Copyright and Fair Use in Law Office Libraries

by James S. Heller

It is a cliché, but a truism, that lawyers work with words. These words are often found in the large piles of photocopied cases and articles used in preparing to write a brief or to advise a client. To what extent is this photocopying permitted under copyright law? Applying the fair use provision (section 107) and the library exemption (section 108) of the Copyright Act to the for-profit sector is not easy.

**Fair Use in the For-Profit Sector**

Section 107 provides:

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, 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 determining whether the use made of a work in any particular case is a fair use, the factors to be considered shall include: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational 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 The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Much of the case law on photocopying involves copyshops, such as Kinko’s, that generate income from making copies, or companies that charge for document delivery services. These companies are quite distinct from corporations or law firms, which are not in the business of making copies, but instead reproduce copyrighted works only incidentally. Because they are not libraries, copyshops and fee-based document delivery companies do not qualify for the section 108 library exemption. And because they are in the business of making and distributing copies, it is doubtful that their activities qualify as a fair use. A brief review of litigation involving publishers and the for-profit sector, however, may shed light on the application of the fair use doctrine and library exemption in legal practice.

**Litigation Involving Copyshops and Document Deliverers**

Publishers took on copyshops in the 1980s, beginning with a successful lawsuit by Basic Books against the Gnomon Corporation, which operated several
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stores in the Northeast. A Connecticut federal district court enjoined Gnomon from making copies of journal articles and book chapters, putting them together as compilations, and selling them. Two subsequent cases received greater publicity than Gnomon. In *Basic Books, Inc. v. Kinko’s Graphics Corp.*, the copyshop was sued by several publishers for making photocopies of copyrighted articles and portions of books and compiling them in “coursepacks.” Kinko’s maintained that the copying was educational because it was done for students at the request of their instructors. The federal district court disagreed, describing the copying as non-educational and commercial, and found Kinko’s liable for infringement.

The second case involved Michigan Document Service (MDS), a copyshop in Ann Arbor. In the MDS case, the original appeals court panel called the copying “educational” and held that its producing coursepacks for students at the University of Michigan was a fair use. The entire court reversed, holding that MDS’s systematic and premeditated copying for commercial motivation was infringing.

In the early 1980s, the West Publishing Company sued several for-profit information brokers for infringement. One defendant (Aaron-Smith) settled with West and agreed not to copy and distribute the proprietary features from West caselaw reporters, such as headnotes and synopses of the published court decisions. The other defendant, Faxlaw, was enjoined from copying and distributing the proprietary features of West publications.

Where a company’s principal business is copying or distribution of copies, clearly, the courts are likely to read section 107 very narrowly and limit the application of the fair use principles.

**Litigation Involving Businesses and Corporations for In-House Copying**

In the early 1980s, Harper & Row Publishers sued pharmaceutical corporations American Cyanamid and E.R. Squibb for in-house duplication of copyrighted journal articles. Both cases resulted in out-of-court settlements, with each company agreeing to join and pay royalties to the Copyright Clearance Center (CCC), a clearinghouse for the receipt of royalties. Under the Squibb settlement, the parties agreed that Squibb could be excluded from reporting and paying royalties for up to six percent of its copying, which was considered fair use.

A decade later, newsletter publisher Washington Business Information sued the Collier, Shannon & Scott law firm for making cover-to-cover copies of newsletters and sending them to attorneys throughout the firm. The firm reportedly paid a huge amount of money to the publisher to settle the lawsuit. In 1999, LeBoeuf, Lamb, Greene & MacRae, a large New York-based law firm, purchased a multi-year photocopying license with the CCC and paid an undisclosed settlement to avoid a copyright infringement suit brought by four publishers.

Although the result in each of these cases was similar—a settlement or a judicial decision in favor of the plaintiff publisher—one should distinguish the actions against the pharmaceutical companies and the law firms from those against the for-profit document deliverers and the copyshops which directly profited from making copies of copyrighted works.

The extent to which in-house copying by a company not in the business of generating revenue from making copies may qualify as a fair use takes us to the most important in-house copying case, *American Geophysical Union v. Texaco*. The Association of American Publishers coordinated this lawsuit against Texaco in the name of five publishers. Before trial, the parties stipulated that although Texaco employed hundreds of research scientists—all or most of whom presumably photocopied scientific journal articles to support Texaco research—the trial would focus on activities of one scientist, Dr. Donald H. Chickering II, who photocopied eight articles from the *Journal of Catalysis* and placed them in his office files. In 1992 a federal district court held that Texaco’s routing journals to Dr. Chickering, and his subsequent copying and filing them away, was not a fair use. Two years later the U.S. Court of Appeals for the Second Circuit upheld the district court decision.

The district court judge spent considerable time examining the first fair use factor—the purpose and character of the use. As for the purpose of the use, Judge Pierre Leval wrote that because the defendant was copying for a for-profit company, its copying was “commercial.” As for the character of the use, the judge wrote that the copying was not transformative; Dr. Chickering simply made mechanical photocopies of complete articles for his convenience, and there was little evidence that he relied on the articles in conducting later research.

On appeal, the Second Circuit, in examining the first fair use factor, used as guidance a case recently decided by the U.S. Supreme Court: *Campbell v. Acuff-Rose Music*. In *Campbell*, the Supreme Court wrote that when a court looks at the purpose of the use, it must determine whether the use is non-profit educational, for-profit commercial, or something else. As for the character of the use, a court must determine “whether and to what extent it is
‘transformative,’ altering the original with new expression, meaning or message. The more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.”

The appeals court struggled with the first fair use factor, trying to determine if Dr. Chickering’s copying was, as the district court concluded, commercial copying. Noting that Texaco did not directly profit from the copying, the court concluded that the purpose was neither “for profit” nor “nonprofit educational,” calling it instead an “intermediate” use. The appeals court, like the district court, concluded that the copying was not transformative.

The court also called Texaco’s activities “archival”—i.e., done for the primary purpose of providing numerous Texaco scientists with his or her own personal copy of each article without Texaco having to purchase another original journal.” It concluded that the first factor tilted against Texaco because “the making of copies to be placed on the shelf in Chickering’s office is part of a systematic process of encouraging employee researchers to copy articles so as to multiply available copies while avoiding payment.”

The second fair use factor examines the nature of the work copied. Copying informational, scientific or factual works is more favored than copying more creative (or expressive) works such as fiction or poetry. Both the district and appeals courts characterized the articles in Cynthia as factual in nature, and concluded that the second factor favored Texaco.

The fourth fair use factor examines the effect of the use on the potential market for or value of the copyrighted work. Simply put, courts are more likely to find an infringement when the copyright owner incurs financial harm due to unauthorized copying. The fourth factor has an interesting and somewhat complex history, and deserves more comment.

In 1985 the Supreme Court called the fourth factor “undoubtedly the single most important element of fair use.” A decade later in Campbell, the Court wrote that no factor has primacy over any other. The Campbell Court said much more about the fourth factor that does not bode well for fair use. It wrote that a court should consider whether the market lost was one contemplated by the copyright owner, and also should consider “whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for the original.”

Texaco instructs us that large scale routing of journals to researchers in a for-profit company, and subsequent copying of articles by researchers who filed the copies away (often without even reading them) to create their own personal mini-libraries, is not a fair use. The appeals court concluded that systematic routing of journal articles to company employees, with knowledge that the employees would then copy articles and create personal “libraries,” was beyond that which is permitted under section 107.

Where does this leave us? Remember that fair use is an equitable rule of reason.

Whether a particular use is fair or infringing depends on the particular facts of the case. Failure to purchase as many subscriptions as a company really needs—if large-scale copying either by the library or by end users’ substitutes for subscriptions—is problematic, but the Second Circuit did not say that all copying in for-profit companies is infringing. The court confined its ruling “to the institutional, systematic, archival multiplication of copies revealed by the record—the precise copying that the parties stipulated should be the basis for the District Court’s decision now on appeal and for which licenses are in fact available.” But the analysis does not end with section 107; we, also, must consider the section 108 library exemption.

The Section 108 Library Exemption

Section 108 of the Copyright Act permits libraries to make copies for their patrons under certain circumstances. The legislative history of the act indicates that the library exemption applies to both the for- and nonprofit sectors and, in addition to permitting some level of in-house copying, permits libraries to engage in interlibrary transactions to acquire a copy of a journal article or an excerpt from a book for their institutional patrons, such as students and faculty in a university, corporate researchers or law firm attorneys.

Section 108(d) permits making copies of articles and excerpts from copyrighted works, but there are some basic requirements for qualifying for the section 108 exemption:

- The library may make or acquire only a single copy of an article or excerpt for the patron who requests it; multiple copies are prohibited.
Because the copy must become the property of the individual requestor, a library should not retain the digital version in any computer after delivery to the user.
action, the library should be able to receive a digital copy from another library. Because the copy must become the property of the individual requestor, a library should not retain the digital version in any computer after delivery to the user.

And don’t forget about licenses. Today, most digital information is licensed, rather than purchased, and restrictive licenses have the potential to limit, if not eliminate, section 107 and 108 rights. Therefore, carefully read proposed licensing agreements, and do not agree to terms you cannot live with.

Endnotes
5 American Geophysical Union v Texaco, Inc., 60 F.3d 913 (2d Cir. 1994).
7 Id.
8 Texaco, 60 F.3d at 919.
9 Id at 920.
12 Texaco, 60 F3d at 931.

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