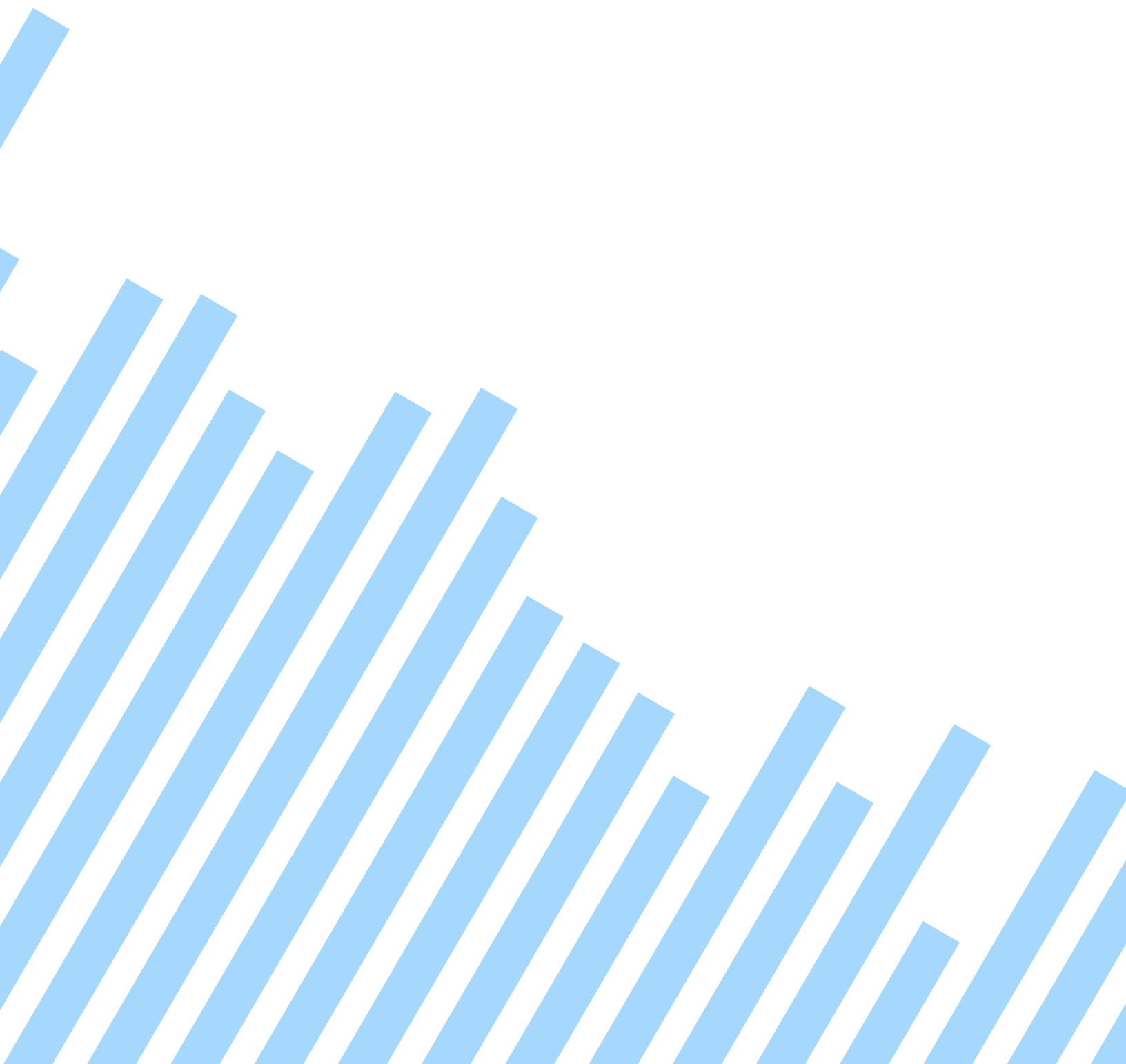


# Copyright and Contracts: Issues & Strategies

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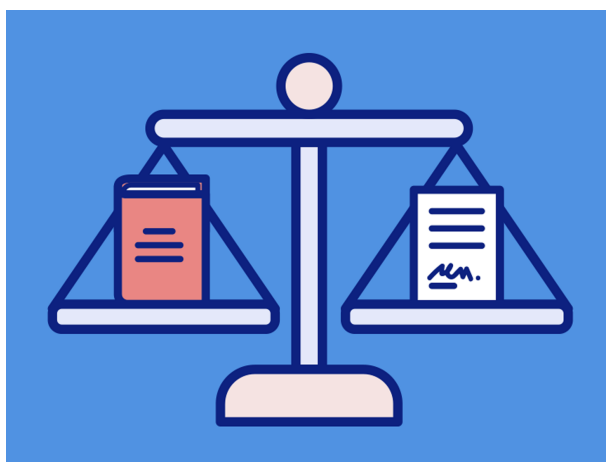
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# Table of Contents

<b>Introduction</b>	<b>3</b>
<b>Licenses for Digital Content Restrict Lawful Uses of Copyrighted Works</b>	<b>4</b>
<b>Contracts and Section 108 of US Copyright Act</b>	<b>6</b>
Digital Millennium Copyright Act Report (2001)	6
Section 108 Study Group (2005–2008)	6
Copyright Office Section 108 Study (2017)	6
<b>Advocacy and Policy Strategies</b>	<b>7</b>
Rights-Savings Clauses	8
Rights-Savings Clauses—Negotiation	8
Rights-Savings Clauses—Regulation	9
Statement Asserting Library Rights	10
Open Access	11
Open-Access Policies and Rights-Retention Strategies	12
State Strategies	12
Unenforceable Contracts	12
Public Funds	13
Federal Exemptions	14
Congressional Intervention	14
<b>Next Steps</b>	<b>15</b>
Test Case	15
ARL Strategies	16



## Introduction

Copyright and fair use have been cornerstones of the Association of Research Libraries (ARL) public policy portfolio for many years. The Association and its partners have influenced copyright and public-access policies, advanced model licensing language to optimize the terms of digital access for libraries, and educated stakeholders across the research ecosystem about the importance of both user and author rights. In tracking this work over decades, we have observed a disturbing trend: when licensing digital content, publishers include terms that prohibit certain uses that would otherwise be lawful under the US Copyright Act and related regulations. Over time, a culture and set of professional practices among both publishers and libraries has normalized these restrictions; a prime example of this is the outdated [reliance on the Commission on New Technological Uses of Copyrighted Works \(CONTU\) Guidelines](#) for interlibrary loan.

In 2006, the American Library Association (ALA) [framed](#) this issue as follows: “License agreements, rather than outright sales, have become an accepted and prevalent means for publishers to provide their products to libraries. And although licensing has proven to be a convenient way to obtain journals, for example, license terms can expand—or restrict—the uses of a work that would have been allowed under the copyright law. Some people even ask, ‘Is copyright dead?’ That is, does increased use of licensing of information make copyright law irrelevant?” In 2019, ALA hosted a “Copyright Contract Override Workshop” to continue this inquiry. The conversations at that workshop led to a shift from discussing contract “override” to contract “preemption,” a term that appears in the Copyright Act itself. Participants of the ALA workshop also observed that issues and strategies around contract preemption will vary at the state and federal level. In 2020, ALA published “[The Need for Change: A Position Paper on E-lending by the Joint Digital Content Working Group](#),” the paper acknowledged that some library vendors’ business practices mean that libraries cannot access certain content, especially streaming.

In 2020, ARL's Advocacy and Public Policy Committee launched a digital rights initiative focused on understanding and safeguarding the full stack of research libraries' rights: to acquire and lend digital content to fulfill libraries' functions in research, teaching, and learning; to provide accessible works to people with print disabilities; and to fulfill libraries' collective preservation function for enduring access to scholarly and cultural works. Our objective is to make sure that these rights are well understood by research libraries, by Congress, by the Copyright Office, and by the courts.

### **Licenses for Digital Content Restrict Lawful Uses of Copyrighted Works**

Since the inception of copyright law, libraries have enjoyed special rights to promote the progress of science and the useful arts. [Congress](#) and [courts](#) have reiterated that teaching and research—two functions in which research libraries directly engage—are favored purposes of fair use. In 2020, ARL libraries were spending a median of 80 percent of their acquisitions budget to license electronic resources.<sup>1</sup> In such a licensing arrangement, a copyright owner grants permission for a licensee to use the work under certain terms and conditions; this regime effectively extends the rights of the copyright owner to allow their control of subsequent distributions of the work.

Unfortunately, in licenses for digital scholarly content—the majority of content acquired by research libraries—publishers often include terms that prohibit certain uses that would otherwise be allowable under the Copyright Act. For instance, licenses may require libraries or individual researchers to negotiate for otherwise lawful activities, such as text and data mining, and to pay exorbitant fees on top of the cost of the content itself. While new regulations allow researchers to circumvent technological protection measures to access copyrighted materials, licenses for that content may include terms that explicitly prohibit this circumvention. In many cases, these activities might actually increase the value of published material; for instance, if a

data-mining project yields new knowledge about a topic covered in a journal, it may very well spark new interest in that journal's content.

Libraries and publishers have often assumed that license terms that restrict copyright exceptions are enforceable under state contract law. There is, however, surprisingly little case law on this point. Arguably, contract terms that seek to limit exceptions under the Copyright Act are preempted under a conflict-preemption theory. This is the theory under which the district court in *Association of American Publishers (AAP) v. Brian E. Frosh* found the Maryland e-book licensing statute to be preempted by the federal Copyright Act. The judge in *AAP v. Frosh* made clear that Congress established a uniform national system in the Copyright Act, and a state could not adopt a law that conflicted with that national system. Under that reasoning, an individual rightsholder should not be able to rely on state contract law to override that national uniformity.

To be sure, the Copyright Act's exception for libraries and archives, Section 108(f)(4), provides that "nothing in this section...in any way affects...any contractual obligations assumed at any time by the library or archives when it obtained a copy or phonorecord of a work in its collections." This suggests that Congress did not intend for Section 108 to preempt enforcement of contract terms under state contract law. However, the language of Section 108(f)(4) does not apply to other limitations relied upon by libraries, such as Sections 107, 121, or 121A, so there is no reason to assume that Congress intended to permit contracts to nullify these provisions. This particularly is the case with respect to fair use, because it is an accommodation to the First Amendment. Contract terms that would restrict fair use rights inherently restrict the constitutional right to free speech.

To say the least, this is an extremely complex issue that has not yet been fully considered by the courts. The few cases that have addressed the issue are inconsistent and do not involve libraries.<sup>2</sup>

## **Contracts and Section 108 of US Copyright Act**

In the context of discussions to update Section 108, libraries have argued that the language of Section 108(f)(4), mentioned above, should be amended. The Copyright Office has not been receptive to this suggestion.

### *Digital Millennium Copyright Act Report (2001)*

In a [2001 report](#), the Copyright Office acknowledged concerns that library associations raised about licenses for digital information displacing provisions of the Copyright Act. The report concluded, “although market forces may well prevent right holders from unreasonably limiting consumer privileges, it is possible that at some point in the future a case could be made for statutory change.”

### *Section 108 Study Group (2005–2008)*

In 2005, the US Copyright Office and the National Digital Information Infrastructure and Preservation Program of the Library of Congress sponsored a [study group](#) to review how Section 108 of the US Copyright Act could be updated to address digital works and digital transmissions. In its [final report](#) in 2008, the study group agreed that “the terms of any negotiated, enforceable contract should continue to apply notwithstanding the section 108 exceptions,” pointing out that “[f]reedom to contract is a fundamental principle in American law.” However, the group disagreed as to whether Section 108 exceptions—such as those for preservation—should prevail over contrary terms in non-negotiated contracts.

### *Copyright Office Section 108 Study (2017)*

In 2017, the Copyright Office published a [discussion document](#) on Section 108 with two proposed changes to Section 108(f)(4). The first change would “clarify that the primacy of contract language applies to license agreements as well as purchase agreements.” Here, the Copyright Office cited the study group’s analysis: although Section

108 was enacted prior to the development of markets for licensing electronic media, the provision covers non-negotiable licenses. The second proposed change states that libraries, archives, and museums would not be liable for copyright infringement “if they make preservation or security copies of works covered by non-negotiable contractual language prohibiting such activities.” In sum, under the Copyright Office’s proposal, a library that engaged in preservation activities permitted by Section 108 but prohibited by a non-negotiated license term would not infringe copyright but would breach the license.

### **Advocacy and Policy Strategies**

Libraries and library consortia work to overcome problematic contract terms by negotiating for favorable license terms that do not waive rights like fair use, and that do not require a user to seek permission from a rightsholder for otherwise lawful uses. Some larger, well-resourced institutions have had success with rights-savings clauses, a strategy that is described below. But voluntary, licensing-based solutions may not be viable and sustainable for all institutions. Other solutions, like changes to the Copyright Act, may present their own challenges; any discussion about amending the Copyright Act would certainly get the attention of rightsholders and their lobbyists, and may result in unintended consequences that are worse than the status quo.

The remainder of this discussion paper explores strategies to allow research libraries to advance the constitutional purpose of copyright. The strategies are arranged in order of the scope of their potential impact, which is also illustrated in the table below.

Strategy	Scope of Potential Impact		
	All Readers	State by State	Institution by Institution
National open-access policy	X		
Campus open-access policies			X
Rights-savings clause			X
Statement asserting library rights			X
State consumer-protection law		X	
State savings clauses		X	
State public funds/procurement policy		X	
Federal exemptions	X		
Test case	X		

*Rights-Savings Clauses*

*Rights-Savings Clauses—Negotiation*

When licensing digital materials, libraries may retain their fair-use rights through fair-use savings clauses, as in this 2016 [agreement between the University of California and the American Chemical Society \(ACS\)](#):



Fair Use: Nothing in this Agreement shall in any way exclude, modify or affect anything the Grantee or an Authorized User is allowed to do in respect of any of the ACS Products consistent with the Fair Use Provisions of United States Copyright Law.

This strategy may be easiest and most effective for larger, wealthier institutions that have more power when negotiating with vendors; smaller, less-resourced institutions may not have the ability to walk away from negotiations with vendors that are unwilling to meet the terms of these clauses.

Libraries that do have the power to engage in meaningful negotiations with publishers may consider broadening these savings clauses to reflect that contract terms may not interfere with **any** rights granted under copyright law, beyond fair use, to preserve exemptions like breaking digital rights management (DRM) locks that the Copyright Office has granted under Section 1201 rulemaking. The Association of Southeastern Research Libraries (ASERL) [recommends](#) that licenses for content should forgo DRM restrictions in favor of usability:

Digital Rights Management (DRM) technology will not be used in such a way as to limit the usage rights of a Licensee or any Authorized User as specified in this Agreement or under applicable law. In the event that Licensor utilizes or implements any type of DRM technology to control the access to or usage of the licensed content, Licensor will provide to Licensee a description of the technical specifications of the DRM and how it impacts access to or usage of the licensed content. If the use of DRM renders the licensed content substantially less useful to the Licensee or its Authorized Users, the Licensee has the right to terminate this Agreement.

### *Rights-Savings Clauses—Regulation*

The US Library of Congress (LC) receives copies of materials that are distributed to the public electronically through the mandatory

deposit; copyright deposit; and cataloging requests, mostly without any licenses. But to address the problem of contractual restrictions on digital materials, LC as part of the legislative branch issued a [regulation](#) that preempts any license term that would limit LC's rights under copyright. The regulation includes a list of clauses that are deemed to be inserted into each license agreement to which the LC is a party, including the following:

### Rights Under Copyright Law

The Library of Congress does not agree to any limitations on its rights (e.g., fair use, reproduction, interlibrary loan, and archiving) under the copyright laws of the United States ([17 U.S.C. 101 et seq.](#)), and related intellectual property rights under foreign law, international law, treaties, conventions, and other international agreements.

The federal agencies that contain libraries—including Health and Human Services, the Agricultural Research Service, the Departments of Education and Transportation, and the Smithsonian Institution—may discuss ways to emulate this regulation-based strategy.

### *Statement Asserting Library Rights*

As libraries dedicate increasing proportions of their budgets to licensing digital works, negotiations for scholarly materials require engagement with faculty and other campus stakeholders to be successful; otherwise, faculty who need certain content may not be on board with leaving negotiations. In instances when library agreements with vendors do not save rights, researchers sometimes negotiate individual agreements with data providers—independently of the library—for access to content or for the right to conduct text- and data-mining research on vendor-provided data sets. Vendors may charge tens or even hundreds of thousands of dollars for this type of access.

In order to build campuswide partnerships to support negotiations for reasonable terms in licenses for scholarly materials, ARL may consider developing a proactive rights statement based on the information

compiled on [KnowYourCopyrights.org](http://KnowYourCopyrights.org). ARL has employed this strategy of offering model language to support its members and the library community in negotiating for fair terms. For instance, ARL developed [model license language](#) in 2012 as a starting point for institutions to consider as they draft local agreements. Similarly, ARL members and other libraries may use a proactive library-rights statement to work with faculty and others on campus to develop policies and practices to preserve fair use and other rights granted by the Copyright Act.

Engaging faculty is critical to preserving rights during negotiations for scholarly content, but this will not address the fundamental policy problem: license terms supersede library rights in every situation **except** for when a library refuses to agree to a license, or when a library successfully negotiates to save certain rights. Rights-savings clauses along with the strategies described below may strengthen libraries' positions as arbiters of access to information.

### *Open Access*

Strategies that do away with publication paywalls would moot this problem; under an open-access strategy, information would be free and available for use and reuse by the research community and the rest of society. The ARL community, however, is well aware of the challenges in broadening the adoption of open access. Because open access is addressed in many other ARL documents, we do not discuss it comprehensively here.

While the US does not currently have a national open-access law, many universities and research institutions have adopted open-access policies to reduce barriers to sharing research. Strong open-access policies allow authors to [retain](#) all or part of their copyright, and/or grant institutions limited and non-exclusive rights to its researchers' work, which can enable dissemination of this work in open-access repositories. For the past decade, US science agencies with more than \$100 million in research funding have been subject to the public-access policies for both articles and data that resulted from federal funding.

Similar policies adopted by the Canadian Tri-Agency govern federally funded Canadian research outputs. The strategies below address journal articles; other strategies may be available for other publication types (journals, monographs, conference proceedings, etc.)

### *Open-Access Policies and Rights-Retention Strategies*

Global adoption of full open access would address many of the problems described above, particularly for scholarly works that are protected by copyright. According to the [2002 Budapest Open Access Initiative \(BOAI\)](#), “the only role for copyright...should be to give authors control over the integrity of their work and the right to be properly acknowledged and cited.” In other words, copyright should not be a gatekeeper to providing public-access to scholarly materials; open-access works are still protected by copyright. In describing how to achieve open access to scholarly journal literature, the BOAI calls for open-access journals that will use copyright to ensure permanent open access to all articles they publish, rather than invoking copyright to restrict access and use.

In a [Rights Retention Strategy](#) as envisioned by cOAlition S, authors or their institutions retain copyright to their publications. When submitting a manuscript, the author applies a Creative Commons CC-BY license or another type of acceptable reuse license to the author-accepted manuscript (AAM), and then deposits the AAM in an open-access repository at the time of publication, without an embargo, making the manuscript open and available for users to access, read, and disseminate.

### *State Strategies*

#### *Unenforceable Contracts*

State legislatures could adopt a provision stating that no contract term inconsistent with copyright exceptions and limitations is enforceable under the contract law of that state. In contrast to the Maryland

e-book licensing law, this approach likely would not be preempted by the Copyright Act because it is not inconsistent with the exclusive rights provided to copyright owners under the Copyright Act; after all, the Copyright Act includes those exceptions. There are some court decisions finding such provisions not to be preempted (see *Vault v. Quaid*, 847 F.2d 255 (5th Cir. 1988)). Indeed, the decision principally relied upon by the district court in *AAP v. Frosh*—[Orson v. Miramax](#), 189 F.3d 377, 386 (3d Cir. 1999)—stated:

a state regulation falling within the federally established exceptions to those rights, such as fair use, see 17 U.S.C. § 107, may obligate a copyright holder to change its practices to accommodate such uses, see, e.g., [Association of Am. Med. Colleges v. Cuomo](#) 928 F.2d 519, 525-26 (2d Cir.1991) (remanding to district court to make factual findings on whether existing state law constitutes fair use)

A state legislature could narrow such a contractual “override” provision to apply only to licenses entered into by libraries.

### *Public Funds*

State legislatures may consider establishing criteria for public institutions to meet when spending public funding; examples may include laws nullifying any terms that limit fair use in a license entered into by a library that receives state funding, or restricting libraries that receive state funding from entering into a license that limits fair use and other rights afforded by the Copyright Act.

Legislation governing the use of public funds would not implicate copyright law, and is therefore unlikely to be preempted. This strategy has the potential to strengthen the negotiating power of public institutions of higher education; regardless of their size and wealth, they are the market for digital academic content. However, while publishers are unlikely to walk away from transactions in states with such laws, this strategy is narrower in scope and would only apply to state-funded institutions.

## *Federal Exemptions*

### *Congressional Intervention*

Congressional intervention to amend or clarify the Copyright Act seems like an obvious strategy to address the problem of publishers imposing license terms restricting lawful use of copyrighted works. Indeed, the European Union recognizes that copyright exceptions are useless if private parties could simply override them by contract, and has included contract-preemption clauses in its directives for the past three decades. For instance, the [EU's Copyright in the Digital Single Market Directive](#) provides that “Any contractual provision contrary to the exceptions provided for in Articles 3, 5 and 6 shall be unenforceable,” referencing articles that govern text mining and data mining, digital cross-border teaching, and preservation by cultural heritage organizations, respectively.

[Singapore's Copyright Bill](#) combines exceptions for certain functions, such as text mining and data mining, with language prohibiting contracts from excluding these functions. For instance, Singapore's Copyright Act includes a specific exception for “computational data analysis,” on top of its fair-use exception for research; in addition to these protections, Singapore's Copyright Act includes strong language voiding contracts that would exclude or restrict this lawful use. For instance, Part 5, “Permitted Uses of Copyright Works and Protected Performances” includes the following section, listing computational data analysis as a permitted use that may not be restricted by contract

#### **Permitted uses that may not be excluded or restricted**

187.–(1) Any contract term is void to the extent that it purports, directly or indirectly, to exclude or restrict any permitted use under any provision in —

- (a) Division 6 (public collections), but not section 234 (supplying copies of published literary, dramatic or musical works or articles

- between libraries and archives);
- (b) Division 7 (computer programs);
- (c) Division 8 (computational data analysis); or
- (d) Division 17 (judicial proceedings and legal advice).

The Right to Research initiative found a more robust research environment in countries that have [open, general research exceptions](#), such as fair use, as well as exceptions for specific activities, such as text mining and data mining.

However, legislative proposals to adopt federal contract preemption would face serious opposition from publishers. Any conversation about amending the Copyright Act would open the door to rightsholders and other copyright maximalists to assert their influence. Even a push to enact general copyright misuse provision, so that victims of copyright misuse would be entitled to actual and statutory damages, may not be feasible.

### **Next Steps**

ARL will continue to track and understand the legal, political, and market-based barriers that libraries face.

### *Test Case*

Given the legal uncertainty surrounding contract preemption, libraries may consider a test-case strategy to see what is permitted under current law. This would involve a library taking an action consistent with fair use that is in contravention to a license term, then filing a declaratory judgment action when the publisher sends a cease-and-desist letter. A potential downside to the test case strategy is that a publisher could just turn off access to the content. Unless the library has downloaded the content and feels some limited sharing of it is permitted by fair use, the library may be worse off than before.

### *ARL Strategies*

The issues presented above are complex and technical, and the best path forward is unclear. Pursuing any of the strategies described above will involve working in partnership with members of the Library Copyright Alliance (LCA) and others in the library community who advocate for balanced copyright and access to information. As ARL members discuss these strategies, they may wish to consider the following:

- How can we best socialize these strategies as an association? As member institutions?
- Is the library community poised to take on any of these strategies amongst ourselves? Are there partners we may wish to work with to develop a best practice or strategy document?
- Is it useful to advance any of these strategies by influencing public sentiment—for instance, by holding public conversations or programs, commissioning articles and reports, or presenting at conferences?
  - If so, who might we partner with? What are some upcoming opportunities?
- Which strategies might be best pursued quietly, without drawing the attention of those who might push back?
- What context and additional information can ARL members share about the strategies and examples discussed above?



## Endnotes

<sup>1</sup> ARL Statistics 2020 data set, Association of Research Libraries.

<sup>2</sup> Compare *Vault v. Quaid*, 847 F.2d 255 (5th Cir. 1988) with *Bowers v. Baystate*, 320 F.3d 1317 (2003). There are other arguments a library could raise against the enforceability of non-negotiated licenses, such as that the library never manifested assent to the license terms.

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