

# Legal Aspects of the E-Book U.S. & EU Overview

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FIESOLE CONFERENCE

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# Overview

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- U.S. Legal Overview
- EU Legal Overview
- Licensing Challenges

# When is a book not a book?

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- Although composed of the same content, books and e-books have different legal structures
  - A book is largely governed by copyright law and limiting redistribution of books through contractual restrictions are generally not enforceable
  - An e-book is largely governed by contractual restrictions on redistribution, which are permitted and enforced
- Why is there a difference?

# U.S. E-Book Legal Considerations

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1908: Bobbs Merrill Co. v. Straus, Supreme Court Decision

- Publisher tried to limit re-sale of books to \$1.00 or more by placing a notice on the cover.
- copyright holder may not “fasten, by notice . . . a restriction upon the subsequent alienation of [a book] after the owner had parted with the title.”

1909: Codified as First Sale Doctrine in Copyright Code (117 USC s. 109)

# U.S. E-Book Legal Considerations

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2001: U.S. Copyright Office rejected First Sale Doctrine for digital works

- “Underlying purpose of First Sale Doctrine is to ensure free circulation of tangible copies” but it does not cover digital transmissions
- Physical copies degrade over time making used copies less desirable
- Digital information does not degrade and therefore the used copy is just as desirable

# U.S. E-Book Legal Considerations

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2010: Vernor v. Autodesk, 9<sup>th</sup> Cir. Court of Appeal

- Autodesk provided software for a fee with a “shrinkwrap license” on the physical media of a CD.
- Vernor purchased used Autodesk CDs
- Autodesk claimed the First Sale Doctrine was not applicable because they never “sold” the software, but provided it subject to a license.
- 9<sup>th</sup> Circuit agreed with Autodesk that the software was licensed rather than sold and therefore the re-seller of the CDs had no authority to transfer them to Vernor

# U.S. E-Book Legal Considerations

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2013: Capitol Records v. ReDigi, Inc., Southern District of New York

- ReDigi is a re-sale vendor of digital music

created a “media manager” to make sure that all copies of the content were deleted from the user’s files before the content was accepted for re-sale

- Capitol Records brought suit and ReDigi defended under the first sale doctrine

- April 2013, the Court rejected applying the first sale doctrine

-The first sale doctrine does not apply because it applies only to the particular copy purchased lawfully; digital distribution by ReDigi involved the deletion of the “particular” copy and a creation of a new copy held by ReDigi

- **“The first sale defense is limited to material items.”**

- Quoted the US Copyright Office’s statement from 2001 re degradation of content

# U.S. E-Book Legal Considerations

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Today: Autodesk & Re-Digi Decisions on E-Book Marketplace

- No court ruling specifically on point for e-books

But . . .

- Effective concession of the point: “Since the law viewed ebooks as nothing more than computer software, publishers gained the right to exert near total control over their use.” Jeannette Woodward

- Accordingly, in U.S. First Sale Doctrine is not used by libraries for e-books; rely exclusively on distribution through negotiated licenses

# U.S. E-Book Legal Considerations

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2012: U.S. v. Apple,

- Justice department sued Apple and five of the largest publishers with a price-fixing antitrust action alleging they had colluded to inflate the cost of e-books to individual consumers.

- Apple required publishers to give them a Most Favored Nation clause providing that no other retailer would be able to sell the e-book for a lower price

- Prohibited publishers from discounting books in some cases

- \$400 million ruling against Apple

Note European Commission had a similar investigation open at the time

# Some Good News on the E-Book Front

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- 2015: Author's Guild v. Google, 2d Cir.

- It is a fair use for Google to digitize copyrighted works held by libraries for search purposes because it allows users to find out information about a book individually and also about information through aggregated data mining such as the origin and evolution of words and phrases.
- - As books transfer into the public domain, there can be almost instant free access to digital works

- 2014: Marrakesh Treaty to Facilitate Access to Published Works for Blind, Visually Impaired or Otherwise Print Disabled.

- Nations may share or make accessible copies in other countries for the print disabled
- Massively expands the diversity of content available to the visually impaired

# EU E-Book Legal Considerations

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- Exhaustion Doctrine is EU corollary to US first sale doctrine
  - Copyright owner's financial interest in work is exhausted upon sale to consumer
- 2012: UsedSoft GmbH v. Oracle International Corp., European Court of Justice
  - UsedSoft resells software licenses that companies purchased but did not use
  - Oracle brought suit
  - Unlike U.S., ECJ held that under article 5(I) the Computer Programs Directive, UsedSoft a "lawful acquirer" of a software program does not need authorization from the copyright holder to use the program in accordance with its intended purpose
  - First sale of a copy "shall exhaust the distribution right" of the copyright holder
  - A sale is of a tangible OR INTANGIBLE property
  - Would the result have been different if the software had already been downloaded?

# EU E-Book Legal Considerations

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-2013: German Regional Court of Bielefeld held that the UsedSoft decision does not apply to books

At issue: the legality of the following restriction on e-books: “the customer acquires the simple, non-transferable right to use the title offered for personal use only.”

- Noted that the decision hinged on the Computer Programs Directive, which does not cover books within its scope
- The Information Society Directive is applicable and it does not contain language allowing for a re-sale of used electronic books
- Noted that consumers of electronic books “expect” not to be able to re-sell because they know the work does not degrade
- Re-sale of electronic books is prohibited absent consent of author/publisher
- Greater need to protect the publisher from an economic perspective

Higher VAT tax on e-books because determination that e-books are electronic service

# The Upshot of the Licensing Schematic

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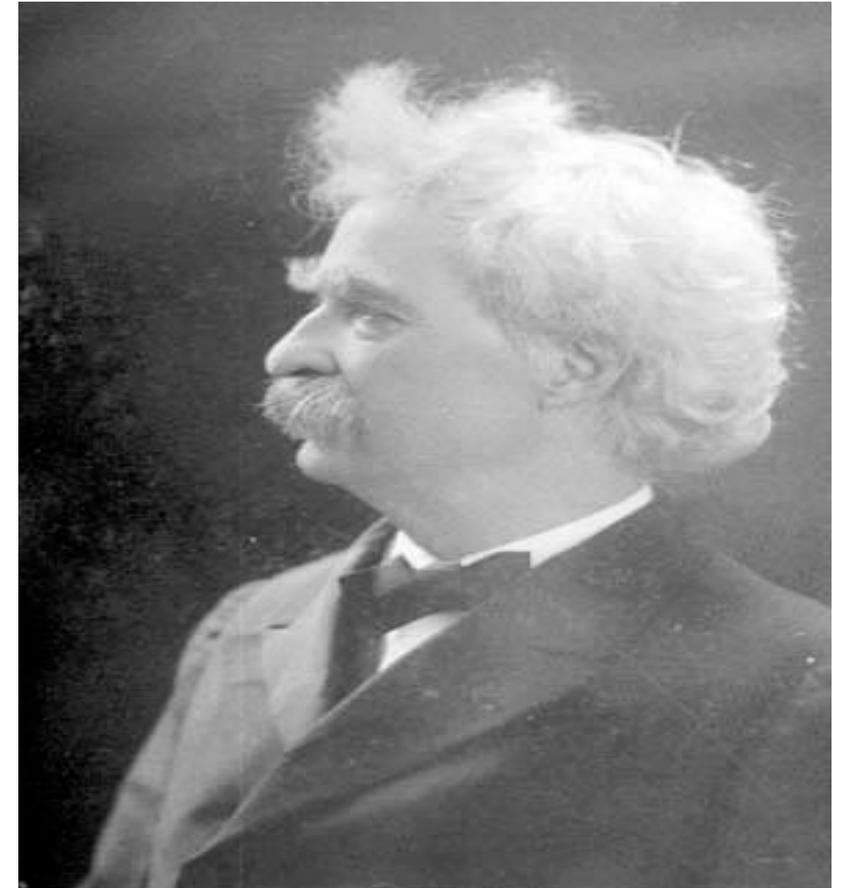
The model for online publishing is shifting from a property-based system of transactions governed by copyright law to a contract-based system of transactions governed by whatever terms the market will bear, even if such terms do not further the pro-dissemination values inherent [in the notions of Copyright law].

- - Kathleen Olson, Preserving the Copyright Balance: Statutory and Constitutional Preemption of Contract-Based Claims, 11 Comm. L & Pol'y 83 88 (2006).

# Copyright Attorneys becoming Contract Attorneys

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*Only one thing is impossible for God:  
to find any sense in any  
copyright law on the planet.*



# Upshot: Legislation Needed in US & EU

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Just this easy:

- **Without the permission of copyright owner, libraries open to the public may “lend” e-books in the same manner as print copies**
  - That is, one patron may have access to an e-book for a lending period of a limited duration and when that duration expires, that title may be provided to another patron.
  - Libraries must use “delete and forward” or similar technology, such that a patron cannot keep a digital copy of the work after the lending period has expired.
- PROMOTE THE ARTS & USEFUL SCIENCE
- UK’s Public Lending Rights Act provides for e-book fees to publishers in similar manner to print works

BUT:

# U.S. Copyright Office Task Force Refuses Intervention

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The Task Force notes the concerns expressed by libraries about the loans of eBooks. The licensing agreements between eBook publishers and libraries are new and evolving, and early government intervention into the eBook market could skew the development of innovative and mutually beneficial arrangements. If over time it becomes apparent that libraries have been unable to appropriately serve their patrons due to overly restrictive terms imposed by publishers, further action may be advisable (such as convening library and publisher stakeholders to develop voluntary best practices, or amending the Copyright Act).

# E-book Licensing Considerations

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## **Common Types of Licenses:**

- Seat based subscription model
- Purchase model
  - With various levels of DRM controls & download capabilities
- Hybrid: Demand Based Model: Automatic purchase when threshold usage level reached
  - Upside: Only purchase works in demand; Downside: Difficult to manage library budget

## **Hosting Models**

- Generally hosted through publishers
  - UI considerations
- On-site Hosting through library

# Key Considerations for Libraries

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Secure archival/research copy or minimally future ability to obtain archival/research copy

- Negotiate in advance the costs for library retention/transfer of files
- Secure right to engage in data-mining with text
- Secure right to host in event no longer hosted by publisher
- Might need to negotiate directly with publisher if aggregator does not have authority to grant these rights

In purchase models secure perpetual right to access work even if publisher bought or agreement assigned

- Ensure discount if work bundled into future publishers offerings

Understand what is in scope for the “All E-books” and what is excluded

- “Textbook” exclusion – understand “what is a textbook?”
  - Obtain a specific list and resist ad hoc determinations

Secure broadest access rights for users, e.g., download of content/offline access to content

# Key Considerations for Publishers

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Security of self-hosted works

- “Equivalent of PCI compliance”

Standardized terms for aggregators

Georgia State Implications

# Open Questions

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Will there be a standardization of delivery?

Opportunities for joint negotiation between libraries and publishers?

- Monopsony issues for libraries?
- Bundling issues for publishers?
  - Refusal to sell individual works
    - Fair price for each copy
  - Additional discount for bulk purchase

What is correct cost of a digital copy v. a print copy?

- Not sold as individuals goods to libraries

Open Access e-Book Publication

# Thank You! Grazie!

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