

EXPERT OPINION

Free digital library not fair use under copyright act | IP Frontiers

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In *Hachette Book Group, Inc. v. Internet Archive*, 115 F.4th 163 (2024), the Court of Appeals for the Second Circuit affirmed the district court's ruling finding Internet Archive's free digital library was not fair use under the Copyright Act. The dispute centered around how libraries lend books to the public and whether a library lending digital copies of physical books it already owns violates the Copyright Act.



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Libraries in the United States spend billions of dollars each year obtaining print books and ebooks for their patrons to borrow for free. Libraries usually buy their print books from publishers or wholesalers. Ebooks are typically licensed to libraries from

publishers through distributors called aggregators who ensure libraries lend ebooks to their members and use required digital rights management software and security measures to prevent unauthorized copying or distribution of ebooks. Publishers generate tens of millions of dollars from ebook licensing each year. Ebooks are typically licensed for more than the cost of the print book equivalent and may include additional costs based on the number of times a book is borrowed with the license expiring after a period of about two years. While the book publishers have been seeing increasing revenues and popularity of ebooks, Internet Archive was lending digital copies of physical books it owned for free.

Internet Archive is a non-profit digital library best known for the "Wayback Machine" that archives public webpages in a searchable database. Internet Archive also provides access to movies, software, music and millions of ebooks that users can

download and read for free. In 2011, Internet Archive partnered with a bookstore and a library to begin operating as a free digital library. The library accepted donations of books, including from the bookstore, and Internet Archive digitally scanned those books creating digital copies it then put on its websites, Archive.org and Openlibrary.org, for users to borrow. The library retained physical possession of the books while Internet Archive operated as a free digital library allowing users to borrow up to 10 digital books for a duration of two weeks. Internet Archive did not charge any fee to create a user account or borrow digital copies of books. The digital books were delivered in an encrypted format that allows one user to read the digital copy of the book for the allotted time without copying or further distributing the digital book. Internet Archive lent digital books on a one-to-one owned to loaned ratio in a practice known as controlled digital lending. Internet Archive and its users do not have permission from the copyright holders to engage in these activities.

In *Hachette Book Group, Inc. v. Internet Archive*, 664 F.Supp.3d 370 (2023), four of the largest book publishers ("Publishers") in the United States sued Internet Archive in district court for copyright infringement of 127 ebooks ("Works in Suit") including both fiction and nonfiction books offered for sale from the Publishers and available to borrow for free on Internet Archive's websites. The Publishers sued Internet Archive for copyright infringement while Internet Archive argued it was acting as a traditional library, loaning digital copies of books that it legally acquired and possessed and additionally asserted a defense of fair use under Section 107 of the Copyright Act.

The Copyright Act of 1976 grants the author of an original work a bundle of rights,

including to reproduce the copyrighted work, to prepare derivative works, to distribute copies of the works via sale, rental, lease, lending and to display publicly. Fair use is a statutory exception to copyright infringement. The Act provides that the fair use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In analyzing the defense of fair use as to copyright infringement courts consider four fair use factors: (1) the purpose and character of the use and whether such use is of a commercial nature or is for nonprofit education purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. The four factors are not exclusive, but each must be considered in a case-by-case analysis weighing the results in light of the purposes of copyright. This article will focus on the first fair use factor as it was the deciding factor in this dispute.

The first fair use factor addresses the purpose and character of the use and whether such use is of a commercial nature or is for nonprofit education. The first fair use factor focuses mostly on the extent to which the purpose and character of the secondary use of the copyrighted work is transformative and whether the new work merely supplants the original or adds something new with a further purpose or different character, altering the original with new expression, meaning or message. Transformative examples include criticism, comment, news reporting, teaching, scholarship and research. A secondary use that expands the utility of the original work may be seen as

transformative. Transformative works lie at the heart of the fair use doctrine and a use that merely repackages or republishes the original is unlikely to be deemed a fair use.

As to the first fair use factor, Internet Archive argued that the free digital library is transformative as it uses technology to make book lending more convenient and efficient and allows uses not possible with print books such as allowing authors to link additional articles and content online thereby serving a new and different function than the original book. The Publishers argued that Internet Archive's free digital library does nothing more than republish the original copyrighted works into a new format and is therefore not transformative.

When considering whether digitally scanning entire copies of copyrighted books could be seen as transformative, the district court cited *Authors Guild v. Google, Inc.*, 804 F.3d 202 (2015) ("Google Books"). In Google Books, Google scanned millions of copyrighted books to create a database which made the scanned books available for online text searches. The text searchable database displayed the number of times the search term was in a particular book and further displayed a snippet view, a limited portion of text surrounding the search term, to inform the searcher if the book was in the scope of the searcher's interest. The court in Google Books reasoned that making digital copies of copyrighted books for the purpose of creating a text searchable database enabling a search for terms of interest and displaying a snippet view of text around the search term was a highly transformative purpose of identifying books of interest to the searcher without showing enough of the book to threaten the author's copyright interest.

In comparison to Google Books, the district court found nothing transformative about Internet Archive's copying and unauthorized lending of the Works in Suit as the reproduced Works in Suit didn't provide criticism, commentary, or information about them or add some new further purpose or character. Internet Archive cited additional cases in support of why the first fair use factor should be found in their favor.

Internet Archive also argued that a fair use can be found where technology is used to improve the efficiency of delivering content to one already entitled to view it as held in the ruling by the Supreme Court in *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). At the time *Sony* was decided, the first fair use factor did not focus on whether a secondary use was transformative but, instead, whether

a technology could improve the efficiency of delivering content to one entitled to receive the content in a way that does not reasonably encroach on the commercial entitlements of the rights holder. In *Sony*, television and movie producers sought to prevent the sale of VCRs on the grounds that they were designed for infringing uses. *Sony* was accused of contributory copyright infringement based on the sale of Betamax machines to customers who could use the machine to copy copyrighted television programs. In *Sony*, the Supreme Court held that the customers use of a Betamax to record a film or TV show to watch at a more convenient time satisfied the first fair use factor as the private home viewing was a noncommercial use of the Betamax and the machine utilized technology to improve the efficiency of delivering content which merely enabled a customer to see a work which it had been invited to witness in its entirety free of charge. *Sony* was ruled not a contributory copyright infringer because it sold devices that had substantial non-infringing uses. Internet Archive argued that its secondary use of the Works in Suit was at least as transformative as *Sony* as it only allowed one user to borrow a digital copy of a book that it or a participating library already paid for and thus could lend to patrons who are entitled to view the book. The district court disagreed finding that, unlike in *Sony* which only sold the machines, Internet Archive scans a massive number of copies of books and makes them available to the public who may borrow them for free rather than purchasing the ebooks from the Publishers, which unreasonably encroached on the rights of the Publishers.

Internet Archive further argued that the first factor favors fair use because reproducing and distributing only ebook editions of print books that were lawfully acquired furthers the goal of copyright's first sale doctrine. The first sale doctrine, 17 U.S.C. section 109 of the Copyright Act, allows the owner of a physical copy of a work to sell or otherwise dispose of it without the copyright owner's permission. The doctrine provides that a rights holder's control over the distribution of any particular copy that was lawfully made effectively terminates when that copy is distributed to its first recipient.

In deciding whether the first sale doctrine applied to Internet Archive, the district court cited *ReDigi* which held that the first sale doctrine does not include a right to reproduce an original work. *Capitol Recs., LLC v. ReDigi Inc.*, 910 F.3d 649 (2d Cir. 2018). In

ReDigi the defendants created a computer program that allowed users to resell lawfully acquired digital music files. When sued for copyright infringement the defendants sought the defense of the first sale doctrine as to the resale of digital music files. The defendants in *ReDigi* used the computer program to ensure that the digital music files never existed in more than one place at once by deleting the original file from the seller's computer once a copy was made on *ReDigi*'s servers. *ReDigi* argued that under the first sale doctrine it did not unlawfully reproduce new copies but facilitated the transfer of copies lawfully acquired. The court of appeals rejected the argument on the grounds that simply ensuring the total number of copies did not exceed one copy did not nullify the fact that their program created new digital copies thereby engaging in unauthorized reproduction of copyrighted works in violation of the Copyright Act. When the defendants asked whether the first sale doctrine applied to digital works the court of appeals confirmed stating, that the doctrine "still protects a lawful owner's sale of her particular phonorecord, be it a computer hard disk, iPod, or other memory device onto which the file was originally downloaded. While this limitation clearly presents obstacles to resale that are different from, and perhaps even more onerous than, those involved in the resale of CDs and cassettes, the limitation is hardly absurd—the first sale doctrine was enacted in a world where the ease and speed of data transfer could not have been imagined." The district court found that, similar to *ReDigi*, Internet Archive unlawfully reproduced copies of the original works despite its efforts at lending one digital copy of one physical book it lawfully owned.

After reviewing all of the arguments presented by Internet Archive, the district court held that Internet Archive's first-factor arguments were not persuasive and that the secondary use was not transformative. The court of appeals affirmed finding that the Internet Archive's large scale copying and distribution of the copyrighted books without permission from or payment to the Publishers or authors deprives creators of compensation and diminishes incentive to produce new works and therefore is not a fair use defense that the Copyright Act permits.

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