The Incursion of Contract Law (Licensing) in the Library: Concerns, Challenges, Opportunities and Risks

By

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Abstract:

This paper discusses the current, developing and future impact that the incursion of contract law is having upon library practices, relationships and roles. Contract law asserts itself into library practice in the guise of a license, or contractual form of permission for content or services. Information exchanges based increasingly on contract and license impact not only libraries and similar institutions but also individual members of the society that the library serves. These concerns, not peculiar to the library, are presented in a broader societal context. Next, the challenges that this incursion causes reveal information markets that are unsustainable, far-reaching in the nature of rights affected, and unbalanced as far as the rights and obligations of the parties involved in a particular agreement are concerned.

Libraries serve as information focal points in a society and there is an opportunity for the library to serve both as a beacon, illuminating issues, and as a catalyst and focal point for change. However, the opportunities are not without some risk of instigating a broader shift across society regarding the mediation of information rights among rights-holders and users. Several broader concepts are discussed in this context. This discussion draws heavily on examples from the United States. However, the scenarios raise issues common to all jurisdictions and legal traditions.

Keywords: Copyright, Contract, Licensing, Legal Developments.
Introduction

This paper discusses the current, developing and future impact that the incursion of contract law is having upon library practices, relationships and roles. Traditional library practices such as collection development and information acquisition and dissemination, relationships with patrons and other stakeholders and parent or governing institution as well as the broader roles of the library in the culture of its society are impacted. The examples taken from the United States raise issues common to all jurisdictions, in particular those based on common law traditions.1

A license is a form of permission. It need not be a contract but it is typical in the context of library databases for the permission to be found within a contract. Permission is granted for access to content or services and to make uses of the content or services that would otherwise be unlawful under the copyright law or some legal theory such as trespass.2 In the library context, most licenses for databases or services can be negotiated. It is generally more difficult to impose legal limits on negotiated contracts.

Understanding the full impact of licenses also requires knowledge of copyright law. The library may “contract away” use rights it would otherwise have under the copyright law or it may pay for rights that it already possesses under the copyright law. A license can also shift the legal risk from vendor or licensor to library or licensee and even to the library patron. In non-negotiable consumer licenses especially in the European Union there are often limits on what can be contractually determined such as warranty disclaimers, caps on damages and choice of law and choice of forum; it is less typical for these limitations to apply where the agreement is subject to negotiation or where the party is considered a “merchant.”3 A library is not likely a consumer when acquiring information products and services.

Concerns

The incursion of contract law into the library poses three significant concerns (anxiety, worry or a matter of importance). While these concerns are paramount in the library context, there is no less concern across society. Contract law in the form of licensing is a form of private ordering of events, circumstances, responsibilities, obligations, etc. In other words the “rules” under which the parties must operate is determined by the parties (or in the situation of a non-negotiable license the terms are set by one party to which the other party nonetheless agrees). While legislatures may draw the general contours of the contract law, within that contour the parties have the freedom to choose the particular legal shape of their agreement. This is compared to the copyright law which applies to all. “A copyright is a right against the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create ‘exclusive rights.’”4 Examples of the difference are demonstrated in the recent dispute between the Authors Guild and Google, Inc. regarding the Google Books search service. At one point in the dispute the Authors Guild and Google, Inc. both desired settlement; that agreement was rejected by Judge Chin.5 Had the settlement been approved by the federal district court only Google would have benefited, being able to continue the offering of full text retrieval of the works in question. As only it was a party to the settlement agreement. However, based on two recent court decisions such full-text retrieval systems can be fair use.6 As a result of these decisions applying fair use, users across the United States can undertake digitization and retrieval projects based on the facts and holdings of the cases. On the international front, various trade
agreements can achieve the same impact.\textsuperscript{7} Contract law removes the rules governing the content and results in what might be termed “information unilateralism.”

Second, the increasing reliance on licenses, especially those extant in online settings (click-wrap or click-to-agree) results in degradation. Degradation in two forms as Professor Margaret Jane Radin expounds in \textit{Boilerplate: The Fine Print, Vanishing Rights, and the Rule of Law}:\textsuperscript{8} normative degradation and democratic degradation. The average end-user rarely if ever reads the terms and conditions before clicking to agree. The average person is generally a poor assessor of legal risk, especially his or her own. As a result, end-users ignore or treat with disdain the law and its expression in the terms and conditions of EULAs and other agreements; normative degradation results. As with “legal positivism” whose proponents believe sources of law emanate from rules, regulations, etc. reliance, intended or not, on license terms and conditions establishing the rules under which an end-user interfaces and uses content and services results in a sort of contractual positivism.

Democratic degradation occurs when the law is used to abrogate the rights of citizens to information, when law through license places the acquisition, access and dissemination of into the hands of private arbiters. Citizens are removed from the processes of ordering relationships through contract, unless of course that citizen is a party to the specific contract.

The risk-shifting mechanism is present often in termination and force majeure (“act of god”) provisions. For example, under the terms and conditions of the Nature Academic License\textsuperscript{9} the vendor can terminate the agreement at any time or for any breach by the library (4.3 and 4.8) whereas the library can only terminate upon a material breach or the cessation of business by the licensor (4.2 and 4.5). In cases of breach or suspension there is no credit or refund. If the service becomes unavailable due to force majeure (act of god) a library has no recourse under the ProQuest\textsuperscript{10} license; the vendor is not responsible for any loss up to 30 days. So the library in a worst case scenario might pay for 12 months of service but only receive service for 11 of those months and have no recourse.

The obligations of the parties can also be quite unequal. Looking again at the ProQuest license, the library must somehow ensure that use of the content by staff and students is in compliance with the terms of the agreement; if it does not the licensor may suspend access to the content for all users without notice (Para. 11). Should the vendor terminate for cause the library must destroy “any files, information, data or software derived” from the vendor “in its possession or control, and certify destruction upon request,” even that content in the possession of staff or students (Para. 10). In contrast, there are few if any obligations imposed on the vendor. For example, there is no promise that the content made available is non-infringing; so the library could be liable for using the infringing content (Para. 13).

**Challenges**

There are a number of challenges (a call to participate, to question the action or authority) facing libraries where Licensing constitutes an increasing proportion of library expenditures as well as the mode by which content is sourced. Licensing is often sought as a solution to market pressures. Past episodes involving new technologies demonstrate that content providers are not
always adept at embracing or exploiting new business models. In the early music file-sharing disputes the industry was reticent to enter the market for digital downloading. Yet in 2011, digital music sales climbed past physical sales to take a 50.3% market share of all music purchases.

In recent litigation regarding the digitization of books for purposes of full-text searching and data-mining a U.S. appellate court rejected a “lost sale” theory of market harm forwarded by the publishers and concluded such uses fair. While publishers might desire additional licensing revenue from full-text searching and data-mining—and might convince some libraries to pay for these rights—such markets are not the exclusive purview of publishers “because the full-text search function does not serve as a substitute for the books that are being searched.” While this market may indeed develop: at least in the U.S. publishers cannot use the copyright law to control entry into such markets to the exclusion of others.

Recent attempts by major publishers and Apple to price-fix the cost of e-books resulted in claims by the U.S. Department of Justice of anti-trust violation. The publishers involved in the dispute settled but the litigation continued against Apple, Inc. A federal district court concluded last year that “by a preponderance of the evidence that Apple conspired to restrain trade in violation of Section 1 of the Sherman Act and relevant state statutes to the extent those laws are congruent with Section 1.” New modes of access and dissemination of content coupled with legal developments will continue to challenge content providers and content consumers like libraries (and their patrons) to seek workable business models.

Another perhaps unintended consequence of licensing is the impact on other rights such as speech and privacy. One strategy is to prevent the licensee from commenting on the product or service performance. Such strategies, known as DeWitt clauses are often found in business to business software licensing, especially when software is in testing stages. Under the Nature license the library may not “undertake any activity which may have a damaging effect on the Licensor’s ability to achieve revenue through selling and marketing the Licensed Material.” If a librarian posted a truthful but negative post about the content or performance of the service in response to a query from another librarian and the response prompted that librarian as well as others from subscribing to the service, that would be an “activity” that interferes with the ability of Nature to “achieve revenue through selling and marketing” its services. Two commentators have argued that such provisions might be unconscionable and thus unenforceable.

Other provisions may require the library to assist the vendor in enforcing its copyright. This may range from passive measures such as requiring the library to make users aware of the use restrictions contained in the license and to take corrective action when misuse is discovered to active engagement through monitoring and reporting. If the library reports misuse to a vendor a likely response from the vendor will be to request further information regarding the circumstances including identifying the patron. Non-cooperation with a vendor investigating suspected abuse can result in disastrous results as MIT (Massachusetts Institute of Technology) faced in a dispute over the downloading of its database, having its access to the service suspended for several days.
A final challenge for libraries is to restore reason and balance to license terms and conditions. This is accomplished by responding to demanding terms and provisions with alternative and more reasonable provisions. As observed above, in a content license it is expected that the vendor warrant (make a legal promise) that the content it is supplying to the library and its patrons is not infringing. Such promise is useless without an indemnification provision. Oddly some vendors require the license-library to indemnify it! Other license provisions can strip libraries and patrons of use rights that otherwise exist under the copyright law; use rights that otherwise apply to library content (e.g., circulation of books, DVDs, etc.) acquired by purchase where first sale (U.S. law) or exhaustion rights apply. Other uses protected under the copyright law such as ILL (InterLibrary Loan) or data-mining. Libraries are challenged by licenses to maintain equivalent access to and use rights in content that would exist if the content were purchased and acquired (with the copyright law applying) rather than merely licensed.

**Opportunities**

Licensing does offer libraries several opportunities (a favorable juncture of circumstances, a good chance for advancement), several positive developments. First, it is possible that the skilled librarian-licensee can obtain increased use rights for the library and its patrons more than would exist under the copyright law or in the absence of a license.

A license can change the default rules of contract law to the advantage of the library. Under U.S. contract law for example that notice be effective upon dispatch, a so-called “mailbox” rule. It might be preferable for the library to have notice be effective upon receipt when for example termination of the license is dependent upon the non-breaching party sending notice to the other party of a material breach that is not cured within 30 days, and further defining receipt to require confirmation of receipt.

A second opportunity that a climate of licensed access and use of information offers libraries is advocacy and education. The recent, current and future controversies, concerns and challenges create an opportunity to design Library and Information Science education to prepare librarians to deal with the increasing complex and persistent copyright and licensing issues. Not only pre-service but in-service librarians are still in need of training as well. This can contribute to the democratization of contract.

A broader policy engagement across society can also impact the legal infrastructure in addition to the political hierarchy. Legal reform can add to the list of terms and conditions that are suspect and that contribute to the use of adhesion contracts. The European Union has been active in this area, but again such concepts typically apply to mass market or consumer licenses alone. Establishing that some library licenses could be considered adhesion contracts is the first step in determining that such licenses or at least selected provisions are unenforceable as unconscionable terms. Where there is an inability to bargain (a so-called take-it-or-leave scenario) and the terms are harsh or one-sided an unconscionable contract may be present. U.S. courts remain active in the development of the law in this area. Nimmer and Dodd predict increased judicial activism in these licenses as “information and informational rights are not goods and the relevant balance is likely to be very different,” implying that courts may view the factors against enforcement with greater weight where information is involved and this may result in more terms being struck as unconscionable.
Courts might also consider certain contractual provisions unenforceable as contrary to public policy.\textsuperscript{28} When terms and conditions attempt to control use of content not subject to copyright protection and to which the licensor is the sole source of the data, the situation might be ripe for a claim of copyright misuse. A prime example would be the use of a license to control the sole sources of non-copyrightable public domain content. Copyright misuse relates to circumstance where a valid intellectual property right exists, but the owner of the right attempts to use that right to leverage some other benefit unrelated to that right.\textsuperscript{29} Like the concept of unconscionability, the doctrine is rooted in equitable aspects of judicial public policy.\textsuperscript{30} Finally, terms and conditions may attempt to control use of content not subject to copyright protection and to which the licensor is the sole source of the data, the situation might be ripe for a claim of copyright misuse.\textsuperscript{31} Increased public scrutiny and awareness of unscrupulous and oppressive licensing practices may convince law makers to respond.

\textbf{Risks}

The incursion of contract law (licensing) brings several risks (the possibility that something bad or unpleasant will happen). First, a library like its patrons exists in a climate of increasing information adhesion. (Recall the previous discussion on adhesion contracts.) Using a concept from the contract law the phrase “information adhesion” is used to describe the tendency for actors to employ external forces (primarily legal but also technological, economic, etc.) to inhibit the natural internal desire to access and disseminate information.

Information adhesion is one immediate or practical impact of the incursion of licensing in the library. There is a fundamental shift occurring in the nature of the interchange of information access, use and dissemination. Within the copyright law the concepts that allow for subsequent transfer of content, the transfer of the ownership of a copy of a protected work through rental, sale, lease or lending is the first sale doctrine\textsuperscript{32} in the U.S., and in other countries the doctrine of exhaustion.\textsuperscript{33} The concept reaches the core of library practice; it supports the distribution (circulation) of collection content to patrons as well as to other libraries. Could the future acquisition landscape include shrink-wrapped books?\textsuperscript{34}

Secondary markets were also at issue in a 2013 decision involving the “resale” of iTunes music. The federal district court concluded that the first sale doctrine did not apply and did not vest a person with rights to dispose of music obtained through the iTunes service: “The novel question presented in this action is whether a digital music file, lawfully made and purchased, may be resold by its owner through ReDigi under the first sale doctrine. The Court determines that it cannot.”\textsuperscript{35} Even if the copyright law did change to allow first sale or exhaustion rights to apply, or if courts would apply the concept broadly, contract law in the form of the EULA governing these services would still assert itself into the exchange. Consider language from the iTunes\textsuperscript{36} and Kindle\textsuperscript{37} license that restricts use of the content personal and non-commercial uses alone; no commercial use and no public sharing.

The final “trump card” for rights-holders and information providers of licensed digital content is distribution of with the addition of Digital Rights Management (DRM) technologies. Use of DRM is supported by international treaty.\textsuperscript{38} Implementing legislation in the United States for example makes it unlawful to circumvent technological protection measures (TPM) or to
intentionally remove information (Copyright Management Information or CMI) regarding the work, the right holders, attributes of the work, etc. In U.S. law the concept of CMI is broad enough to include the terms and conditions of use. The combination of licensing terms and conditions that cannot lawfully be removed from the content (in the meta data for example) with technological controls that prevent access unless the terms and conditions of the rights holder or content supplier are fulfilled results in a form or super or “uber” contract. As discussed above, the use of self-help measures in licenses is not uncommon, such as suspension. Mechanisms that employ TPM in tandem with such provisions allow the licensor to achieve near perfect compliance with its terms and conditions.

Towards the Future

Effective change begins with awareness. Awareness comes from monitoring developments at the country level and internationally. Preparing librarians for a future filled with copyright and contract issues is paramount. While efforts such as this session reach an in-service audience, library and information science schools must increase efforts to prepare future graduates to navigate these issues. Library organizations and educators can continue to bring a spirit of enthusiasm and engagement to conference and degree programming but each member must make a personal commitment to increase his or her skill level in these areas. Finally we must work towards instilling a spirit of advocacy not only among the profession but in our patrons.

References

Citation Style: Harvard Bluebook.

1 Webster’s Dictionary can be used to define “concern” “challenges” “opportunities” and “risks”.

2 eBay, Inc. v. Bidder’s Edge, Inc., 100 F. Supp. 2d 1058 (N.D. Cal. 2000) (trespass to real property Compared to trespass to chattels or conversion discussed); Register.com v. Verio, Inc., 126 F. Supp. 2d 238 (S.D.N.Y. 2000) (likelihood of harm demonstrated if other users allowed to replicate Verio’s actions of using robot to extract data, system operability would suffer); and Ticketmaster, Corp. v. Tickets.com, 2000 WL 1887522 (C.D. Calif.) (tacit acceptance of digital trespass, but no evidence of harm demonstrated), 2003 WL 21406289 (C.D. Calif.) (“Pending appellate guidance, this court comes down on the side of requiring some tangible interference with the use or operation of the computer being invaded by the spider.” Id. at *3).

3 The library may fall outside the definition of “consumer”: “‘consumer’ means any natural person who, in contracts covered by this Directive, is acting for purposes which are outside his trade, business or profession.” EU Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts, Art. 2. b.

4 ProCD v. Zeidenberg, 86 F.3d 1447, 1454 (7th Cir. 1996).


Ellen Broad, What is the Trans Atlantic Trade Investment Partnership (TTIP) and why could it affect the information sphere, Joint IFLA CLM & EBLIDA, August 14, 2004, Strasbourg, France; and Trish Hepworth, The Trans-Pacific Partnership - what does free trade mean have to do with library services?, Joint IFLA CLM & EBLIDA, August 14, 2004, Strasbourg, France.

Available at http://www.nature.com/libraries/site_licenses/license_agreements.html.

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A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001):

Authors Guild, Inc. v. HathiTrust, 2014 WL 257 6342, *10 (2d Cir.) (June 10).


“Use reasonable efforts to ensure that Authorized Users are made aware of and undertake to abide by the terms and conditions … and immediately on becoming aware of any unauthorized user or other breach, inform BioOne and take reasonable steps, including appropriate disciplinary action, both to ensure that such activity cease and to prevent any recurrence.”

“Licensee[] shall notify JSTOR of any [] unpermitted uses … and shall cooperate with JSTOR in resolving problems or unpermitted use.”


“Subscriber agrees to indemnify OVID from and defend at its own expense…against any and all claims …arising out of or related to Authorized Users use of the Products or any materials provided hereunder.”

“The principle that an acceptance becomes effective — and binds the offeror — once it has been properly mailed.” BLACK’S AW DICTIONARY 502 (9th ed. 2009) (no pagination in Westlaw).


A current study of copyright queries on the American Library Association Copyright Advisory Network indicated that from 2004-2011, “analysis of 1000 real-life copyright questions asked and answered via the online copyright reference service… indicate that or 34% reflected the need for training in Fair Use principles and guidance on performing a four factors analysis.” Gail Clement, Project Coordinator (2014), http://www.districtdispatch.org/2014/01/fair-use-necessary-exception-libraries-educators/.
BLACK’S LAW DICTIONARY (9th ed. 2009) defines an adhesion contract as: “A standard-form contract prepared by one party, to be signed by another party in a weaker position, usually a consumer, who adheres to the contract with little choice about the terms.”


26 Zerjal v. Daech & Bauer Const., Inc., 939 N.E.2d 1067, 1073 (Ill. App. 5 Dist., 2010) (“The term ‘unconscionable’ encompasses the absence of meaningful choice by one party, as well as contract terms that are unreasonably favorable to the other party.”).


28 Restatement (Second) of Contracts § 178(2)(a)-(c) and (3)(a)-(d) (1981) (When A Term Is Unenforceable On Grounds Of Public Policy).

29 Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 978 (4th Cir. 1990) (99 year non-complete provision longer than duration of copyright).


31 Assessment Technologies of WI, LLC. v. Wiredata, Inc., 350 F.3d 640, 645 and 646-647 (7th Cir. 2003).

32 “The rule that the purchaser of a physical copy of a copyrighted work, such as a book or CD, may give or sell that copy to someone else without infringing the copyright owner’s exclusive distribution rights… the copyright owner’s distribution right is said to be exhausted.” BLACK’S LAW DICTIONARY (9th ed. 2009) (no pagination in Westlaw). 17 U.S.C. § 109(a).

33 BLACK’S LAW DICTIONARY (9th ed. 2009) (no pagination in Westlaw), defines “exhaustion” as the “principle that once the owner of an intellectual-property right has placed a product covered by that right into the marketplace, the right to control how the product is resold within that internal market is lost.”

34 See also, L. J. KUTTEN, 2 COMPUTER SOFTWARE PROTECTION-LIABILITY-LAW-FORMS § 9:72 (database updated April 2014 in Westlaw) (“Why wouldn’t the following nonsoftware transactions also be valid contractual restrictions... A book publisher put a shrink-wrap agreement on its back covers prohibiting the loaning of its books by a public library. A music manufacturer put a EULA on the back of its CDs prohibiting the resale of the CDs.”). See also, Marcelo Halpern, Yury Kapgan, Kathy Yu, Vernor v. Autodesk [621 F.3d 1102 (9th Cir. 2010), cert. denied 132 S. Ct. 105 (2011)]: Software and the First Sale Doctrine Under Copyright Law, 23 No. 3 INTELLECTUAL PROPERTY & TECHNOLOGY LAW JOURNAL 7 (March, 2011) (the “decision also could affect conduct in the secondary markets for all copyrighted works… [with] software-style licensing terms being attached to other kinds of works… and weaken markets for sale of secondhand copies of all types of copyrighted works, particularly those distributed electronically, whether software, music, movies, or books.”


36 iTunes: “USAGE RULES. (i) You shall be authorized to use iTunes Products only for personal, noncommercial use.”
37 Kindle: "display such Digital Content … solely on the Kindle … solely for your personal, non-commercial use."
