laws and restrictive licensing agreements as a way of forcing members of the public to waive the very federal rights that Congress reserved for the public – including those rights that flow from the first sale doctrine on which so many library practices depend.

h) Does the absence of a digital first sale doctrine under present law have any measurable effect (positive or negative) on the marketplace for works in digital form?

The Libraries believe that the current uncertainty about the application of the first sale doctrine for digital works has and will continue to have a negative impact on the marketplace for works in digital form.

Uncertainty about the extent to which the rights reserved to users by the Copyright Act apply to licensed digital works is currently chilling digital purchases by libraries. The standard licenses by which publishers market digital works prohibit many practices that have traditionally been within the libraries’ discretion under the first sale doctrine. These practices, including lending for offsite use and archiving, are vital to libraries’ ability to serve patrons now and in future decades.

In the absence of clear legislative guidance, many libraries have taken the “safe” route and continued to purchase print alternatives to digital where those alternatives remain available. These print works generally lack the added content and search capabilities of their digital counterparts, but libraries appreciate that the print versions may confidently be used according to provisions of the Copyright Act with which they are familiar. This is no small factor as the threat of “self-help repossession” by publishers compounds the libraries’ concerns about liability for unintentional non-compliance with proliferating contract terms. For these reasons—and because they are eager to purchase more digital works as uniform usage guidelines become available—the Libraries believe that the uncertainty of a digital first sale doctrine has had a significant negative effect on the short-term market for digital works.

The Libraries also believe that the lack of a codified digital first sale doctrine will hurt the market for digital products well into the future, by exacerbating the “digital divide” between those who have access to digital technologies and those who do not. Interlibrary and classroom lending provide many low- and middle-income individuals and communities with their only access to digital works. If restrictive licenses continue to bar libraries from making digital works available through these services, many citizens simply will not develop the comfort with electronic technology that they need to compete as producers in the digital economy. Because marginalized producers are unlikely to reach their full potential as consumers of digital goods, the Libraries believe that reaffirmation of the first sale doctrine extension to digital works will positively impact the future market for such works.

General: Other issues to consider. Would hearings be helpful?

A new copyright debate is raging throughout many state legislatures this year. The issues posed by attempts to pass the proposed Uniform Computer Information Transactions Act on a state-by-state basis, has led those in state governments, unaccustomed to dealing with federal copyright policy, to confront the relationship between copyright policy and contract law. The debate, which fundamentally affects the first sale doctrine and the applicability of particular terms within licensing agreements, backed by strong local laws, to impact on the federal copyright policy, should not be ignored by the Copyright Office in this inquiry. The Libraries believe that no review of the first sale doctrine and computer licensing rules should be completed without the Congress giving serious consideration to a new federal preemption provision affecting these rules.

The Libraries urge that in light of the vital need for a digital first sale doctrine policy, public hearings should be held prior to the Copyright Office sending a report to Congress.

Respectfully submitted,

American Library Association
American Association of Law Libraries
Association of Research Libraries
Medical Library Association
Special Libraries Association

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