

We conclude that the district court did not err when it refused to apply the “shifting” analys[is] of *Sony*. . . . *Sony* [is] inapposite because the methods of shifting in th[at] case[] did not also simultaneously involve distribution of the copyrighted material to the general public; the time or space-shifting of copyrighted material exposed the material only to the original user. . . .

## NOTES AND QUESTIONS

1. Is the *Napster* court’s fair use holding consistent with *Sony*? In particular, are the cases consistent in their definition of what constitutes a commercial use? Are they consistent in their view of what economic harm is relevant and what evidence should be considered in assessing economic harm?

2. Should *Napster* be understood as a case about market failure? It would indeed be difficult for Napster’s numerous users to seek out the copyright owners of both the sound recordings and the underlying musical works to request permission to exchange songs. Does this argue for upholding Napster’s fair use defense?

3. Should the activities of Napster users be considered “productive” in some sense? Why, or why not? If you conclude that these activities are productive, are there other factors that nonetheless weigh more heavily?

4. Would the *Napster* court have reached a different conclusion if Napster had shown that a substantial number of music copyright owners did not object to users distributing music through the Napster system? Would the court have concluded differently if Napster had shown that the music industry was attempting to suppress file-sharing technology rather than to develop business models allowing for widespread electronic distribution?

5. Review the Note on Copyright’s Default Rules and the Google Book Search Project, *supra* Chapter 3. Are the copies that Google makes when it scans material into its system likely to be considered fair use? What about the short excerpts that it returns in search results? Should it matter to the fair use inquiry if a work is an orphan work?

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Neither *Sony* nor *Napster* involved the types of uses that are traditionally viewed as implicating large positive externalities, like research and education. When, if ever, should courts excuse copying as fair when it occurs during the course of research or education? How, if at all, should the existence of permission systems affect the analysis? Consider the following case.

≡≡≡ *American Geophysical Union v. Texaco, Inc.*  
 ≡≡≡ 60 F.3d 913 (2d Cir. 1995)

[The plaintiffs were 83 publishers of scientific and technical journals. They brought a class action against Texaco, alleging that unauthorized copying of articles from their publications by Texaco’s research scientists infringed their copyrights. Texaco subscribed to a number of journals. For example, it had had three subscriptions to the *Journal of Catalysis* (*Catalysis*) since 1988. It maintained a library of publications, and the library would route journals to interested scientists. The parties stipulated that, rather than inquire into the copying of all of Texaco’s 400-500 researchers, they would select one researcher randomly as representative.

Dr. Donald H. Chickering was selected and the publishers took copies of eight articles from *Catalysis* from his files. The district court held that the photocopying of the eight articles was not fair use, and Texaco appealed.]

NEWMAN, C.J.: . . . The parties and many of the *amici curiae* have approached this case as if it concerns the broad issue of whether photocopying of scientific articles is fair use, or at least the only slightly more limited issue of whether photocopying of such articles is fair use when undertaken by a research scientist engaged in his own research. Such broad issues are not before us. Rather, we consider whether Texaco's photocopying by 400 or 500 scientists, as represented by Chickering's example, is a fair use. This includes the question whether such institutional, systematic copying increases the number of copies available to scientists while avoiding the necessity of paying for license fees or for additional subscriptions. . . .

## II. The Enumerated Fair Use Factors of Section 107 . . .

### A. First Factor: Purpose and Character of Use

. . . After noticing six of the[ ] articles when the original copy of the journal issue containing each of them was circulated to him, Chickering had them photocopied, at least initially, for the same basic purpose that one would normally seek to obtain the original — to have it available on his shelf for ready reference if and when he needed to look at it. The library circulated one copy and invited all the researchers to make their own photocopies. It is a reasonable inference that the library staff wanted each journal issue moved around the building quickly and returned to the library so that it would be available for others to look at. Making copies enabled all researchers who might one day be interested in examining the contents of an article in the issue to have the article readily available in their own offices. . . . Significantly, Chickering did not even have occasion to use five of the photocopied articles at all, further revealing that the photocopies of the eight *Catalysis* articles were primarily made just for “future retrieval and reference.” . . .

It is true that photocopying these articles also served other purposes. The most favorable for Texaco is the purpose of enabling Chickering, if the need should arise, to go into the lab with pieces of paper that (a) were not as bulky as the entire issue or a bound volume of a year's issues, and (b) presented no risk of damaging the original by exposure to chemicals. And these purposes might suffice to tilt the first fair use factor in favor of Texaco if these purposes were dominant. . . . But [these purposes did not apply] to the six items copied from the circulated issues.

As to the other two articles, the circumstances are not quite as clear, but they too appear more to serve the purpose of being additions to Chickering's office “library” than to be spontaneous copying of a critical page that he was reading on his way to the lab. One was copied apparently when he saw a reference to it in another article, which was in an issue circulated to him. The most likely inference is that he decided that he ought to have copies of both items — again for placement on his shelf for later use if the need arose. The last article was copied, according to his affidavit, when he saw a reference to it “elsewhere.” . . . What is clear is that this item too was simply placed “on the shelf.” As he testified, “I kept a copy to refer to in case I became more involved in support effects research.” *Id.*

The photocopying of these eight *Catalysis* articles may be characterized as “archival” — *i.e.*, done for the primary purpose of providing numerous Texaco scientists (for whom Chickering served as an example) each with his or her own personal copy of each article without

Texaco's having to purchase another original journal. The photocopying "merely 'supersede[s] the objects' of the original creation," . . . and tilts the first fair use factor against Texaco. . . .

Texaco criticizes three aspects of the District Court's analysis of the first factor. . . .

1. *Commercial use.* . . .

. . . [O]ur concern here is that the Court let the for-profit nature of Texaco's activity weigh against Texaco without differentiating between a direct commercial use and the more indirect relation to commercial activity that occurred here. Texaco was not gaining direct or immediate commercial advantage from the photocopying at issue in this case—*i.e.*, Texaco's profits, revenues, and overall commercial performance were not tied to its making copies of eight *Catalysis* articles for Chickering. . . . Rather, Texaco's photocopying served, at most, to facilitate Chickering's research, which in turn might have led to the development of new products and technology that could have improved Texaco's commercial performance. Texaco's photocopying is more appropriately labeled an "intermediate use." . . .

. . . [I]t would not be accurate to conclude that Texaco's copying of eight particular *Catalysis* articles amounted to "commercial exploitation," especially since the immediate goal of Texaco's copying was to facilitate Chickering's research in the sciences, an objective that might well serve a broader public purpose. . . . Still, we need not ignore the for-profit nature of Texaco's enterprise, especially since we can confidently conclude that Texaco reaps at least some indirect economic advantage from its photocopying. As the publishers emphasize, Texaco's photocopying for Chickering could be regarded simply as another "factor of production" utilized in Texaco's efforts to develop profitable products. Conceptualized in this way, it is not obvious why it is fair for Texaco to avoid having to pay at least some price to copyright holders for the right to photocopy the original articles.

2. *Transformative Use.* . . .

Texaco suggests that its conversion of the individual *Catalysis* articles through photocopying into a form more easily used in a laboratory might constitute a transformative use. However, Texaco's photocopying merely transforms *the material object* embodying the intangible article that is the copyrighted original work. . . . Texaco's making of copies cannot properly be regarded as a transformative use of the copyrighted material. . . .

Even though Texaco's photocopying is not technically a transformative use of the copyrighted material, we should not overlook the significant independent value that can stem from conversion of original journal articles into a format different from their normal appearance. . . . Before modern photocopying, Chickering probably would have converted the original article into a more serviceable form by taking notes, whether cursory or extended; today he can do so with a photocopying machine. Nevertheless, whatever independent value derives from the more usable format of the photocopy does not mean that every instance of photocopying wins on the first factor. In this case, the predominant archival purpose of the copying tips the first factor against the copier, despite the benefit of a more usable format.

3. *Reasonable and Customary Practice.*

Texaco contends that Chickering's photocopying constitutes a use that has historically been considered "reasonable and customary." We agree with the District Court that whatever validity this argument might have had before the advent of the photocopying licensing arrangements discussed below in our consideration of the fourth fair use factor, the argument today is insubstantial. . . .

**B. Second Factor: Nature of Copyrighted Work . . .**

Though a significant measure of creativity was undoubtedly used in the creation of the eight articles copied from *Catalysis*, even a glance at their content immediately reveals the

predominantly factual nature of these works. Moreover, though we have previously recognized the importance of strong copyright protection to provide sufficient incentives for the creation of scientific works . . . nearly every category of copyrightable works could plausibly assert that broad copyright protection was essential to the continued vitality of that category of works.

Ultimately, then, the manifestly factual character of the eight articles precludes us from considering the articles as “within the core of the copyright’s protective purposes,” *Campbell*, [510] U.S. at [586]. . . . Thus, in agreement with the District Court, we conclude that the second factor favors Texaco.

### C. *Third Factor: Amount and Substantiality of Portion Used . . .*

Texaco’s suggestion that we consider that it copied only a small percentage of the total compendium of works encompassed within *Catalysis* is superficially intriguing, especially since *Catalysis* is traditionally marketed only as a periodical by issue or volume. However, as the District Court recognized, each of the eight articles in *Catalysis* was separately authored and constitutes a discrete “original work[ ] of authorship,” . . . [E]ach article enjoys independent copyright protection, which the authors transferred to Academic Press, and what the publishers claim has been infringed is the copyright that subsists in each individual article—not the distinct copyright that may subsist in each journal issue or volume by virtue of the publishers’ original compilation of these articles. . . .

Despite Texaco’s claims that we consider its amount of copying “minuscule” in relation to the entirety of *Catalysis*, we conclude, as did the District Court, that Texaco has copied entire works. Though this conclusion does not preclude a finding of fair use, it militates against such a finding, *see Sony*, 464 U.S. at 449-50, . . . and weights the third factor in favor of the publishers. . . .

### D. *Fourth Factor: Effect Upon Potential Market or Value . . .*

. . . [T]hough there is a traditional market for, and hence a clearly defined value of, *journal issues and volumes*, in the form of per-issue purchases and journal subscriptions, there is neither a traditional market for, nor a clearly defined value of, *individual journal articles*. . . . Like most authors, writers of journal articles do not directly seek to capture the potential financial rewards that stem from their copyrights by personally marketing copies of their writings. Rather, like other creators of literary works, the author of a journal article “commonly sells his rights to publishers who offer royalties in exchange for their services in producing and marketing the author’s work.” . . . In the distinctive realm of academic and scientific articles, however, the only form of royalty paid by a publisher is often just the reward of being published, publication being a key to professional advancement and prestige for the author. . . . The publishers in turn incur the costs and labor of producing and marketing authors’ articles, driven by the prospect of capturing the economic value stemming from the copyrights in the original works, which the authors have transferred to them. . . .

Significantly, publishers have traditionally produced and marketed authors’ individual articles only in a journal format, *i.e.*, in periodical compilations of numerous articles. . . . Publishers have not traditionally provided a simple or efficient means to obtain single copies of individual articles; reprints are usually available from publishers only in bulk quantities and with some delay. . . .

#### 1. *Sales of Additional Journal Subscriptions, Back Issues, and Back Volumes. . .*

. . . [I]n the unique world of academic and scientific articles, the effect on the marketability of the composite work in which individual articles appear is not obviously related to the effect on the market for or value of the individual articles. Since (1) articles are submitted unsolicited

to journals, (2) publishers do not make any payment to authors for the right to publish their articles or to acquire their copyrights, and (3) there is no evidence in the record suggesting that publishers seek to reprint particular articles in new composite works, we cannot readily conclude that evidence concerning the effect of Texaco's use on the marketability of *journals* provides an effective means to appraise the effect of Texaco's use on the market for or value of *individual journal articles*.

These considerations persuade us that evidence concerning the effect of Texaco's photocopying of individual articles within *Catalysis* on the traditional market for *Catalysis* subscriptions is of somewhat limited significance in determining and evaluating the effect of Texaco's photocopying "upon the potential market for or value of" the individual articles. . . .

. . . [T]he evidence concerning sales of additional journal subscriptions, back issues, and back volumes does not strongly support either side with regard to the fourth factor. . . . At best, the loss of a few journal subscriptions tips the fourth factor only slightly toward the publishers because evidence of such loss is weak evidence that the copied articles themselves have lost any value.

2. *Licensing Revenues and Fees*. The District Court, however, went beyond discussing the sales of additional journal subscriptions in holding that Texaco's photocopying affected the value of the publishers' copyrights. Specifically, the Court pointed out that, if Texaco's unauthorized photocopying was not permitted as fair use, the publishers' revenues would increase significantly since Texaco would (1) obtain articles from document delivery services (which pay royalties to publishers for the right to photocopy articles), (2) negotiate photocopying licenses directly with individual publishers, and/or (3) acquire some form of photocopying license from the Copyright Clearance Center Inc. ("CCC").<sup>16</sup> Texaco claims that the District Court's reasoning is faulty because, in determining that the value of the publishers' copyrights was affected, the Court assumed that the publishers were entitled to demand and receive licensing royalties and fees for photocopying. Yet, continues Texaco, whether the publishers can demand a fee for permission to make photocopies is the very question that the fair use trial is supposed to answer.

It is indisputable that, as a general matter, a copyright holder is entitled to demand a royalty for licensing others to use its copyrighted work . . . and that the impact on potential licensing revenues is a proper subject for consideration in assessing the fourth factor.

However, not every effect on potential licensing revenues enters the analysis under the fourth factor. Specifically, courts have recognized limits on the concept of "potential licensing revenues" by considering only traditional, reasonable, or likely to be developed markets when examining and assessing a secondary use's "effect upon the potential market for or value of the copyrighted work". . . .

Though the publishers still have not established a conventional market for the direct sale and distribution of individual articles, they have created, primarily through the CCC, a workable market for institutional users to obtain licenses for the right to produce their own copies of individual articles via photocopying. The District Court found that many major corporations now subscribe to the CCC systems for photocopying licenses. . . . Indeed, it appears from the pleadings, especially Texaco's counterclaim, that Texaco itself has been paying royalties to the CCC. . . . Since the Copyright Act explicitly provides that copyright holders have the "exclusive rights" to "reproduce" and "distribute copies" of their works, *see* 17 U.S.C.

16. The CCC is a central clearing-house established in 1977 primarily by publishers to license photocopying. The CCC offers a variety of licensing schemes; fees can be paid on a per copy basis or through blanket license arrangements. Most publishers are registered with the CCC, but the participation of for-profit institutions that engage in photocopying has been limited, largely because of uncertainty concerning the legal questions at issue in this lawsuit. . . .

§106(1) & (3), and since there currently exists a viable market for licensing these rights for individual journal articles, it is appropriate that potential licensing revenues for photocopying be considered in a fair use analysis.

Despite Texaco's claims to the contrary, it is not unsound to conclude that the right to seek payment for a particular use tends to become legally cognizable under the fourth fair use factor when the means for paying for such a use is made easier. This notion is not inherently troubling: it is sensible that a particular unauthorized use should be considered "more fair" when there is no ready market or means to pay for the use, while such an unauthorized use should be considered "less fair" when there is a ready market or means to pay for the use. The vice of circular reasoning arises only if the availability of payment is conclusive against fair use. Whatever the situation may have been previously, before the development of a market for institutional users to obtain licenses to photocopy articles, . . . it is now appropriate to consider the loss of licensing revenues in evaluating "the effect of the use upon the potential market for or value of" journal articles. It is especially appropriate to do so with respect to copying of articles from *Catalysis*, a publication as to which a photocopying license is now available. We do not decide how the fair use balance would be resolved if a photocopying license for *Catalysis* articles were not currently available. . . .

Primarily because of lost licensing revenue, and to a minor extent because of lost subscription revenue, we agree with the District Court that "the publishers have demonstrated a substantial harm to the value of their copyrights through [Texaco's] copying," . . . and thus conclude that the fourth statutory factor favors the publishers.

#### *E. Aggregate Assessment*

We conclude that three of the four statutory factors, including the important first and the fourth factors, favor the publishers. . . . We . . . agree with the District Court's conclusion that Texaco's photocopying of eight particular articles from the *Journal of Catalysis* was not fair use. . . .

JACOBS, J., dissenting: . . . In this case the only harm to a market is to the supposed market in photocopy licenses. The CCC scheme is neither traditional nor reasonable; and its development into a real market is subject to substantial impediments. There is a circularity to the problem: the market will not crystallize unless courts reject the fair use argument that Texaco presents; but, under the statutory test, we cannot declare a use to be an infringement unless (assuming other factors also weigh in favor of the secondary user) there is a market to be harmed. At present, only a fraction of journal publishers have sought to exact these fees. I would hold that this fourth factor decisively weighs in favor of Texaco, because there is no normal market in photocopy licenses, and no real consensus among publishers that there ought to be one.

. . . [I]t is stipulated that (a) institutions such as Texaco subscribe to numerous journals, only 30 percent of which are covered by a CCC license; (b) not all publications of each CCC member are covered by the CCC licenses; and (c) not all the articles in publications covered by the CCC are copyrighted. It follows that no CCC license can assure a scientist that photocopying any given article is legal. . . .

Under a transactional license, the user must undertake copyright research every time an article is photocopied. First, one must consult a directory to determine whether or not the publisher of the journal is a member of the CCC. If it is, one must ascertain whether the particular publication is one that is covered by the CCC arrangement, because not all publications of participating publishers are covered. Then one must somehow determine whether the



actual article is one in which the publisher actually holds a copyright, since there are many articles that, for such reasons as government sponsorship of the research, are not subject to copyright. The production director of plaintiff Springer-Verlag testified at trial that it is almost impossible to tell which articles might be covered by a copyright. Since even an expert has difficulty making such a determination, the transactional scheme would seem to require that an intellectual property lawyer be posted at each copy machine. Finally, once it is determined that the specific article is covered, the copyist will need to record in a log the date, name of publication, publisher, title and author of article, and number of pages copied.

It may be easier to hand copy the material. . . . Unless each publisher's licensing rights are made to depend upon whether or not that publisher participates in the CCC, we have the beginnings of a total market failure: with many thousands of scientific publications in circulation, a user cannot negotiate licensing fees individually with numerous publishers — unless it does nothing else. For many publications, licenses are simply not available. As to those, Dr. Chickering has the choice of hand copying, typescript, or the photocopying of selected pages only.

The blanket license fares no better. The CCC license cannot confer absolution for the photocopying of articles published by non-members of the CCC. Nor can the participating publishers properly collect fees for the photocopying of articles for which they do not hold the copyright. . . .

It is hard to escape the conclusion that the existence of the CCC — or the perception that the CCC and other schemes for collecting license fees are or may become “administratively tolerable” — is the chief support for the idea that photocopying scholarly articles is unfair in the first place. The majority finds it “sensible” that a use “should be considered ‘less fair’ when there is a ready market or means to pay for the use.” . . . That view is sensible only to a point. There is no technological or commercial impediment to imposing a fee for use of a work in a parody, or for the quotation of a paragraph in a review or biography. Many publishers could probably unite to fund a bureaucracy that would collect such fees. The majority is sensitive to this problem, but concludes that “[t]he vice of circular reasoning arises only if the availability of payment is conclusive against fair use.” . . . That vice is not avoided here. The majority expressly declines to “decide how the fair use balance would be resolved if a photocopying license for *Catalysis* articles were not currently available.” . . . Moreover, the “important” fourth factor . . . tips in favor of the publishers (according to the majority) “[p]rimarily because of lost licensing revenue” and only “to a minor extent” on the basis of journal sales and subscriptions. . . .

I do not agree with the majority that the publishers “have created, primarily through the CCC, a workable market for institutional users to obtain licenses for the right to produce their own copies of individual articles via photocopying.” . . . By the CCC's admission, in its correspondence with the Antitrust Division of the Justice Department, “the mechanism for the negotiation of a photocopy license fee is often not even in place. . . . Nor can it be said that CCC's current licensing programs have adequately met the market's needs.” There is nothing workable, and there is no market. . . .

### **Note on *Princeton University Press v. Michigan Document Services, Inc.* and the Classroom Guidelines**

In the wake of *Texaco*, the Sixth Circuit held that a commercial copyshop's reproduction of excerpts of copyrighted materials from a number of sources as part of coursepacks for students was not protected by fair use. *Princeton Univ. Press v. Michigan Document Servs., Inc.* (MDS),

99 F.3d 1381 (6th Cir. 1996) (en banc), *cert. denied*, 520 U.S. 1156 (1997). The plaintiffs were publishers who each maintained departments that would process permission requests. In assessing the four factors of §107, the court found the use non-transformative, and concluded that the lost permission fees constituted market harm. Relying on *Texaco*, the court rejected the notion that its reasoning was circular:

[T]he circularity argument proves too much. Imagine that the defendants set up a printing press and made exact reproductions—asserting that such reproductions constituted ‘fair use’—of a book to which they did not hold the copyright. Under the defendants’ logic it would be circular for the copyright holder to argue market harm because of lost copyright revenues, since this would assume that the copyright holder had a right to such revenues. . . .

The potential uses of the copyrighted works at issue . . . clearly include the selling of permission to reproduce portions of the works for inclusion in coursepacks—and the likelihood that publishers actually will license such reproduction is a demonstrated fact. A licensing market already exists here. . . . Thus there is no circularity in saying . . . that the potential for destruction of this market by widespread circumvention of the plaintiffs’ permission fee system is enough, under the *Harper & Row* test, ‘to negate fair use.’

*Id.* at 1387-88.

The court also found support for its decision in the “Agreement on Guidelines for Classroom Copying in Not-for-Profit Educational Institutions With Respect to Books and Periodicals” (Guidelines), which Congress incorporated into the legislative history of the 1976 Act. The Guidelines are limited to books and periodicals and are divided into two parts. Part I permits teachers to make single copies of book chapters, newspaper and periodical articles, short stories, and drawings in a book, periodical, or newspaper for “scholarly research or use in teaching or preparation to teach a class.” H.R. Rep. No. 94-1476, at 72 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5681-82. Part II permits multiple copies for classroom use provided that such copying meets defined tests of brevity and spontaneity. Copying is spontaneous if “[t]he inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission.” *Id.* at 5682. Additionally, the Guidelines limit copying from the same author, collective work or periodical volume and provide that “[t]here shall not be more than nine instances of . . . multiple copying during one class term.” *Id.* at 5683. Each copy must contain a copyright notice, the student may not be charged more than the cost of copying, and the copying must not “substitute for the purchase of books, publishers’ reprints or periodicals.” *Id.* at 5682-83. According to the legislative history of the Act, the Guidelines are intended to “‘state the minimum and not the maximum standards of educational fair use.’” *Id.* at 5686.

The Guidelines are another example of Congress’ reaching out to the copyright industries and some users of copyrighted works to help inform the drafting and interpretation of the statute. As is inevitably the case, not all affected parties were included in the discussion. Although some higher education groups were represented, neither the Association of American Law Schools (AALS) nor the American Association of University Professors (AAUP) participated. Both the AALS and the AAUP objected strongly to the guidelines as too restrictive and not reflective of already existing higher education practice. Their objections are expressly noted in the legislative history.

The *MDS* court concluded that the copying before it went “well beyond anything envisioned by the Congress that chose to incorporate the guidelines in the legislative history. . . .” *MDS*, 99 F.3d at 1390. It also stated that “changes in technology and teaching practices that have occurred over the last two decades [since the enactment of the 1976 Act] might



conceivably make Congress more sympathetic to [the type of copying in this case]. If the law on this point is to be changed, however, we think the change should be made by Congress and not by the courts.” *Id.* at 1391.

## NOTES AND QUESTIONS

1. Do you think the *Texaco* and *MDS* cases were rightly decided? Who has the better argument about circularity in *Texaco*, the majority or the dissent? In his dissent in the *MDS* case, Judge Ryan distinguished between markets for the copyrighted work and the value of the work: “The plaintiffs certainly have not demonstrated that the coursepacks affected the market for the original copyrighted works [nor] their potential market for derivative works. . . . MDS’s coursepacks would inflict ‘market harm’ if they damaged the *value* of the original work or the *value* of derivative products such as coursepacks the publishers might wish to market. . . .” *Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381, 1407 (6th Cir. 1996) (en banc) (Ryan, J. dissenting), *cert. denied*, 520 U.S. 1156 (1997) (emphasis in original). Does this distinction offer a workable rule for deciding which markets fall within or outside the scope of the copyright owner’s rights? Does the language of §107 support this distinction?

2. What accounts for the emphasis placed by the *Texaco* court on whether the challenged use is transformative? Section 107 does not mention this consideration as a factor relevant to the fair use inquiry. Does the Supreme Court’s decision in *Campbell* require such a focus? Would you characterize the uses at issue in *Texaco* and *MDS* as “productive”? How would the *Sony* Court answer this question? Do either of the uses produce “external benefits” of the sort that Professor Gordon identifies as relevant to determining whether a market failure exists?

3. Is the *Bill Graham Archives* case, pages 557-60, *supra*, consistent with *Texaco*? The *BGA* court stated, “Here, unlike in *Texaco*, we hold that DK’s use of BGA’s images is transformatively different from their original expressive purpose.” *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 614 (2d Cir. 2006). The *BGA* court also distinguished *Texaco* because that case “involved direct evidence that the allegedly infringing use [, copying by researchers,] would cause the owner [, the scientific journals,] to lose license revenues derived from a substantially similar use.” *Id.* at n. 6. Do you find these distinctions persuasive? In particular, does the concept of “transformative markets” assist in determining what market harm is relevant under the fourth factor?

4. Should the *Texaco* court have given greater weight to considerations of reasonable and customary practice? Do you think that the result in *MDS* would have changed if the defendants had presented evidence that most campus copy-shops did not request permission or pay permission fees? For an argument that user expectations about reasonable and customary practice should continue to matter even in the face of changing technologies and markets, see Jessica Litman, *Copyright Noncompliance (or Why We Can’t “Just Say Yes” to Licensing)*, 29 N.Y.U. J. Int’l L. & Pol. 239 (1997).

If reasonable and customary practice matters in defining the scope of fair use, it follows that ongoing user conduct shapes courts’ perceptions about what is fair. Professor Ann Bartow has argued that therefore, it is important for individuals to continue to engage in copying in certain contexts without paying licensing fees, so that the uses will remain fair. See Ann Bartow, *Educational Fair Use in Copyright: Reclaiming the Right to Photocopy Freely*, 60 U. Pitt. L. Rev. 149, 229-30 (1998). Do you agree?

5. Is it appropriate for courts to rely on the Guidelines? According to Judge Ryan, dissenting in the *MDS* case, “That the Classroom Guidelines are not law should be reason enough . . . to refrain from using them to find infringement, but this is not the only reason

to reject out of hand arguments based on legislative history. Committee Reports are unreliable [and] do not accurately indicate congressional intent. . . .” *MDS*, 99 F.3d at 1411.

Keep in mind that the Guidelines expressly state that the proposed standards for educational copying are minimum standards for fair use, not upper limits on the amount of copying that would be fair. Practically, how likely do you think it is that a court would depart from the Guidelines by labeling more uses as fair? How much classroom copying do you think actually meets the criteria set forth in the Note above? One of the listed criteria is “spontaneity”; thus, a teacher who plans ahead is less likely to fall within the Guidelines!

6. How broad are the holdings of *Texaco* and *MDS*? Consider how these courts would resolve the following cases:

- a. A group of academic publishers sues a university, alleging that the university library routes new issues of journals to professors, who then make archival copies of articles relevant to their scholarly or teaching interests without remitting royalties to the CCC. A representative professor is selected, and archival copies of eight articles from the publishers’ journals are discovered in her files.
- b. A group of academic publishers sues a university, alleging that the university library allows students to make photocopies of journal articles and book chapters for their personal use without remitting royalties to the CCC.
- c. A web site permits visitors to post news stories copied in their entirety from publications like the *Los Angeles Times*, and then append their own comments and criticisms. *See Los Angeles Times v. Free Republic*, 54 U.S.P.Q. 2d (BNA) 1453 (C.D. Cal. 2000) (no fair use).
- d. An Internet company allows individuals who have already purchased a particular compact disc to download the music on that CD in MP3 digital format for listening on their home or office computers. The download procedure requires the individual to place the original CD into his or her CD-ROM drive for verification. *See UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000) (no fair use).

7. Who will bear the costs resulting from the holdings in *Texaco* and *MDS*? Does it matter who bears the costs? Is the cost of licensing reproduction of a copyrighted work simply another cost of production, like office supplies and equipment? Are there other ways that a publisher might make up the claimed shortfall in revenues?

8. One way to conceptualize fair use is as a compulsory license with a royalty rate of zero. Would it make sense to permit a court to excuse infringement as fair but require the infringer to pay something to the copyright owner other than statutory or actual damages? Is this any different from a court’s finding infringement and opting to impose a judicially determined royalty? Revisit this question after you read Chapter 11 on remedies.

Recall from Chapter 5 that the Berne Convention allows countries to impose limitations on the rights of copyright owners of musical works, so long as the limitation is linked to a system of fair or equitable compensation. *See Berne Conv.*, art. 13(1). Article 11bis(2) imposes a similar requirement for equitable remuneration with respect to limitations on the broadcast right. Would a rule that subjects all limitations to payment of reasonable compensation be consistent with U.S. copyright policy? With the TRIPS Agreement’s three-step test? With the three-step test under the interpretation advocated by the Max Planck Institute (*see supra* page 533)?

9. Would a decision shielding personal copying after a viable licensing market has developed violate the three-step test in the TRIPS Agreement? The three-step test as interpreted according to the approach advocated by the Max Planck Declaration?