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Legally Speaking: What Does the HathiTrust Decision Mean for Scholarly Publishers?

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Fair use has been tested in court with increasing frequency in recent years, and many of these cases have revolved around the question of whether the use challenged can be reasonably viewed as “transformative” or not. I traced the background in some earlier articles in Against the Grain, especially “Is ‘Functional’ Use ‘Transformative’ and Hence ‘Fair’? A Copyright Comundrum” (June 2009); https://scholarsphere.psu.edu/files/9880vr71h. There I particularly focused on the different ways the Ninth and Second Circuits had approached the interpretation of fair use, which seemed to portend eventual appeal to the Supreme Court. Readers not already familiar with the background might want to read that article before continuing with this one. I will also assume, in the interests of brevity, that readers of this journal will be generally familiar with HathiTrust, the Authors Guild, and the origins of this suit, filed in September 2011, which pitted these two main parties (with support from others) against each other in a battle to determine whether the mass digitization begun by Google and built upon by the HathiTrust participating libraries could be construed as fair use. (It should be noted that “transformative use” was not at issue in the suit brought by three academic publishers against Georgia State because Judge Evans did not believe the copying under challenge there to be transformative.)

The decision in the district court by Judge Harold Baer in October 2012 had largely favored the defendants, finding the alleged infringing uses to be fair mainly because they were all “transformative” and, further, made an “invaluable contribution to the progress of science and cultivation of the arts” (which echoes the language of Article 1 of the Constitution in providing the rationale for having a copyright law in the first place). The uses in HathiTrust involved making available the full texts of the digitized works but only for the purposes of text-mining and giving access to the physically disabled. (The question of “orphan works” was set aside as not yet ripe for judicial resolution.) In making his ruling, the judge prominently cited several cases decided in the Ninth Circuit, thus for the first time narrowing the gap I had perceived in my earlier article between the two circuits on the interpretation of transformative use. Judge Baer’s decision was followed by another district court ruling in the Second Circuit in November 2013 by Judge Denny Chin in his parallel case that the Authors Guild had brought against Google. Judge Chin also favorably quoted from Ninth Circuit cases in reaching his decision, which is now on appeal as well.

Much to my chagrin, in upholding Judge Baer’s ruling with respect to fair use regarding creation of a full-text searchable database, the Second Circuit Court of Appeals has abandoned earlier Second Circuit precedent and instead bought into the controversial theory of the Ninth Circuit (some of whose key decisions it also cites) on functional use. Instead of insisting on viewing the act of copying itself as needing to be creative, the court has accepted the Ninth Circuit’s idea that an otherwise “mechanical” act (similar to use of a photocopy machine) can be fair use if it “allows for” (the key words used by Judge Chin in his ruling in the Google case) creative use later.

The precedent on which I had been relying in my previous arguments was this passage written by Judge Jon Newman in the Texaco case:

“We would seriously question whether the fair use analysis that has developed with respect to works of authorship alleged to use portions of copyrighted material is precisely applicable to copies produced by mechanical means. The traditional fair use analysis, now codified in section 107, developed in an effort to adjust the competing interests of the authors — the author of the original copyrighted work and the author of the secondary work that ‘copies’ a portion of the original work in the course of producing what is claimed to be a new work. Mechanical ‘copying’ of an entire document, made readily feasible by the advent of xerography …, is obviously an activity entirely different from

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creating a work of authorship. Whatever social utility copying of this sort achieves, it is not concerned with creative authorship (italics added)."

I believed this to be a correct interpretation of Judge Pierre Leval’s idea of “transformative use” as elaborated in his classic 1990 Harvard Law Review article “Toward a Fair Us Standard”: http://docs.law.gwu.edu/facweb/claw/levalfrDst.htm. To my mind, the “creation” of a full-text searchable database is no more “creative” than pushing a button on a photocopy machine and hence purely “mechanical” in nature. Of course, someone had to be creative in devising the process for mass digitization, just as someone had to create the photocopy machine in the first place, but the actual use of the process or machine is certainly not an act of human creativity itself, compared with the paradigm case of a scholar quoting from a previous work in the act of creating a new interpretation.

The Second Circuit, with this new decision, has now effectively repudiated that line of reasoning and imported the Ninth Circuit approach. In my view, this strikes a terrible blow to the conceptual clarity of the notion of fair use. Now courts will have to be engaged in an endless procedure of differentiating among a variety of functional uses as to which can be considered to comport with fair use.

Unless Judge Leval somehow manages to see the logic in Judge Newman’s ruling as a faithful interpretation of his theory and then persuade his fellow panelists on the Google appeals court to go along, I fear that the outcome of that case will also further entrench the Ninth Circuit view, which is doubly disastrous because this agreement will then provide no motivation for the Supreme Court to review any of these cases.

I explained in a letter I wrote to Judge Chin in November 2013 where I think he went wrong in his reasoning in the Google decision:

In your analysis, you quote from Pierre Leval’s classic article suggesting that a new work is “transformative” if it “adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message." You go on to say:

Google Books does not supersede or supplant books because it is not a tool to be used to read books. Instead, it “adds value to the original” and allows for “the creation of new information, new aesthetics, new insights and understandings.”

The key mistake here is located in the words “allow for.” That is not what Leval said. He said that the act of fair use itself must consist in “altering the first with new expression, meaning, or message,” and Google’s computer-created indexing does not do that; there is no creativity in the functioning of Google’s computer algorithm. It is, as Judge Newman put it, merely a “mechanical” procedure.

Why is this so important? It is important because there are those who will exploit the notion of re-purposing, which captures one part of Leval’s argument, to do real damage to the Constitutional purpose of copyright. Like the Ninth Circuit, they will ignore the idea that the new work must itself come from an act of human creativity that adds new meaning, etc.

But the HathiTrust decision has now gone down this same road, and I suspect the Second Circuit will follow in this direction in the decision on appeal in the Google case.

However, the news is not all bad. In particular, the HathiTrust decision on appeal has challenged the notion that social utility itself suffices to render a use fair, in this respect echoing Judge Newman’s reasoning.

Contrary to what the district court implied, a use does not become transformative by making an “invaluable contribution to the progress of science and cultivation of the arts.” … Added value or utility is not the test: a transformative work is one that serves a new and different function from the original work and is not a substitute for it.

In this respect, the Second Circuit seems to be departing a bit from the Ninth Circuit approach, which famously proclaimed functional utility of a search process in the Perfect 10 case to be even more transformative than parody. “Google’s use of thumbnails is highly transformative” (emphasis added). How did it justify this hyperbole? Not only does a search engine provide “social benefit by incorporating an original work into a new work, namely, an electronic reference tool. Indeed, a search engine may be more transformative than a parody because a search engine provides an entirely new use for the original work, while a parody typically has the same entertainment purpose as the original work.” I trust that, with its repudiation of Judge Bader’s performance to general social utility, the Second Circuit would not go as far as the Ninth in enthroning pure functional re-purposing as “highly transformative, even more than parody (which of course directly involves human creativity).

It is further comforting that the court did not view digitization for the purpose of providing access to the print-disabled as being “transformative” either. And its treatment of “audience here may help university presses continue our fight against the ARL Code’s attempt to consider re-purposing of scholarly works, novels, etc., for a different audience of students as transformative and hence fair. The court affirms the importance of the fourth factor, noting that “the only market harms that count are the ones that are caused because the secondary use serves as a substitute for the original, not when the secondary use is transformative.”

The question of digitization for the print-disabled is transformative, and by holding that just expanding usage to a larger audience is not transformative, the Second Circuit presumably would find the ARL argument to be unpersuasive, especially since digitized copies of monographs, novels, etc., would clearly be “substitutes” for the originals.

Here the Second Circuit reasons in much the way that David Nimmer does in presenting his theory of functional use. As I argued in my earlier essay:

Nimmer on Copyright proposes a “functional test” as a means for deciding when certain uses are fair: “if, regardless of medium, the defendant’s work, although containing substantially similar material, performs a different function than that of the plaintiff’s, the defense of fair use may be invoked.” One example given is where “unauthorized reproduction of choruses lyrics of songs were held noninfringing fair use where such reproductions appeared in magazine articles” rather than in sheet music competing for the same market as the original. This “functional test” was inspired by a suggestion from Judge Richard Posner, who urged the recognition that “copying that is complementary to the copyrighted work, but copying that is a substitute for the copyrighted work… or for derivative works from the copyrighted work, is not fair use.” This approach, though it may seem superficially similar to the Ninth Circuit’s because of the reference to functionality, is in fact quite different. Rather than being tortured out of the notion of “transformative” use, this “functional” test is instead “viewed as an expansion of the fourth fair use factor…[and] vindicates the oft-cited assertion…that that factor emerges as the central fair use determinant, in result if not always in stated rationale.” Nimmer, like Weinreb, looks at some Supreme Court cases whose outcomes appear to be quite puzzling without being understood in terms of this “functional test.”

Consider the four Supreme Court cases decided under the fair use doctrine in the decade beginning in 1984. Each of the three initial fair use factors defies characterization that can consistently explain the court’s ultimate conclusion in those cases. The first factor reveals conflicting impulses, whether scrutinized as to commercial use or to transformative use, or according to the statutory preamble. On the commercial scale, Nation and Abend [Stewart v. Abend, 1990] both disallow fair use for commercial uses, whereas Sony allows it in a noncommercial context; but Campbell allows fair use for commercial exploitation. On the transformative scale, Campbell weighs in favor of fair use for a productive use, yet Nation and Abend rule against fair use for what is admittedly a productive use; even more strangely, Sony allows fair use for a nonproduction use. In terms of the presumptively fair activities enumerated in the preamble to Section 107, the activity in Campbell constituted “criticism, comment,” and hence, inclines towards fair use, whereas the activity in Abend met none of the preamble specifications and was held unfair, both as expected, yet the activity in Sony fell into none of the preamble categories, and was nonetheless held fair; completely confounding expectations.

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Katrina T. McCloskey

Questions & Answers — Copyright Column

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QUESTION: A medical librarian in a non-profit hospital asks about republishing a chart or graph in a book or journal article written by a doctor on staff. The content is found in publications to which the library subscribes that are covered by its Copyright Clearance Center license. Does this republication require permission from the copyright holder?

ANSWER: Because the library has a CCC license, the answer to this question is controlled by the CCC license. Typically, the license permits sharing of content within the organization on intranets, in newsletters, and notification services but not outside of hospital employees. Republication in outside publications usually is not covered in the annual copyright license and requires permission for republication from the copyright holder, and the payment of royalties may be required. The CCC license for the organization should be consulted, however, to determine if this outside republication is covered.

QUESTION: A college librarian asks whether graphs, tables, and charts are subject to copyright protection. Or is the information they contain subject to copyright protection? Is the display of these works subject to copyright protection? Is the display of the information they contain subject to copyright protection?

ANSWER: Graphs, tables, and charts are graphic works which normally are protected by copyright. However, copyright extends to the expression of facts and data but not to the facts and data themselves. The crucial determination is whether a chart or graph is considered to be a derivative work, protectable under the Copyright Act. Typically, if a chart or graph is a reproduction (or even a transcription) of a work (e.g., a drawing, sketch, or photographic negative), then the chart or graph is not protectable. However, if the chart or graph is an independent creation, it is protectable. Charts, graphs, and tables are typically included in works as part of a larger presentation. The criterion that determines protection is whether the chart or graph is independent of the work itself. The library may need to consult its own copyright policy to determine whether republication is permissible.

QUESTION: A librarian in a for-profit educational institution is reviewing the library's copyright policies and asks about the following statement concerning printed material (archived copies):

"Librarians may make up to three copies 'solely for the purpose of replacement of a copy that is damaged, deteriorating, lost, or stolen.' Copy must contain copyright information. Archiving rights allow libraries to share with other libraries one-of-a-kind and out-of-print books. If one makes a copy for the reasons stated in the first quoted sentence, is that copy solely for archival purposes and thus must remain on the shelves, or may it be circulated as if it were the original?"

ANSWER: The first two sentences are absolutely correct. They come from Section 108(c) of the Copyright Act. Where the third sentence is missing from the statute, it is the library's interpretation of what is possible under the Copyright Act. Libraries are allowed to make copies from out-of-print books, and these copies may be used for replacement purposes.

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QUESTION: An academic librarian inquires about the impact of the recent dispute between Hachette and other publishers (for one perspective on the publication see Berkshire Publishing’s description of the problem at http://www.berkshirepublishing.com/news-newsletter) on intranets, in newsletters, and notification services but not outside of hospital employees. Republication in outside publications usually is not covered in the annual copyright license and requires permission for republication from the copyright holder, and the payment of royalties may be required. The CCC license for the organization should be consulted, however, to determine if this outside republication is covered.

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The second factor likewise produces disparate results. Abend unsurprisingly disallows fair use for a highly creative work, yet Campbell and Sony allow the use for similarly creative works. And Nation seems totally out of kilter, disallowing fair use for a factually work. The third factor is likewise mixed. Campbell allows fair use for less than total copying, but Nation and Abend both disallow fair use for less than total copying; by contrast, Sony allows fair use for total copying! Nimmer goes on to consider how the “functional test” fares better as an explanation for the outcomes of these four cases and concludes: “then the fourth factor, as expanded by the functional test, is currently the most reliable touchstone for performing fair use analysis.” I think this kind of functional test supports the argument I have made against the ARL Code’s position, as in my essay “On the Use and Abuse of Transformative Use”: https://scholarsphere.psu.edu/files/sf268373n. It seems to be compatible with the Second Circuit’s view. So, in sum, while I regret the further muddying of the waters of conceptual clarity about transformative use that the Second Circuit has accepted, I believe that it still leaves open opportunities for us scholarly publishers to resist the most radical interpretations of transformative use that could cause us the most economic harm.