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

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# LEGAL ISSUES



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

by **Sanford G. Thatcher** (8201 Edgewater Drive, Frisco, TX 75034; Phone: 214-705-1939) <sgt3@psu.edu>

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 Conundrum” (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 the 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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One immediately feels they are reading a tragic Italian opera — how will it end? This is the surprise. Happy. Yes, a happy ending. Costantino is released from prison after the real killer makes a death bed confession. He returns to his village struggling with his fate and the fate of his now remarried wife. A clandestine romance develops between Costantino and Giovanna (Now the title is understood.), but his thoughts turn to real murder.

“At last the rain was ceasing; it still fell steadily, but more, now, like a gentle shower, while the wind had died down completely. It was cold, though, and the damp, chill atmosphere hung over the cabin like

a heavy wet cloth. So unutterably dreary were the weather and the surroundings that Costantino, recalling the periods of his most acute misery, could never remember being so utterly and hopelessly wretched as now. Not even on the day of the sentence, not even on the day when they had told him of the divorce, nor on that other day of his return: for on every one of those occasions, desperate as the outlook had been there always remained the hope of better things in the life to come. Then his conscience had been pure; but now, should he go on living, he believed that he would surely forfeit all hope in the life to come. At times, goaded by this horror, he would cry aloud, imploring death to come and save him, as a terrified child cries for his mother.”

What Costantino does not know at this moment is that Giovanna’s husband Brontu had died as a result of severe burns. Brontu fell asleep near the kitchen fire after returning home from a night of drunken foolishness. Giovanna and Costantino are soon reunited. More children are born, Brontu’s cruel mother’s heart is softened. They live happily ever after.

“Giovanna is sewing, and hard by Costantino works at his bench. No one speaks, but the thoughts of all are turned on the past. In the middle of the common *Mariedda* (the child of Giovanna and Brontu) and *Malthineddu* (the child of Giovanna and Costantino) are playing together with gurgles and shouts of joyous laughter, as happy and unconcerned as the birds on the neighbouring hedges.”

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/levalfrustd.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 cap-

tures 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 Baer's** obeisance 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 to be "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." By denying that 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 chorus 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... is fair use, 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 nonproductive 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 expecta-

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# 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 (facts) contained in them not so much created as observed? If copyright protection does extend to data, is manipulating published data sufficiently transformative to become fair use?*

**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 what might be protected in one of these works. Typically, it is the selection of data or facts, the compilation, and the graphic design that qualifies for copyright protection. Someone else could take the data and create another way of depicting that data and produce a new work which does not infringe on the earlier chart or graph. This is not even fair use but is simply the creation of a new work based on facts or data.

**QUESTION:** *An academic librarian inquires about the impact of the recent dispute publishers are having with Amazon over pre-orders and asks if there is a copyright issue.*

**ANSWER:** This dispute has been widely publicized by **Hachette** and other publishers (for one perspective on the publication see **Berkshire Publishing's** description of the problem at <http://us1.campaign-archive1.com/?u=f02106e-baeb66b1fb28bf4adf&id=35f076f817&e=78d-dc32ffc>). The dispute is actually a disagreement over distribution of books, how it is done, when, for what price, and at what discount to the distributor (**Amazon**). Most authors who have written about this have sided with their publishers. While distribution is an exclusive right of the author, it is typically the publisher that exercises the distribution right for books since most authors have transferred the distribution right to the publisher. Further, authors seldom have the ability to distribute the printed copies of their works. The argument is not over who has the right to distribute the works but the terms under which that will occur, so it is not really a copyright issue.

**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 (archives). "Librarians may make up to three copies "solely for the purpose of replacement of a copy that is damaged, deteriorating, lost, or stolen." Copies 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 comes from is unclear. Libraries are permitted to replace lost, damaged, stolen, deteriorating or obsolete copies of works after they make a good faith effort to acquire an unused copy at a fair price. A photocopied replacement copy may be circulated and used just as the original is used. If one of the three copies made is digital, however,

the digital copy may not be used outside the premises of the library.

Libraries do not have a general "archiving right." While making a copy (sharing) of a one-of-a-kind or out-of-print work at the request of another library which is exercising its section 108(c) rights to replace a lost, damaged, etc., work would be permissible; "sharing" is not supported by the **Copyright Act**. It is possible that this statement is referring to section 108(b) which relates only to unpublished works and not to either out-of-print or one-of-a-kind works. Under this section libraries are allowed to make up to three copies of an unpublished work for preservation or security or for deposit for research in another library. The same in-library use restriction applies to a digital copy that is one of the three.

**QUESTION:** *The same librarian also asks about making copies of television broadcasts. The old policy states: "Broadcasts of tapes made from television programs may be used for instructions. Cable channel programs may be used with permission."*

**ANSWER:** This is a very odd statement. The first sentence is not correct even for non-profit educational institutions! Section 108(f) (3) permits libraries to record television news programs, but only those. The statute does not restrict it to broadcast programs, but it is likely that in 1976 this was what was intended. So, recording television programs even for non-profit educational institutions outside of the news must be with permission. Some networks permit schools to record and reuse programs, however. Other networks sell video copies of programs which includes the right to perform them within the educational institution. Under section 110(1) of the **Act**, nonprofit educational institutions may perform audiovisual works in face-to-face teaching as a part of a class, but this section is not applicable to a for-profit institution. The **Copyright Clearance Center**, in partnership with the **Motion Picture Licensing Corporation**, now licenses the performance of television programs, and this may be the best alternative for this organization. 🍄



## Legally Speaking from page 48

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 factual 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

tions, *Nation* dealt with protected "news reporting," but nonetheless held against fair use.

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/sf268573n>. 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. 🍄