ASSOCIATION OF RESEARCH LIBRARIES

RESOURCE PACKET ON ORPHAN WORKS: LEGAL AND POLICY ISSUES FOR RESEARCH LIBRARIES

Prepared by Prudence Adler (ARL), Jonathan Band (policybandwidth), Brandon Butler (ARL)

There is long-standing interest in identifying orphan works, books that are subject to copyright but whose copyright holders cannot be identified or contacted. Orphan works comprise a significant percentage of ARL collections, and there is deep interest in making these works discoverable and more accessible. Recently, the University of Michigan announced the initiation of the Orphan Works Project. The focus of the Project is on US digitized books held by HathiTrust,[1] a partnership of major research institutions and libraries working to ensure that the cultural record is preserved and accessible long into the future.

HathiTrust provides a variety of secure long-term preservation and, in some cases, access services to the nearly 10 million scans that resulted from Google Book Search and other digitization efforts by research libraries. Digitizing these works has made identifying and locating high quality sources of information—both copyrighted and public domain works—far easier, thereby significantly increasing the value of library collections in support of research, teaching, and learning.

On September 12, 2011, the Authors Guild, together with authors' associations from Australia and Quebec and eight individual authors, filed suit against HathiTrust and five universities claiming that the making, storing, and providing access to digital scans of copyrighted works is illegal, objecting particularly to the Orphan Works Project. The suit targets Orphan Works Project participants who are also library partners in the Google Books project, leaving out institutions that participated in only one of the two projects. The suit not only asks a federal court to bar HathiTrust and its partners from going forward with the Orphan Works Project, but it goes much further, asking the court to "impound" all copyrighted works in the HathiTrust collection, placing them in a dark archive with no network connection pending any relevant legislation. This would affect roughly two-thirds of the works in the HathiTrust collection. The suit does not seek money damages, but it does ask the judge to award legal fees.

The resource packet on legal and policy issues concerning orphan works provides general information concerning orphan works, the University of Michigan's Orphan Works Project, an FAQ, and a legal memorandum by Jonathan Band, policybandwidth, describing the legal issues associated with making orphan works digitally available. While not a comprehensive response or analysis of the suit, this packet should be useful in understanding some of the core issues in *Authors Guild v. HathiTrust et al*.

The Authors Guild suit raises several questions that are outside the scope of this packet. For example, it is unclear how the authors have standing to sue over the Orphan Works Project, given that none of them has had a work of theirs listed as a possible orphan, nor is such a misclassification likely. Furthermore, the associations may not have standing to pursue copyright infringement claims on behalf of their members. State sovereign immunity protects four of the five named institutions, which raises more procedural hurdles for the suit. This packet does not address these procedural aspects of the suit.

[1] http://www.hathitrust.org/

I. SUMMARY AND BACKGROUND

The Orphan Works Project is being led by the University of Michigan Library to identify orphan works. Orphan works are books that are subject to copyright but whose copyright holders cannot be identified or located. The focus is on US digitized books held by HathiTrust,[2] a partnership of major research institutions and libraries working to ensure that the cultural record is preserved and accessible long into the future.

The project work is based on several key processes and procedures. These include:

- Investigating the provenance of each work in a documented and public process
- Identifying rights holders when possible and requesting use of their works where appropriate;
- Announcing the list of orphan works candidates well in advance of use, e.g., 30–60 days; and
- Negotiating for uses of works with an authentic rights holder if she comes forward, and removing any work from the candidate list and suspending their use if the rights holder objects.

II. FAQ ON ORPHAN WORKS

What is an orphan work?

An orphan work is a work that is in copyright whose copyright holder cannot be identified or located after a reasonable search. As a consequence, users cannot seek permission to use these works in ways that might involve copying or distributing the work. Works become orphaned for a variety of reasons; common causes include defunct publishers and deceased authors who leave behind an uncertain trail of copyright ownership.

How many orphan works are likely to be in a typical research library?

While orphan works are by their nature difficult to count, a recent study[3] suggests that as much as 55% of all the books in research library collections are likely to be orphans. The study's author, Hathi Trust[4] executive director John Wilkin, argues that more than half of the works in research library collections are likely to be orphan works, with the remaining portion split between works in the public domain and non-orphaned copyrighted works. Previous studies have put the total number of orphan works anywhere between 500,000 and 5 million works, but Wilkin's study, based on the collective collection in Hathi Trust, seems to be the most comprehensive to date. More foreign works are likely to be orphaned than U.S. works, and more older works are likely to be orphaned than newer. At the same time, the explosive growth in the number of published works makes it likely that the number of orphan works from recent decades will still be very high.

[2] http://www.hathitrust.org/
[3] http://www.clir.org/pubs/ruminations/01wilkin/wilkin.html
[4] http://www.hathitrust.org/

What problems do orphan works cause for libraries and their users?

While traditional library uses, such as lending the original physical copy, clearly do not require copyright holder permission, analogous uses of the digitized copy of a work often involve creating and distributing copies, which may require permission. Where such uses are not covered by fair use[5] or any of the specific exceptions currently in the Copyright Act (e.g., the Section 108[6] provisions for libraries and archives), libraries and users who copy, distribute, and make other uses of orphan works likely need to seek permission from the rights holder. For orphan works, this is impossible.

Does the law currently provide specifically for special treatment of orphan works?

No, it does not. While commercial availability factors into some of the current exceptions, the law does not currently provide expressly for special treatment of orphan works.

Has the US Congress considered special exceptions to allow legitimate uses of orphan works? What did those exceptions look like?

Yes, the US Congress has considered orphan works legislation in recent years, following an exhaustive report by the Copyright Office on the scope of the problem and possible solutions. The most recent proposal, the Shawn Bentley Orphan Works Act of 2008, gathered substantial support and passed the US Senate, but not the US House of Representatives. The proposal would have reduced the risk of using orphan works, but despite support from key Congressional offices, it required a cumbersome search process that would be unworkable for many users, including some libraries. The bill stalled in the House because of the opposition of some rights holders who wanted to make the search process even more cumbersome.

Will there be a useful legislative 'fix' specifically for orphan works any time soon?

It does not seem likely. As we saw with the impasse over the debt ceiling, the general environment in the US Congress is one of gridlock, with many higher-priority items lined up for consideration in the near- and middle-term. It is especially difficult to pass useful legislation in the copyright sphere. Copyright holders have extraordinary power and fight ferociously against any perceived erosion of their control over protected works. Any limitation or exception to copyright that can pass is likely to be extremely narrow and saddled with caveats, conditions, and red tape to discourage users from going forward. Indeed, the most recent orphan works proposal, which at the beginning of the process would have been beneficial to libraries, commercial publishers, researchers and others, became unworkable in precisely this way.

What does the Google Books Search project have to do with orphan works?

If the court had approved the proposed settlement between Google and the rights holder plaintiffs over Google Book Search, Google would have been able to make a

[5] http://www.copyright.gov/title17/92chap1.html#107
[6] http://www.copyright.gov/title17/92chap1.html#108

variety of uses of orphan works without seeking permission or being subject to damages if the rights holder came forward. Only Google would have had that privilege, however. Libraries lauded the proposed settlement's effect of dramatically increased access to orphan works, but also raised concerns arising from Google's and the Book Rights Registry's control over these works. Ultimately, the judge rejected the settlement, in part because of the seeming monopoly that Google would have over uses of these works. It is unlikely any future resolution of the suit will address orphan works. Any future settlement of the litigation likely would involve the display only of snippets, not full text.

Does current law give libraries any rights to use orphan works, even if it doesn't address orphans works explicitly?

There are a few provisions of current law that may be relevant for projects involving orphan works. Section 108(c) provides for making replacement copies of lost, damaged, deteriorating, and stolen works from a library's collection that are no longer commercially available. Digital copies made under this provision cannot be made available beyond the premises of the library, however. Section 108(e) provides for making and distributing copies of entire out-of-print works from a library's collection if the copy becomes the property of the requesting patron. Section 108(h) frees libraries to make broader use of works in the last 20 years of their term of protection if those works are not being commercially exploited and are not available at a fair price. A library would have to investigate whether their use of orphan works satisfies the criteria for these specific exceptions.

Finally, Section 107, fair use, provides a broad, flexible exception that could apply to uses of orphan works. Fair use favors educational, non-profit uses but requires a four-factor analysis to determine whether a particular use is fair. For orphan works, these are some relevant considerations for fair use analysis:

1. *Purpose and character of the use:* The purpose of research library uses of orphan works would be to support teaching and scholarship, which are specifically favored by the statute. A reasonable search for the copyright holder would support the library's claim to be in "good faith" in their use, a factor courts often consider.
2. *Nature of the work:* Orphan works in library collections are typically non-fiction, scholarly works, which courts have said favors a finding of fair use. It may also be significant that scholarly works are created primarily to advance the scholarly enterprise rather than to profit from commercial exploitation, and that scholarly writers are typically compensated in other ways for their writing (e.g., tenure, salary with publishing expectations, etc.). A work's status as orphaned may also favor fair use, as it reflects the disinterest of the copyright holder in controlling its use.
3. *Amount and substantiality of portion used:* While many uses of orphans would ideally involve using entire works, this is not necessarily a strike against fair use. Where the purpose of the use is fair and legitimate, courts ask whether the amount used is appropriate to the purpose. Sometimes the entire work is the appropriate amount.
4. *Effect of the use upon the potential market for the original:* Library uses of orphan works are likely to have little or no effect on the potential market for orphans as these works are by definition not being exploited in the market. Library policies

that give copyright owners a chance to come forward and re-assert control, such as a notice-and-takedown regime, will support a favorable finding under this factor.

Between the specific exceptions in Section 108 (especially Section 108(e)) and the broad exception for fair use in Section 107, libraries may be able to use orphan works in their collections in a variety of ways. See Jonathan Band's analysis for detailed exploration of these issues.

Is it really fair for research libraries to make new uses of orphan works? Even if orphan works were essentially abandoned, wouldn't research libraries be stealing someone else's intellectual property?

Not at all. There is a sharp distinction in the law between owning the copyright itself and owning any particular copy of the work. Research libraries would not be taking or claiming ownership of the copyright itself. What libraries would be doing under fair use or Section 108 involves making new uses of *their own copies* of the protected work, uses that are natural extensions of traditional, physical preservation and lending. The uses research libraries would likely make would not impinge on a copyright holder's rights to control and exploit their copyright. Unlike the "theft" of physical property, making legitimate uses of a lawfully owned copy does not deprive a right holder of her intellectual "property."

III. LAWFULNESS OF HATHITRUST'S USE OF ORPHAN WORKS

Prepared by Jonathan Band, policybandwidth[7]

Various possible uses of works within the HathiTrust database have been identified, including uses by individuals with print disabilities and uses of section 108(c) works.[8] Other uses allowing access to full text have been proposed. This memorandum looks at the copyright issues relating to HathiTrust's use of "orphan works."[9] Because orphan works are protected by copyright, and their use in a digital context implicates one or more of the exclusive rights protected in Section 106 of the Copyright Act, the proposed use of orphan works ("the Proposed Use") may violate copyright law unless it qualifies for one of the limitations described in the Act (§§107-122). This memorandum concludes that the Proposed Use likely falls within the limitations on a copyright holder's Section 106 rights: Section 108(e), which allows libraries to make and distribute copies of out-of-print works for requesting users, and Section 107, the fair use privilege. An Appendix to this piece addresses the relationship between the specific limitations in Section 108 and the general privilege of fair use.

The analysis is set forth in detail below, but to summarize: Section 108(e) allows qualifying libraries to make and distribute copies upon user request for works that are not available on

[7] Principal, Policybandwidth PLLC, jband@policybandwidth.com.
[8] Section 108(c) works are published works where the copy owned by the library is damaged, deteriorating, lost, or stolen, and the library has determined after a reasonable effort that an unused replacement cannot be obtained at a fair price. 17 U.S.C. §108(c).
[9] The copyright issues relating to the Google Library Project which led to the creation of many of the copies in the HathiTrust database are discussed at Jonathan Band, *The Long and Winding Road to the Google Books Settlement*, 9 John Marshall Review of Intellectual Property Law 227, 236-60 (2009).

the market. Orphan works certainly qualify as the kind of works that section 108(e) is meant to cover. Copyright holders might argue that the Proposed Use should not be treated as a "reproduction" and "distribution" under the Act, and thus not covered by the section 108(e) limitation. Although courts have not spoken clearly on this subject, there is good reason to believe that they would view the Proposed Use within the scope of section 108(e). Section 107, fair use, provides a strong alternative basis for the Proposed Use, as three of the four statutory factors strongly favor fair use, and the fourth is at worst neutral.

The Proposed Use would have the following attributes:

- HathiTrust members will follow a procedure to identify orphan works, defined as books in copyright, not on the market, and for which no rights holder can be identified or located; [10]
- Possible orphan works will be listed on a website[11] to provide copyright holders with the opportunity to claim the works;
- If an orphan work is not claimed, online access to full text will be provided with the following conditions:
    - access permitted only to authenticated users of a HathiTrust library that owns a copy of the work;
    - simultaneous users restricted to the number of copies in a library's collection;
    - downloading of pages permitted;
    - copies include watermarking and page with information concerning copyright law; and
    - access will terminate if the copyright holder emerges and objects to use of the work.

Very strong arguments can be made that HathiTrust can provide a service with these attributes without infringing copyright.

A. SECTION 108(e)

The starting point of the analysis is the limitation provided at 17 U.S.C. § 108(e). Under that provision,

- a library (or archives) whose collection is open to the public or other persons doing research in a specialized field
- may reproduce and distribute a copy
- of an entire work in its collection
- to the user of that or another library
- if the library has determined, on the basis of a reasonable investigation, that a copy of the work cannot be obtained at a fair price[12]

[10] This procedure involves attempting to contact the publisher or author listed on the work, and consulting: search engines such as Google; retailers of unused books such as Amazon; library ownership records in WorldCat; the online records of the Copyright Office; and MARC records. The procedure is described in more detail at http://www.lib.umich.edu/orphan-works/documentation.

[11] Currently, possible orphan works are listed at http://www.lib.umich.edu/orphan-works/candidates.

[12] Although the text of the statute does not specify that copies on the market must be "unused," there is evidence that Congress intended the exception to apply regardless of the availability of used copies. The House Report on Section 108, for example, describes 108(e) as applying to "[o]ut-of-print works," and goes on to say that, "The scope and nature of a reasonable investigation to determine that an *unused* copy cannot be obtained will vary

- the copy becomes the property of the user
- the library has no notice that the copy would be used for any purpose other than private study, scholarship, or research
- the library makes and distributes the copy without any purpose of direct or indirect commercial advantage, and
- the library displays a copyright warning at the place where orders are accepted as well as a copyright notice on the copies it provides.

The Proposed Use appears to fall within the scope of this limitation. The members of HathiTrust are libraries whose collections are open to the public or other persons doing research in a specialized field. Likewise, these libraries may allow unaffiliated researchers on-premises access to the HathiTrust database. The orphan works determination procedure constitutes reasonable investigation that a copy cannot be obtained at a fair price. A user would own the copy he downloads; HathiTrust would have no notice that the user intended to use the copy for a purpose other than private study, scholarship or research; HathiTrust would not receive a direct or indirect commercial advantage from this activity; the HathiTrust website would display a copyright warning; and HathiTrust would insert a copyright notice in every copy it provides.

Some rights holders might argue that Section 108(e) does not apply to the Proposed Use. Under the Proposed Use, there are two forms of access. First, the user could view the work while it "resides" on the HathiTrust server. Rights holders might argue that this form of access is a public display under 17 U.S.C. 106(5), not a distribution of copies to the public under 106(3).[13] Section 108(e), however, provides a statutory limitation on the distribution right, not the display right. Moreover, the rights holders might assert that if the user simply views the work, he does not become an owner of a copy, as required under section 108(e). Furthermore, section 108(e) allows the library to make one copy, but a digital transmission involves the making of multiple temporary copies.[14]

HathiTrust could respond that while the user is viewing the work, a copy exists in his computer's random access memory, and that copy can exist for a sufficiently long duration to be considered "fixed" for copyright purposes. Thus, the library has distributed

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according to the circumstances of a particular situation." H.R. Rep. No. 94-1476 at 76 (emphasis added). This is consistent with the general policy of allowing broader uncompensated uses when those uses will have little or no effect on the *copyright holder's* exploitation of a work. Copyright protection is meant to be an incentive for creators of protected works, not sellers on the secondary market. *But see* Nimmer on Copyright, § 8.03[E], at 8-36 (arguing that 108(e) does not apply if used copies of a work are available at a fair price).

[13] It should be noted that there is much confusion in the courts concerning precisely which rights are infringed when a digital transmission occurs. Part of the confusion arises from the technological differences between viewing an image on a website, streaming a sound recording or motion picture, and downloading a copy for later consumption. Additionally, courts have not been rigorous in their determination of whether a particular act is an infringement of the reproduction, display, performance, or distribution right because the remedies for all types of infringement are the same. Moreover, because it is a limitation potentially applicable to any use, fair use can potentially trump any allegation of infringement. Proper determination of the right infringed only matters when the defendant asserts a specific limitation (as opposed to fair use), because most of the limitations limit specific rights. The library uses authorized in section 108, for example, apply to the reproduction and distribution rights, but not the performance and display rights. Sections 110(1) and 110(2), by contrast, apply to the display and performance rights, but not the reproduction and distribution rights.

[14] It appears that the publishers made this argument in the context of the Section 108 study group. See Report of the Section 108 Study Group at 100-101.

a copy under 106(3). The user "owns" that copy while it resides in his computer's random access memory, particularly since he is free to make a permanent copy in his computer's hard-drive.[15] And the temporary copies made during the course of transmission are of such transitory duration as not to infringe the reproduction right.[16]

The second form of access under the Proposed Use is when a user downloads a copy onto the hard-drive of his computer. With respect to this second form of access, rights holders could argue that a digital transmission of a copy also is not a "distribution" under section 106(3). Section 106(3) grants the copyright holder the exclusive right "to distribute copies … of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." The Copyright Act defines copies as material objects in which a work has been fixed. The distribution right, therefore, concerns the transfer of a physical copy – the material object. With a digital transmission, by contrast, a material object is not being transferred from one person to another. Rather, the sender's computer makes an electronic transmission that the recipient's computer receives and converts into a new copy. Meanwhile, the source copy still resides on the sender's computer. Because there is no transfer of the material object, publishers could argue that the digital transmission by HathiTrust should be viewed as a display under 106(5) rather than a distribution under 106(3).[17] And because section 108(e) is a limitation on the distribution right, not the display right, section 108(e) would not permit the digital transmission of an orphan work.

However, virtually every court to consider the issue has treated the digital transmission of copyrighted works as distributions under 17 U.S.C. § 106(3). *See, e.g.*, *Perfect 10 v. Amazon.com*, 508 F.3d 1146, 1162 (9th Cr. 2008)("The Supreme Court has indicated that in the electronic context, copies may be distributed electronically."); *Elektra v. Barker,* 551 F. Supp. 2d 234 (S.D.N.Y. 2008). Moreover, 17 U.S.C. § 506(a)(1)(B) provides for criminal penalties for willful infringement committed "by the reproduction or distribution, *including by electronic means*" of copies with a retail value of more than $1,000. Congress added this provision specifically to address the online dissemination of infringing works. In other words, there is significant authority for the proposition that a digital transmission of a copy is a distribution within the meaning of the Copyright Act.

Rights holders might also argue that a copyright warning on the HathiTrust website does not meet the section 108(e)(2) obligation of a library "display[ing] prominently, at the place where orders are accepted, … a warning of copyright in accordance with requirements that the Register of Copyrights shall prescribe by regulation." Rights holders may contend that a website is not a "place" within the meaning of the statute. Moreover, under the Copyright Office regulations, "A Display Warning of Copyright shall be printed on heavy paper or other durable material…." 37 C.F.R. § 201.14(c)(1). A website display, rights holders could assert, is not of "durable material." HathiTrust could respond that the website is hosted at a physical place – a server – and that the server's hard drive is more durable than "heavy paper." Alternatively, a court could treat the user's computer as the

[15] Rights holders could make the counter-argument that the TEACH Act, which permits online access to content for the duration of a class session, provides a limitation to the display and performance right, not the distribution right. This suggests that allowing users to view content on a website, even for periods of significant duration, is a display, not a distribution.
[16] *See Cartoon Network v. CSC Holdings*, 536 F.3d 121 (2d Cir. 2008).
[17] R. Anthony Reese, *The Public Display Right: The Copyright Act's Neglected Solution to the Controversy Over RAM "Copies*," 2001 Illinois Law Review 83.

place where the order is accepted, and the computer's random access memory as the durable material on which the warning is printed.[18]

In sum, it appears reasonable for a court to conclude that section 108(e) permits HathiTrust to digitally transmit orphan works.[19]

B. FAIR USE

Even if a court ultimately concludes that section 108(e) does not permit either viewing or downloading under the Proposed Use for the reasons discussed above, the fair use privilege would nonetheless provide the court with a compelling basis for allowing both forms of access.[20] The Supreme Court has described the fair use doctrine as "'an equitable rule of reason' which permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which the law is designed to foster." *Stewart v. Abend*, 495 U.S. 207, 237 (1990). Scholars have identified "policy-relevant clusters" into which positive fair use decisions fall,[21] and the Proposed Use, by adapting to the digital age the library practices permitted by section 108(e),[22] falls into several of these clusters: technological innovation, learning, and access to information.

The strength of the fair use argument with respect to the Proposed Use becomes particularly apparent when the four statutory factors are considered.

1. Purpose and Character of the Use

The first fair use factor is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." 17 U.S.C. § 107(1). HathiTrust is a nonprofit organization controlled by research libraries to further their educational mission. By increasing access to materials in HathiTrust members' collections, the Proposed Use clearly serves nonprofit educational purposes. Moreover, the preamble to section 107 lists six favored purposes, five[23] of which are furthered by the Proposed Use: criticism, comment, teaching,[24] scholarship,[25] and research.

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[18] Given the extensive case law treating copies in random access memory as sufficiently fixed to infringe the reproduction right, *see, e.g., MAI Systems Corp. v. Peak Computer, Inc*., 991 F.2d 511 (9th Cir. 1993), a court should be willing to consider a warning visible in RAM as "printed."

[19] Although section 108(e) would allow a library to transmit an orphan work to a user, it would not permit the wholesale digitization of the orphan works in a library's collection. Under section 108(e), the copies must become the property of the user, not the library. Section 108(e) operates successfully in this context because the HathiTrust corpus already exists, and the issue here is whether HathiTrust can transmit an orphan work within that corpus to a user.

[20] Fair use is available to libraries and other users even where specific limitations such as Section 108 do not apply. The relationship between Section 108 and fair use is discussed in the Appendix to this document.

[21] Pamela Samuelson, *Unbundling Fair Uses*, 77 Fordham Law Review 2537 (2008-2009).

[22] Again, legislative history shows that the practices Congress meant to sanction by § 108(e) are making and distributing copies of entire out-of-print works for interested users.

[23] The Proposed Use could advance even the sixth purpose, news reporting, in certain cases.

[24] As the Supreme Court noted, "A teacher who copies to prepare a lecture is clearly productive. But so is a teacher who copies for the sake of broadening his personal understanding of his specialty." *Sony Corp. of Am. v. Universal City Studios, Inc*., 464 U.S. 417, at 455 n. 40.

[25] "The fair use defense affords considerable latitude for scholarship and comment…." *Eldred v. Ashcroft*, 537 U.S. 186, 220 (2003)(citations omitted).

In assessing the purpose and character of a use, courts often consider whether the use was "transformative." Courts have found a use to be transformative when the purpose of the use "is transformatively different from the original expressive purpose." *Bill Graham Archives v. Dorling Kindersley Ltd*., 448 F.3d 605, 609 (2d Cir. 2006)(*BGA*). In *BGA*, the court found the reproduction of Grateful Dead posters in a biography of the group to be transformative because the purpose of the posters in the biography was "plainly different from the original purpose for which they were created. Originally, each of BGA's images fulfilled the dual purpose of artistic expression and promotion. […] In contrast, DK used each of BGA's images as historical artifacts to document and represent the actual occurrence of Grateful Dead concert events…." *Id*.

Likewise, the purpose of the use of the orphan works here is different from the original purpose for which the works were created. As discussed above, the purpose of the Proposed Use is noncommercial research, scholarship, and education. In contrast, works of fiction that would be included within the Proposed Use were created for purposes of artistic expression and commercial entertainment. Similarly, the scholarly works of nonfiction that, as discussed below, probably constitute the majority of the works within the Proposed Use, now serve a different purpose from when written. For example, the author and publisher in the late 1920s of a then-comprehensive history on the decline of the Hapsburg Empire intended to educate contemporary audiences about that history. A scholar would now access that out-of-print book through the Proposed Use not for purposes of learning that history, but rather for historiographical purposes: to understand how scholars in the middle of the 20th century viewed the decline of the Hapsburg empire.[26] The same sort of repurposing likely would occur with the overwhelming majority of other scholarly orphan works included in the Proposed Use, since they were created to supply a specific long-extinguished contemporary market demand.

Furthermore, the Supreme Court in *Harper & Row Publishers v. Nation Enter*., 471 U.S. 539, 562 (1985) stated that "relevant to the 'character' of the use is the propriety of the defendant's conduct. Fair use presupposes good faith and fair dealing." (Citations omitted).[27] Some courts have elevated whether an alleged copyright infringer has acted in good faith into a fifth fair use factor. *Field v. Google*, 412 F.Supp. 2d 1106, 1122 (D. Nev. 2006). HathiTrust's good faith is shown in part by the fact that the Proposed Use, as noted above, represents an adaptation of section 108(e) to digital technology; the Proposed Use is well within the contours of legitimate library uses. Its efforts to determine that every work in the Proposed Use is an orphan, its limitation of the number of simultaneous users, and its willingness to terminate access to a work upon the request of the copyright holder, further establish HathiTrust's good faith.

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[26] Just as with the hearsay rule, the scholar's objective in accessing the work is not "to prove the truth of the matter asserted" in the work, Fed. Rules of Evidence Rule 801(c), but rather to prove the fact that the author asserted the matter. See Note to Subdivision (c), Advisory Committee Notes, Fed. Rules of Evidence Rule 801.
[27] *See Fisher v. Dees*, 794 F.2d 432, 436-37 (9th Cir. 1986)("Because fair use presupposes good faith and fair dealing, courts may weigh the propriety of the defendant's conduct in the equitable balance of a fair use determination.")(Citations omitted.)

Underscoring HathiTrust's good faith is that its approach to orphan works is similar to that contained in the orphan works legislation that passed the Senate in 2008.[28] The orphan works bill limited the remedies available against a user that "performed and documented a qualifying search, in good faith, to locate and identify the owner of the infringed copyright; and … was unable to locate and identify an owner of the infringed copyright." § 514(b)(1)(A)(i). A qualifying search required "a diligent effort that is reasonable under the circumstances to locate the" copyright holder § 514(b)(2)(A)(i). A diligent effort included a search of the resources similar to those listed in the HathiTrust orphan works procedures. A library that met these standards could not be ordered to pay reasonable compensation if, after receiving a notice of claim of infringement, it promptly ceased the infringement. § 514(c)(1)(B). HathiTrust actually would be even more protective of orphan works than the legislation in that HathiTrust would list the works it proposed to use on a website prior to using them so as to provide the copyright holder with the opportunity to object. In contrast, the legislation did not impose on the user an obligation to announce publicly its intent to use an orphan work. Moreover, the legislation would have permitted an unlimited range of different types of uses, including allowing an unlimited number of users to simultaneously view and download the work. Conversely, the Proposed Use would permit access only to authenticated users of a library that owns a copy of the work and would limit the number of simultaneous users to the number of physical copies in a library's collection. Additionally, the legislation imposed no security requirements, while the HathiTrust database meets the rigid security standards of the proposed Google Books Settlement.

HathiTrust's good faith can also be presumed from the privileged status Congress has accorded libraries in Title 17. In addition to benefiting from exceptions of general applicability, such as the fair use and first sale limitations, libraries (and educational institutions generally) enjoy protections Congress has specifically provided them.[29]

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[28] Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. (2008)(passed the Senate on September 26, 2008). Likewise, HathiTrust's approach resembles that outlined in the proposed European Union Directive on Orphan Works. *See* http://ec.europa.eu/internal_market/copyright/orphan_works_en.htm#directive.

[29] Section 108 authorizes as a "right" libraries and archives to reproduce and distribute copies for purposes of preservation, replacement of damaged or missing copies, and interlibrary loans. Section 108(h) shortens the copyright term by twenty years for certain library uses related to scholarship or research. Section 109(b)(1)(A) authorizes libraries with to rent phonorecords and computer programs. Section 110(1) allows the performance and display of works in the course of face-to-face teaching activities of educational institutions (and thus libraries affiliated with educational institutions). Similarly, Section 110(2) permits performances and displays for purposes of distance education. Section 121 allows libraries and other institutions with the primary mission of providing specialized services to the visually disabled to reproduce and distribute copies in accessible formats such as Braille. Section 504(c)(2)(i) permits courts to remit statutory damages to libraries, archives, and educational institutions in cases of innocent infringement. Section 512(e) adapts the limitations on liability for online services providers to the higher education environment. Section 602(a)(3)(C) provides organizations operated for scholarly, educational, or religious purposes with a limitation on the importation right for library lending and archival purposes. Section 1201(d) of the Digital Millennium Copyright Act gives libraries, archives, and educational institutions the right to circumvent technological protection measures on a copy for purposes of determining whether to acquire a copy of the work. Section 1203(c)(5)(B) allows a court to remit statutory damages to libraries, archives, and educational institutions in cases of innocent violations of the

Congress has adopted these limitations over a period of almost thirty years, reflecting its commitment to enabling libraries to operate in periods of rapid technological change.[30] Congress also has provided libraries with financial support. Congress enacted the Library Services Act of 1956 and the Library Services and Construction Act of 1964 to provide federal funding for library construction. Currently, the Institute of Museum and Library Services, an independent federal agency, administers the Museum and Library Services Acts of 1996, 2003, and 2010 to channel millions of dollars of federal funding annually to libraries throughout the United States.[31]

There is a constitutional dimension to the access to scholarly works enabled by the Proposed Use. The Supreme Court has recognized a First Amendment right to receive information. *Reno v. American Civil Liberties Union*, 521 U.S. 844, 876 (1997). In considering the constitutionality of a school board's removal of books from a public high school library, the Supreme Court stated, "the right to receive ideas is a necessary predicate to the *recipient's* meaningful exercise of his own rights of speech, press, and political freedom." *Board of Education v. Pico*, 457 U.S. 853, 867 (1982) (emphasis in original). The Supreme Court in *Pico* faulted school board members' "attempt to extend their claim of absolute discretion beyond the compulsory environment of the classroom, into the school library and the regime of voluntary inquiry that holds sway there." *Id*. at 869. Digital access to materials in a research library's collection promotes this "regime of voluntary inquiry." Because the fair use limitation is one of copyright law's "built-in First Amendment accommodations," *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003), the First Amendment interests advanced by the Proposed Use should have a positive impact on the fair use analysis.

2. The Nature of the Work Used

The second fair use factor is "the nature of the copyrighted work." 17 U.S.C. § 107(2). All of the works that would be included in the Proposed Use would be published and the vast majority would be nonfiction.[32] The Supreme Court in *Harper & Row v. the Nation Enterprises*, 471 U.S. 539, 564 (1985), stated that "the scope of fair use is narrower with respect to unpublished works." And in *Campbell v. Acuff Rose*, 510 U.S. 569 (1994), the Supreme Court suggested that works of nonfiction receive less protection under the second factor than works of fiction.

Further supporting the fair use tilt of this factor is that most of the nonfiction works would be of a scholarly nature with very limited popular appeal.[33] The Second Circuit

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DMCA. Moreover, Section 1204(b) excludes libraries, archives and educational institutions from criminal liability for DMCA violations.

[30] Congress included Sections 108, 110(1), 504(c)(2)(i), and 602(a)(3)(C) in the 1976 Copyright Act. Congress then added the library protections in Sections 109(b)(1)(A) in 1980 and 1990; in Section 121 in 1997; in Sections 108(h), 512(e), 1201(d), 1203(c)(5)(B), and 1204(b) in 1998; and in Section 110(2) in 2002. Similarly, "orphan works" legislation, which contained a special safe harbor for libraries, archives, museums, and educational institutions, passed the Senate in 2008. Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. (2008).

[31] Institute of Museum and Library Services, http://www.imls.gov.

[32] Brian Lavoie and Lorcan Dempsey, *Beyond 1923: Characteristics of Potentially In-copyright Print Books in Library Collections* 15 D-LIB MAGAZINE (Nov./Dec. 2009), http://www.dlib.org/dlib/november09/lavoie/11lavoie.html.

[33] The collections of the research libraries that are members of the HathiTrust are fundamentally different from the collection of a typical public library or the types of books sold in bookstores. Research libraries contain primarily scholarly books. Research libraries typically acquire popular books only if they are of scholarly

has explained that under the second factor, the court considers "the protection of the reasonable expectations of one who engages in the kind[] of creation/authorship." *See BGA,* 448 F.3d at 612. Although some academic authors benefit from royalties from the sale of their books, most do not reasonably expect significant royalties, and royalties are not the primary incentive for academic authors to create scholarly works.[34] Academic authors write mainly for purposes of advancing their reputation and promoting progress in their field.[35] Moreover, it is reasonable to assume that the rare academic books that continue to generate significant sales (and therefore royalties) are maintained in print, either by the original publisher or another, and therefore would not be considered orphan works. Because academic authors do not have reasonable expectations of royalties and are not primarily motivated by them, the second factor analysis with respect to the Proposed Use weighs in favor of a fair use conclusion.

3. The Amount and Substantiality of the Use

The third fair use factor is "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." 17 U.S.C. § 107(3). The Supreme Court has held that "the extent of the permissible copying varies with the purpose and character of the use." *Campbell*, 510 U.S. at 586-87. It is sometimes suggested that a use that involves an entire copyright work cannot be "fair," but this represents a misunderstanding of the applicable law. The Second Circuit in *BGA* found that although the copying of an entire work does not favor fair use, "such copying does not necessarily weight against fair use because copying the entirety of a work is sometimes necessary to make a fair use…." *BGA*, 448 F.3d at 613. Courts have concluded that the use of the entire work was necessary to accomplish a wide range of legitimate purposes, including time shifting and space shifting of entertainment content,[36] reverse engineering of software to achieve interoperablity,[37] the operation of

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interest. Thus, of the 45,429 titles a major distributor sold to research libraries in North America between July 1, 2007, and June 30, 2008, the distributor categorized only 1,572 as "popular:" "a work intended for a public library or a browsing collection." *See* Blackwell, North American Approval Coverage and Cost Study, http://www.blackwell.com/librarian_resources/coverage_and_cost. The distributor labeled none of these 45,429 titles as "geared toward a wide readership," and classified 32,009 titles as aimed at "specialists:" "those who have a familiarity with the subject matter and knowledge of the conventions of the field." Similarly, 12,297 of these titles were published by university or other non-profit publishers.

[34] In contrast, copyright law assumes that direct financial gain incentivizes most creative production. The Supreme Court has explained that the "economic policy" behind the Intellectual Property Clause in the Constitution "is the conviction that encouragement of individual efforts by personal gain is the best way to advance the public welfare through … Science and the useful Arts." *Mazer v. Stein*, 347 U.S. 201, 219 (1954). The decision rejecting the Google Books Settlement quotes academic author objectors as stating that "Academic authors, by definition, are committed to maximizing access to knowledge. The [Authors] Guild and [the Association of American Publishers], by contrast, are institutionally committed to maximizing profit." *Authors Guild et al. v. Google Inc*., 2011 WL 986049 (S.D.N.Y.). The decision further notes that "many academic authors … would prefer that orphan works be treated on an 'open access' or 'free use' basis rather than one where they would be controlled by one private entity."

[35] Academic authors, therefore, place a higher value on the protection of their moral right of attribution to the ideas contained in their works than in the economic rights in the expression contained in their works.

[36] *Sony Corp. of Am. v. Universal City Studios, Inc*., 464 U.S 417 (1984); *Recording Industry Ass'n of Am. V. Diamond Multimedia Sys., Inc*., 180 F.3d 1072, 1079 (9th Cir. 1999).

[37] *Sega v. Accolade*, 977 F.2d 1510 (9th Cir. 1992); *Atari v. Nintendo*, 975 F.2d 832 (Fed. Cir. 1992); *Sony v. Connectix*, 203 F.3d 596 (9th Cir. 2000).

search engines,[38] the operation of plagiarism detection software,[39] and the recognition of images as historical artifacts.[40] HathiTrust would need to have the ability to disseminate entire works in order to achieve the intended educational and research objectives of the Proposed Use. Providing access to less than entire works often would not meet the needs of serious scholars and students.[41]

Underscoring the necessity here of using the entire work is that most of the limitations in the Copyright Act that libraries rely upon allow them to use entire works.[42] Accordingly, this factor is at worst neutral, weighing neither for nor against a fair use finding. Indeed, because the amount used is appropriate for HathiTrust's legitimate purpose, this factor could arguably favor fair use.

4. Market Effect

The fourth fair use factor is "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107(4). Three attributes of the Proposed Use minimize its effect on the market for the works it includes.

a. The Proposed Use includes only orphan works, which by definition means works that are not being made commercially available by their copyright holders. Because a work would not be commercially available, the Proposed Use could not have a negative effect on the work's actual market. To ensure that a work is an orphan work, HathiTrust would use two filters. First, its members would follow a procedure that includes attempting to contact the author or publisher listed in the work, as well as searching a variety of databases.[43] As discussed above, this procedure is similar to the "diligent effort" contained in the 2008 orphan works legislation as well as the proposed EU Orphan Works Directive and the legislative history of Section 108(e). Second, the HathiTrust will provide copyright holders with the opportunity to object to the Proposed Use by posting publicly the title and author information for books determined to be orphans.

b. HathiTrust would use technological measures to permit access only to authenticated users of a library that owns a copy of the work and to limit the number of simultaneous users to the number of physical copies in a library's collection. Additionally, if the user elected to download the work, each copy transmitted would contain a watermark specifying the download session to enable the identification of a user who widely retransmitted the work. Users would be informed of the watermarking to discourage retransmission.[44] These technological measures are highly effective, and are the same sorts of measures that copyright

[38] *Kelly v. Arriba Soft*, 336 F.3d 811 (9th Cir. 2003); *Perfect 10 v. Amazon.com,* 508 F.3d 1146, 1166 (9th Cir. 2007); *Field v. Google,* 412 F. Supp. 2d 1106 (D. Nev. 2006).
[39] *A.V. v. iParadigms, LLC*, 562 F.3d 630 (4th Cir. 2009).
[40] *Bill Graham Archives v. Dorling Kindersley Ltd*., 448 F.3d 605 (2d Cir. 2006).
[41] The Proposed Use allows the user to calibrate the extent of the use. If the user just wants quickly to consult a particular passage, she can view it without making a download; if she wants to study that passage more carefully and retain it for her research, she can download the passage; and if she needs to read the entire book, she can download the book into her hard-drive.
[42] *See, e.g*., 17 U.S.C. § 108 (with the exception of 17 U.S.C. § 108(d), which is limited to articles or "a small part of any other copyrighted work"); 17 U.S.C. §§ 109(a), (b)(1)(A) and (c); 17 U.S.C. § 110(1); 17 U.S.C. § 121; and 17 U.S.C. § 602(a)(3)(C).
[43] *See* note 10, *supra*.
[44] Restricting the number of pages that could be downloaded per command would further discourage retransmission.

holders use to protect the works they disseminate online.[45] By preventing the broad redissemination of the works, these measures will ensure that the Proposed Use will not harm any potential market for the works. These measures also prevent the Proposed Use from having a market impact beyond the impact that section 108(e) already may have on works that are not commercially available.

c. HathiTrust will remove a work from the Proposed Use upon copyright holder request. This "opt-out" preserves the ability of the copyright holder to decide in the future to make a work or its derivatives commercially or freely available on her own terms. This opt-out provides the copyright holder with far more ongoing control over the use of her work than in the vast majority of cases where a court found fair use.[46] In the typical fair use case, the copyright holder had no ability whatsoever to stop the use.

Each of these attributes independently favor a fair use finding. Taken together, they tilt the fourth factor overwhelmingly towards fair use.

5. Balance of Factors

Courts, after undertaking a case-specific analysis of all four factors, "weigh the factors together in light of the purposes of copyright." *Perfect 10*, 508 F.3d at 1168 (citations omitted).[47] The Second Circuit stated that "the ultimate test of fair use … is whether the copyright law's goal of promoting the Progress of Science and useful Arts would be better served by allowing the use than by preventing it." *BGA*, 448 F.3d at 608 (citations omitted). Here, three of the factors favor fair use, and one factor, the amount used, is at worst neutral. In the Proposed Use, HathiTrust seeks to increase the access of its members' faculty and students to lawfully purchased scholarly books that are orphans works. Copyright's goal of promoting knowledge is better served by allowing the Proposed Use than by preventing it.[48]

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[45] *See, e.g.,* Nate Lanxon, *iTunes Plus: Everything you need to know*, CNET, Jan. 12, 2009, http://crave.cnet.co.uk/digitalmusic/itunes-plus-everything-you-need-to-know-49300555/ ("Although iTunes Plus files feature no copy protection, files downloaded still contain the email address you have registered with iTunes"); Amazon.com Help - Record Company Required Metadata, http://www.amazon.com/gp/help/customer/display.html/ref=dm_adp_uits?ie=UTF8&nodeId=200422000 (last accessed Aug. 24, 2011) ("The record company that supplies this song or album requires all companies that sell its downloadable music to include identifiers with the downloads").

[46] The only exception are the cases involving search engines, where a website operator can use a "bot exclusion header" that instructs a search engine not to "crawl" the website. *See, e.g.*, *Field v. Google,* 412 F. Supp. 2d 1106 (D. Nev. 2006). Most search engines respect these "do not enter" signs. The opt-out here exceeds even the opt-out afforded in the search engine cases. The bot exclusion header prevents a search engine from crawling a website, but does not remove the cache copy of the website from the search engine's database if the search engine crawled the website before the website operator used a bot exclusion header. Thus, the bot exclusion header provides protection before the fact of the use, but not after the fact. In contrast, HathiTrust will permit a copyright holder to opt-out of the Proposed Use at any time.

[47] *See also Kelly*, 336 F.3d at 818 ("We must balance the [fair use] factors in light of the objectives of copyright law, rather than view them as definitive or determinative tests.")

[48] In the event that a court rules that the Proposed Use is not a fair use, HathiTrust would have strong grounds for arguing that statutory damages should be remitted. 17 U.S.C. § 504(c)(2) requires a court to remit statutory damages for infringement of the reproduction right where an infringer believed and had reasonable grounds for believing that his or her use was a fair use, if the infringer is a nonprofit library, archives, or educational institution, or its employee or agent. Section 504(c)(2) more generally allows a court to reduce statutory damages to $200 per work infringed for any innocent infringer of any of copyright's exclusive rights. HathiTrust members that are public institutions would also have sovereign immunity.

C. APPENDIX: THE RELATIONSHIP BETWEEN SECTION 108 AND FAIR USE

In its complaint against HathiTrust (HT), the Authors Guild (AG) claims that because the HT orphan works project exceeds the limitations provided to benefit libraries by Section 108, HT cannot rely on the fair use privilege. AG Complaint at 4. The AG position ignores the plain language of Section 108 as well as its legislative history.[49]

Section 108(f)(4) explicitly states that nothing in section 108 "in any way affects the right of fair use as provided by section 107…." Section 108(f)(4), therefore, contains a savings clause providing that the limitations enumerated in Section 108 do not restrict the availability of fair use to libraries and archives. In other words, libraries and archives can still rely on fair use to engage in activities not explicitly permitted under Section 108.[50]

The legislative history of the 1976 Copyright Act, which included Section 108, demonstrates that a specific limitation does not restrict the availability of fair use. A congressional report produced during the drafting of the Copyright Act of 1976 noted that "[a] question that came up several times during the hearings was whether the specific exemptions for certain uses…should be in addition to or instead of fair use…. [W]hile some of the exemptions in sections 108 through 116 may overlap the fair use doctrine, they are not intended to supersede it." H.R. Rep. No. 83 at 36-37 (1967).

The legislative history of Section 108 itself further demonstrates the Congress did not intend for Section 108 to limit fair use. The 1909 Copyright Act did not contain any limitations for libraries; instead, libraries relied entirely on the federal common law of fair use. When the possibility of a specific limitation for libraries was raised during the lengthy process that resulted in the 1976 Copyright Act, library representatives expressed concern that the specific limitation might constrain the availability of fair use to libraries.[51] Accordingly, when the Senate Subcommittee on Patents, Trademarks, and Copyrights reported out the bill in December, 1969, with the basic elements of what is currently section 108(a), (b), (c), (f), and (g), it included the language now in Section 108(f)(4). The Subcommittee report's discussion of Section 108 stated: "The rights given to the libraries and archives by this provision of the bill are in addition to those granted under the fair-use doctrine." S. Rep. No. 91-1219 at 6 (1970). This sentence makes clear that Congress included Section 108(f)(4) to insure that Section 108 had no negative impact on fair use.

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[49] Furthermore, as discussed in the main memorandum above, the HT orphan works project is permitted by Section 108(e).

[50] The Section 108 Study Group Report cited in the complaint, in a section entitled "Relationship of Section 108 to Fair Use," specifically observes, "Subsection 108(f)(4) also states explicitly that nothing in section 108 'in any way affects the right of fair use as provided by section 107.'" Section 108 Study Group Report at 21 (citations omitted). The Report later states: "Section 108 was not intended to affect fair use. Certain preservation activities fall within the scope of fair use, regardless of whether they would be permitted by section 108. For example, the House Report accompanying the 1976 Copyright Act specifically mentions copying deteriorating prints of motion pictures produced before 1942 for archival preservation, an activity not addressed by section 108, as an example of fair use." Id. at 22.

[51] Mary Rasenberger and Chris Weston, *Overview of the Libraries and Archives Exception in the Copyright Act: Background, History, and Meaning* 13 (2005), http://www.section108.gov/papers.html ("Library representatives … asserted that there was 'great danger' in the statutory language, because it would freeze what was allowable at the very moment that technology is advancing," citing statement of William H. Hogeland, Jr., Joint Libraries Comm. on Fair Use in Photocopying, Sept. 14, 1961.)

Additionally, the 1976 House Judiciary Committee report language concerning Section 108 further shows that Section 108 does not limit fair use. Thus, in the context of Section 108(h), the House Report observed:

> Although subsection (h) generally removes musical, graphic, and audiovisual works from the specific exemptions of section 108, it is important to recognize that the doctrine of fair use under section 107 remains fully applicable to the photocopying or other reproduction of such works. In the case of music, for example, it would be fair use for a scholar doing musicological research to have a library supply a copy of a portion of a score or to reproduce portions of a phonorecord of a work. Nothing in section 108 impairs the applicability of the fair use doctrine to a wide variety of situations involving photocopying or other reproduction by a library of copyrighted material in its collections, where the user requests that reproduction for legitimate scholarly research purposes.

H.R. Rep. No. 94-1476, at 78 (1976).

Treatises confirm that Section 108 does not restrict the availability of Section 107 to libraries: "[I]f for one reason or another, certain copying by a library does not qualify for the section 108 exemption (e.g., the collections are not open to the public; no notice of copyright is included; the copy does not become the property of the user), the library's photocopying would be evaluated under the same criteria of section 107 as other asserted fair uses. This interpretation not only gives meaning to both sections but is fully in line with the earlier committee reports." 4 Patry on Copyright § 11:3 (2011).

In sum, AG's suggestion that Section 108 restricts the availability of fair use to libraries flatly contradicts the unambiguous language of Section 108(f)(4) and the legislative history of the Copyright Act.