PROTECTING PROGRESS: COPYRIGHT'S COMMON LAW AND LIBRARIES

by MARGARET CHON[1]

Ever since copyright's inception, libraries have been unique stakeholders in the "carefully crafted bargain" between the exclusive rights afforded to copyright holders and the many benefits afforded by public access to the knowledge contained in copyright-protected works. Today, however, onerous ebook licenses impose prices upon libraries that are far higher than for equivalent print books (or even retail ebooks to other consumers), with fees rising exponentially in just over a decade for digital formats. These price hikes, along with license conditions, undermine and even threaten the long-established functions of libraries to facilitate public access to copyrighted works, not to mention preserve and otherwise protect these works.

In response to this increasingly unsustainable challenge to libraries and the publics they serve, this Article underscores the following propositions: (1) Libraries occupy a privileged position in the copyright system; (2) exhaustion forms a major common law limit to the scope of copyright, historically working in tandem with libraries to facilitate their multiple functions; and (3) the equitable doctrine of copyright misuse is not only widely accepted but also growing in response to licensing over-reaches. Twisting these three strands together, a court should find copyright misuse in the case of a licensing regime that leads to price discrimination against libraries and/or that curtails activities such as inter-library lending that otherwise would be allowed after first sale of an equivalent print book. In this way, copyright's common law of exhaustion and equitable doctrine of misuse, working together, can address statutory gaps that have rendered libraries vulnerable to widespread and often predatory publishing industry practices.

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INTRODUCTION

> The immediate effect of our copyright law is to secure a *fair return* for an 'author's' creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.[2]

> Without libraries what have we? We have no past and no future.[3]

[2] Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) (emphasis added).
[3] Eileen O., *In Memoriam: Ray Bradbury*, Free Library of Philadelphia: Blog (June 6, 2012),

The Statute of Anne,[4] acknowledged as the first major copyright statute,[5] mandated the deposit of copies of books printed by the Stationer's Company into nine libraries throughout Great Britain, specifically the Royal Library and eight university libraries.[6] The act also contained a private right of action in equity for unfair pricing, demonstrating that creation not just of books *per se*, but of accessible and affordable books, was one of its central public policy concerns.[7] As historian Mark Rose observes:

> the Statute of Anne presents itself as affirmative legislation designed, as the title states, for 'the encouragement of learning'. This . . . echoes, among other things, the title of Francis Bacon's Advancement of Learning (1605) and Milton's comment in Areopagitica that licensing constitutes 'the greatest discouragement and affront that can be offered to learning.' . . .. The stated purpose of the Statute of Anne is to stimulate study and speech, to encourage the proliferation of discourse in the public sphere . . .."[8]

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[4] 1710, 8 Ann., c. 19 (Gr. Brit.) (hereinafter "Statute of Anne"). Although the act is commonly referred to as the Statute of Anne, its full title was "An Act for the Encouragement of Learning, by Vesting the Copies of Printed Books in the Authors or Purchasers of such Copies, During the Times therein mentioned."

[5] As stated by L. Ray Patterson, although the Statute of Anne was not the first copyright statute, it was the "first *Parliamentary* English copyright act . . . and it was the first copyright act without provisions for censorship." L. Ray Patterson, Copyright In Historical Perspective 12 (1968) (original emphasis). *See also* Privilege and Property: Essays on the History of Copyright (Ronan Deazley, Martin Kretschmer, and Lionel Bently, eds. 2010), https://openbookcollective.org/books/book/3820/ (detailing history pre-dating the enactment of Anne) (hereinafter Privilege and Property).

[6] Statute of Anne, *supra* note 4 ("nine copies of each book . . . upon the best paper . . . shall be printed and published as aforesaid . . . and delivered to the Warehouse-Keeper of the said Company of Stationers, for the time being, at the Hall of the said Company . . . for the use of the Royal Library, the libraries of the Universities of Oxford and Cambridge, the libraries of the four Universities in Scotland, the library of Sion College in London, and the library commonly called the library belonging to the Faculty of Advocates at Edinburgh respectively.").

[7] *Id.* ("if any bookseller or booksellers, printer or printers, shall . . . set a price upon, or sell, or expose to sale any book or books at such a price or rate as shall be conceived by any person or persons to be too high and unreasonable; it shall and may be lawful for any person or persons to make complaint thereof to the Lord Archbishop of Canterbury for the time being"). An earlier copyright licensing statute enacted in 1553 also contained a price control provision. Patterson, *supra* note 5, at 23.

[8] Mark Rose, *The Public Sphere and the Emergence of Copyright: Areopagitica, the Stationers' Company, and the Statute of Anne*, in Privilege and Property, *supra* note 2 at 83; *see also* Ariel Katz, *Copyright, Exhaustion, and the Role of Libraries in the Ecosystem of Knowledge*, 13(1) I/S: A Journal of Law and Policy for the Information Society 81 (2016). Milton's reference to "licensing" was to the licensing by the British Crown to print books, as described by copyright historians. *See, e.g.*, Benjamin Kaplan, An Unhurried View of Copyright 4 (1966); *see also* Patterson, *supra* note 5. However, the general meaning of the term "licensing" today denotes permission given by the authorized copyright holder for others to print and/or use a copyright protected work. *See generally* Jorge L. Contreras, Intellectual Property Licensing and Transactions: Theory and Practice (2022).

Thus, since copyright's inception, libraries have been unique stakeholders in the "carefully crafted bargain"[9] between the exclusive rights afforded to copyright holders and the many benefits afforded by public access to the knowledge contained in copyright-protected works. Today, however, onerous ebook[10] licenses impose prices upon libraries that are far higher than for equivalent print books (or even retail ebooks to other consumers), with fees rising exponentially in just over a decade for digital formats. These price hikes, along with other license conditions and restrictions, undermine and even threaten the long-established functions of libraries to facilitate public access to copyrighted works, not to mention preserve and otherwise protect these works for future generations.

In response to this increasingly unsustainable challenge to libraries and the publics they serve, this Article asserts that certain ebook license terms demanded of libraries, either directly or via intermediary platforms, violate an essential public policy underlying the statutory grant of copyright. Contractual terms demanded of libraries for ebooks that reach far beyond prices for analogous printed copies exceed the fair and normal remuneration due to a copyright owner, resulting in copyright over-reach. This currently widespread practice, along with other license provisions that curtail statutorily recognized library functions such as inter-library lending, constitute copyright misuse. As such, they warrant the non-enforcement of the offending copyright until the misuse is rectified. Thus, copyright's equitable doctrine of misuse combined with longstanding common law limits established by exhaustion can address the statutory gaps that have rendered libraries vulnerable to widespread and often predatory publishing industry practices. While novel, these arguments are well-supported by case law defining core public policy and equitable limits to copyright.

When gauging whether publishers are engaging in copyright misuse in the context of libraries, courts should weigh heavily the importance of protecting the myriad public interests that libraries advance and protect. The U.S. Congress has enacted multiple copyright acts against the common law background of exhaustion of rights, endorsing it by statute for over a century. Courts have not hesitated to reinforce common law doctrines such as exhaustion and apply equitable doctrines such as misuse that exist alongside statutory law.[11] And they should not hesitate to do so here.

This Article begins by briefly summarizing the background to the pervasive phenomenon of unfair ebook licensing terms imposed upon libraries, followed by a discussion of the limits to the scope of intellectual property (IP) rights long-defined by exhaustion. Next, it explores the current parameters of copyright misuse (alternatively

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[9] Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 150–51 (1989), quoted in Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 33 (2003).

[10] For the sake of brevity, the term "ebook" in this Article refers not only to digital books, but also digital journals, and other digitized text-based media.

[11] Other examples of copyright's on-going development of common law within the interstices of the public law framework include but are not limited to fair use, contributory liability, and the volition requirement for copyright liability. Patent's common law includes section 101 subject matter exceptions, the experimental use exception, and–significantly, for this Article, exhaustion. *See* Margaret Chon, *Prioritizing Freedom to Operate*, in IMPROVING INTELLECTUAL PROPERTY: A GLOBAL PROJECT (Susy Frankel, Margaret Chon, Graeme B. Dinwoodie, Jens Schovsbo & Barbara Lauriat eds., 2023).

termed abuse of copyright or copyright abuse). Part IV considers how a combination of exhaustion and misuse doctrines apply to ebook licensing terms. The penultimate section considers some procedural aspects of alleging copyright misuse in this context. And the final section concludes.

I. BACKGROUND

A. The Unique Role of Libraries in the Copyright Ecosystem

The acknowledged precursor to U.S. copyright law,[12] the Statute of Anne ensured that society benefited through the initial assignment of copyright ownership to authors in tandem with eventual public access to the knowledge contained within their books through the expiration of the term of protection ("During the Times therein mentioned"), reasonably priced books, as well as the requirement of library deposit.[13] The 1710 Statute of Anne required publishers to donate books to libraries. Authors (mostly through their publishers, to whom their copyright would almost invariably be assigned[14]) would derive revenue from the sale of their books through copyright, not through these deposit copies. But significantly, the statute encouraged publication of their books for the salutary purpose of increasing social learning overall. Aside from private purchase by collectors, library copies functioned as one of the primary ways that ordinary people could access this collective store of knowledge encouraged by copyright.

[12] The first U.S. Copyright Act of 1790 was similarly titled "An Act for the encouragement of learning, by securing the copies of maps, charts, and books, to the authors and proprietors of such copies, during the times therein mentioned." https://www.copyright.gov/about/1790-copyright-act.html. This act also had a mandatory deposit requirement, although in district courts rather than in libraries. Zvi Rosen, *Mandatory Deposit*, *in* ELGAR ENCYCLOPEDIA OF INTELLECTUAL PROPERTY (2024).

[13] *See also* Patterson, *supra* note 5 at 138 (describing 1662 Licensing Act, which mandated deposit copies for the "king's library and the library at Cambridge, as well as the Bodleian Library at Oxford, which had been given this right in the [previous 1637] decree.").

[14] Rebecca Schiff Curtin, *The Transactional Origins of Authors' Copyright*, 40 COLUM. J.L. & ARTS 175 (2016); Rebecca S. Curtin, *Entering into Copyright: Author-Publisher Transactions*, *in* STATIONERS' COMPANY RECORDS IN FORMS, FORMATS AND THE CIRCULATION OF KNOWLEDGE: BRITISH PRINTSCAPE'S INNOVATIONS 1688–1832 (Louisiane Ferlier and Benedicte Miyamoto, eds., 2020). *Cf.* Jessica Litman, *What We Don't See When We See Copyright As Property*, 77 CAMBRIDGE L. J. 536 (2018) (observing that content intermediaries such as publishers control and maximize profits from copyright despite the initial assignment of copyright to authors). While beyond the scope of this Article, it is still very much an open question as to whether ebooks have resulted in greater reward to the authors who license their works to the publishers, or whether the lion's share of increased revenue from ebook licensing accrues to publishers and platforms instead.

Libraries[15] historically were and continue to be essential to the fundamental public purpose of providing access to knowledge as an essential *quid pro quo* for the author's exclusive and time-limited rights via copyright. In the United States, libraries facilitate an enormous amount of knowledge preservation and transmission[16] and have been open to members of the public since at least 1655.[17] No one who has visited the Library of Congress in Washington D.C. can fail to be awestruck by its grand Beaux Arts structure, which houses the largest book collection in the world, including a copy of the Gutenberg Bible,[18] one of the proximate causes of both the Protestant reformation and the invention of copyright law.[19] And for copyright applicants, "mandatory deposit with registration was required at the Library of Congress beginning in 1865, with the express purpose of building a national library."[20]

By 1920, the United States had over 3500 public libraries.[21] Industrialist Andrew Carnegie contributed significantly to the establishment of these libraries,[22] and these

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[15] This Article focuses on non-private libraries, that is, academic, government, non-profit, and public libraries, with a particular emphasis on public libraries. These types of libraries can vary widely. For example, according to Sarah Watstein, "academic libraries support the academic and research goals of their institutions by providing access to diverse resources, services, programs and spaces. Fulfilling core roles on campus, they facilitate teaching and learning, promote innovation and collaboration, preserve knowledge and cultural heritage, and engage with the community at large. Committed to inclusivity and accessibility for all users, they also promote transparency and foster a culture of sharing and collaboration across disciplines." Unpublished comment from Dean Sarah Watstein (2025) (on file with author). Despite their diversity of missions, these various non-private libraries share enough commonality of purpose that this Article refers to them generally as "libraries" unless otherwise noted. By contrast, private libraries have different means of support as well as functions than do public libraries and thus are not included in the scope of this Article's arguments.

[16] Approximately 123,627 non-private libraries exist in the United States as of 2024. Library Statistics and Figures: Number of Libraries in the United States, Am. Libr. Ass'n (Dec 19, 2024), https://libguides.ala.org/c.php?g=751692&p=9132142.

[17] Michelle M. Wu, Rebalancing Copyright: Considering Technology's Impact on Libraries and the Public Interest 34 (2021); *see also id.* at 34-36 (tracing the development of public libraries in the colonies and early days of the Republic). The complex global history of libraries' accessibility to the public is detailed in Andrew Pettegree & Arthur der Weduwen, The Library: A Fragile History 46 (2021).

[18] *The Gutenberg Bible at the Library of Congress: A Resource Guide*, Library of Congress, https://guides.loc.gov/gutenberg ("Although it made popular literature available to the general public, the Library's primary purpose was to serve Congress. . . The centralization of U.S. copyright registration and deposit at the Library of Congress in 1870 was essential for the annual growth of these collections.").

[19] Thomas F. Cotter, *Copyright, Censorship, and Religious Pluralism*, 91 Cal. L. Rev. 323, 325-26 (2003).

[20] Rose, *supra* note 8.

[21] *A History of US Public Libraries*, Digital Pub. Libr. of Am., https://dp.la/exhibitions/history-us-public-libraries/carnegie-libraries.

[22] Susan Stamberg, *How Andrew Carnegie Turned His Fortune Into A Library Legacy*, Nat'l Pub. Radio (Aug. 1, 2013), https://www.npr.org/2013/08/01/207272849/how-andrew-carnegie-turned-his-fortune-into-a-library-legacy ("Carnegie donated $300,000 to build Washington, D.C.'s oldest library — a beautiful

Carnegie libraries had significant knowledge spillover effects on the surrounding communities,[23] with positive effects on patent rates in areas where they were located two decades after they were built.[24] Currently libraries serve an immense and complex variety of roles,[25] but they continue to remain so-called "palaces for the people" that are inclusive spaces for members of the public to mingle and read without charge.[26]

From the humblest to most awe-inspiring structure, the common purpose of U.S. libraries is "to provide public access to information for education, enrichment, and development. While libraries provide many other valuable community services, information access is the fundamental reason public libraries exist."[27] And according to Michelle Wu:

> [L]ibraries benefit the public interest by making materials available to individuals in their communities, typically without consideration to those individuals' wealth, power, or privilege. In this manner, libraries serve a greater public interest than other entities, ensuring that access to information is not restricted only to those who have the ability to purchase it. They also have responsibilities to preserve information so that tomorrow's users will have access to no fewer resources than today's users. No other entity has that responsibility, and this role protects the interests of researchers and society in every generation. . .. *The balance intended by copyright, then, plays a more significant role for libraries and society than it does for any individual creator or purchaser*.[28]

B. Licensing End-Runs Around the Exhaustion Limit to Copyright

In the U.S. knowledge economy, copyright law has implicitly regulated this unique relationship between the private interests of copyright holders and the public interest represented by libraries through the doctrine of exhaustion of IP rights. As explained by Aaron Perzanowski and Jason Schultz, "[e]xhaustion is the notion that an IP rights holder relinquishes some control over a product once it sells or gives that product to a new owner. We say those IP rights have been exhausted because the rights holder can no

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beaux arts building that dates back to 1903. Inscribed above the doorway are the words: Science, Poetry, History. The building was 'dedicated to the diffusion of knowledge.' It opened in 1903 to women, children, all races — African-Americans remember when it was the only place downtown where they could use the bathrooms. During the Depression, D.C.'s Carnegie Library was called "the intellectual breadline." No one had any money, so you went there to feed your brain.").

[23] Brett M. Frischmann & Mark A. Lemley, *Spillovers*, 107 COLUM. L. REV. 257 (2007).

[24] Enrico Berkes & Peter Nenka, *Knowledge Access: The Effects of Carnegie Libraries on Innovation*, R. ECON. STATISTICS (2021).

[25] Jennifer Howard, *The Complicated Role of the Modern Public Library*, NAT'L ENDOWMENT FOR THE HUMAN., https://www.neh.gov/article/complicated-role-modern-public-library. Originally published as "*Something for Everyone*" in the Fall 2019 issue of HUMANITIES magazine, a publication of the National Endowment for the Humanities.

[26] *Id.*

[27] Iantha Haight and Annalee Hickman Pierson, *State Strategies for Fair E-Book Licensing: Lessons from the Library E-Book War*, 116 LAW LIBRARY J. 219, 222 (2024); *see also* Anthony R. Reese, *The First Sale Doctrine in the Era of Digital Networks*, 44 B.C. L. REV. 577, 589 (2003).

[28] Michelle M. Wu, *Restoring the Balance of Copyright: Antitrust, Misuse, and Other Possible Paths to Challenge Inequitable Licensing Practices*, 114 LAW LIB. J. 131, 135 (2022) (emphasis added) (hereinafter "Wu, *Restoring the Balance of Copyright*").

longer control many of the uses the new owner may make of that product."[29] This principle mediates between the IP rights of a copyright holder and the property rights of the owner of a particular copy. After the copyright owner conveys a copy by sale to another, the new owner of that particular copy has a right to do what they would like with the copy: write in its margins, highlight passages of interest, re-sell it, bequeath it, or even throw it away. Importantly, the exhaustion doctrine allows a library purchaser to lend its copy to others without having to re-purchase another copy, unless the initial copy needs to be replaced (for instance, if it is lost, irreparably damaged, or destroyed).

Acknowledged repeatedly by courts as a boundary to the scope of IP (both copyright and patent) ownership based on the common law of property, this exhaustion principle is based upon historically grounded policies of freedom of alienation of chattel and freedom from anti-competitive restrictions.[30] In U.S. copyright law, the exhaustion limitation is partially codified in the 1976 Copyright Act ("the 1976 Act"), often colloquially referred to as the first sale doctrine,[31] which acts as a statutory limit to the copyright holder's exclusive right of distribution under section 106(3).[32] The exhaustion principle undergirds many of the benefits reserved to the public through copyright, including affordability, availability, and privacy.[33] Libraries in the United States have long relied on this doctrine, as an implicit and explicit common law principle deriving from property law (and reinforced in part by statute) that allows them to build their collections without being compelled to pay on-going subscription or leasing costs, and importantly, lend books to others without charge or restrictions.[34]

Thus the exhaustion principle is a key policy lever in the balance between the rights of authors to obtain fair remuneration for their creative works and the rights of the public to access knowledge contained in those works. It is an integral common law-based limit to the scope of a copyright holder's exclusive statutory rights.[35] But the rise of digital

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[29] Aaron Perzanowski & Jason Schultz, The End of Ownership: Personal Property in the Digital Economy 25 (2016); *see also* Shubha Ghosh & Irene Calboli, Exhausting Intellectual Property Rights: A Comparative Law and Policy Analysis 207 (2018) ("Put simply, the exhaustion doctrine permits the resale of a product (or service) protected by intellectual property upon the first sale of the product [or service].").

[30] *See* section II, *infra*.

[31] 17 U.S.C. § 109(a) ("Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord—Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord. . . .").

[32] 17 U.S.C. § 106(3) ("Exclusive rights in copyrighted works—Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: . . . (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending . . ..).

[33] Reese, *supra* note 27, at 584; Perzanowski & Schultz, *supra* note 29, at 104; *but see* Guy Rub, *Rebalancing Copyright Exhaustion*, 64 Emory L. J. 741 (2015) (hereinafter "Rub, *Rebalancing"*) (asserting that anonymity is still preserved in the digital lending context).

[34] Haight & Pierson, *supra* note 27, at 225.

[35] *See generally* Reese, *supra* note 27 (outlining different functions of the first sale doctrine, including but not limited to libraries); Rub, *Rebalancing*, *supra* note 33 (analyzing digital exhaustion and limits on it through a law and economics framework).

technology and attendant licensing practices have undercut this historically grounded principle, which had long defined a visible boundary around the scope of a copyright owner's bundle of rights. Major publishers now engage in widespread use of contractual licenses rather than outright sales to consumers, including libraries.[36]

The adoption of the licensing model for library acquisitions follows the path blazed by mass consumer licensing of digital software. Since the advent of digital consumer goods in the early 1990s, this substitution of licensing for sales has been on the rise throughout many different copyright industry sectors. And it is currently a common book publisher industry practice, typically lowering prices compared to equivalent print versions for ordinary consumers, but raising them exponentially for libraries. Simultaneously, digital borrowing from libraries has accelerated,[37] with sharp increases during the COVID-19 pandemic.[38] For example, digital book borrowing increased 34% from 2019-23, with a 10% growth post-pandemic between 2021–2022[39] and even more acceleration in 2023.[40] In 2023, libraries spent between 25 to 40 percent of their budgets on digital resources, "a number that is growing every year."[41]

While libraries obviously want to encourage the borrowing of books in formats that are most convenient, effective, and safe for their patrons, the cost of licensing books for patron use is not at all on par with the historical cost of lending an equivalent physical book. According to a recent study:

> The type of lending/licensing model available for a given book depends on the publisher, as well as distributors/aggregators. *Notably, libraries are typically required to pay 3–4 times the consumer price for an ebook or audiobook license of a popular title, even if that license later expires*. Some argue that this price difference is intended to accommodate the number of readers that can borrow one ebook or audiobook (in contrast to one consumer). However, the prices are high even for the one-copy/one-user model, which is the closest emulation of a print circulation. These costs make it very expensive for libraries to license digital materials.[42]

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[36] Sarah Lamdan, et. al, The Anti-Ownership Ebook Economy: How Publishers and Platforms have Reshaped the Way We Read in the Digital Age (July 2023) (hereinafter Lamdan, et. al).
[37] Perzanowski & Schultz, *supra* note 29, at 105.
[38] Haight & Pierson, *supra* note 27, at 221 ("Public access to digital resources became essential during the COVID-19 pandemic when most libraries were required to shut their doors").
[39] Rachel Noorda & Kathy Inman Berens, Am. Libr. Ass'n, Digital Public Library Ecosystem 2 (2023), https://www.ala.org/sites/default/files/advocacy/content/ebooks/Digital-PL-Ecosystem-Report%20%281%29.pdf.
[40] *Libraries Achieve Record-Breaking Circulation of Digital Media in 2023*, OverDrive (Jan. 4, 2024), https://company.overdrive.com/2024/01/04/libraries-achieve-record-breaking-circulation-of-digital-media-in-2023/.
[41] Haight & Pierson, *supra* note 27, at 225. While the business and licensing models of ebooks are different from those of digital journals, analogous predatory licensing practices abound with regard to journals.
[42] Noorda & Berens, *supra* note 39, at 6.

Digital book licenses have resulted in significant cost increases to expand and maintain library collections, with negative impacts upon public access.[43] Currently, many licenses end after a two year term, forcing the library to pay again for a digital title at prices far above consumer retail; by contrast, libraries would be able to keep and re-lend the analogous print title purchased at or below retail for as long as that copy lasted.[44] An example cited by the American Library Association in its 2019 statement to Congress illustrates this problem: "All the Light We Cannot See: A Novel by Anthony Doerr, is priced as an eBook for $12.99 to consumers. The library price is $51.99—for two years or $519.90 for 20 years—for one copy."[45] This rising cost of licenses forces librarians to curtail their collections in the face of fixed or even declining budgets for acquisition.[46] The recent litigation over Maryland's trailblazing ebook pricing statute, *Association of American Publishers, Inc. v. Frosh*[47] revealed multiple instances of price gouging.[48]

In addition to rampant price increases, libraries experience a multitude of other harmful collateral consequences of digital licensing.[49] For example, the licensing of ebooks resembles a modern-day equivalent to blanket licensing:[50] Libraries are forced to

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[43] Haight & Pierson, *supra* note 27, at 226 ("libraries generally must pay amounts much higher than retail prices for digital resources with licenses that often expire after a couple dozen checkouts, or within one or two years after purchase, whichever comes first. Then the library must pay for the book all over again if it wishes to make it available. The result is a much higher cost-per-checkout for digital books.").

While this Article primarily pertains to publishing industry practices deployed within the United States, the same issues confront European libraries. TERESA NOBRE & TERESA HACKETT, COMMUNIA, UNFAIR LICENSING PRACTICES: THE LIBRARY EXPERIENCE (2025). This is not a surprise as many of the largest publishers are based in Europe and (as explained below) the publishing industry is highly concentrated.

[44] Guy Rub, *Reimagining Digital Libraries,* 113 GEO. L. J. 191 (2024) (hereinafter "Rub, *Reimagining*").

[45] Am. Libr. Ass'n, Before the U.S. House of Representatives Committee on the Judiciary: COMPETITION IN DIGITAL MARKETS 3 (2019) (hereinafter American Library Association).

[46] Haight & Pierson, *supra* note 27, at 226 ("Governments have not fully funded public library budgets for over 30 years, with private donations, grants, and patron fines making up the shortfall of over $4 billion.").

[47] Ass'n Am. Publishers, Inc. v. Frosh, 607 F. Supp. 3d 614 (D. Md. 2022); Ass'n Am. Publishers, Inc. v. Frosh, 586 F.Supp.3d 379 (D. Md. 2022) (hereinafter "*Frosh*").

[48] *Id.* ("Currently libraries pay much higher prices for content tha[n] consumers. For example, the New York Times bestseller Ready Player Two has a list price of $22.05 and the consumer can keep this electronic book forever. The same book license for a public library costs $95 and the library has to renew that license after two years." Exhibit 3 Sponsor Statement of Nancy J. King to Consolidated Memorandum of Law in Support of Defendant's Motion to Dismiss and Opposition to Plaintiff's Motion for a Preliminary Injunction.") (cited in Haight & Pierson, *supra* note 27, at 233 n. 76).

[49] *See infra* section IV.

[50] As Brett Frischmann and Dan Moylan describe this type of licensing arrangement in the context of the 1977 U.S. Supreme Court case of Broadcast Music v. Columbia Broadcasting System, "ASCAP and BMI each managed portfolios of copyrighted musical works and issued blanket licenses to perform each and every composition contained therein." Brett Frischmann and Dan Moylan, *The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and its*

choose from digital content that is bundled together rather than being able to curate bespoke collections by selecting individual volumes.[51] Academic journal publishers, for instance, have gradually shaped their standard licenses towards the so-called "big deal" wherein universities license digital journal bundles with the ultimate effect of "lock[ing] libraries into multi-year arrangements with built-in price increases . . . [and] forcing them to cut books, monographs, and single-journal purchases."[52] These packages also pose challenges for libraries when vendors can add or remove content in the middle of the license term. One academic university's packages included unlimited concurrent access to "How to be an Antiracist"—however, when students became interested in the book after the Black Lives Matter protests started in 2020, the publisher removed the book from the package and made it available for individual access only, forcing the library to acquire individual licenses to meet demand. Exacerbating these multiple harms to the public is the growing use of non-disclosure provisions in many of the library licensing agreements, which prohibit licensees from sharing and pricing and other information either with each other or to the public.[53]

Furthermore, many public libraries rely on digital distribution platforms, such as Overdrive and its newer app Libby,[54] to deliver trade publisher content. Libraries' heavy reliance on these third party platforms strengthens the ability of publishers to force various constraints along with price increases upon libraries through technological lock-in.[55] These platforms have the ability to track data on the exact titles checked out by library patrons, actions which would constitute privacy violations if undertaken by libraries.[56] Their terms of service can contain provisions that purport to override fair use.[57] And all of this is exacerbated by an oligopolistic market structure, in which the publishing industry in trade books in the United States is dominated by five firms (most of which are not based in the United States)—the so-called Big Five[58]—and the college

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Application to Software, 15 BERKELEY TECH. L. J. 865, 886 (2000) (describing Broadcast Music, Inc. v. Columbia Broad. Sys., Inc., 441 U.S. 1 (1979)).

[51] Lamdan, et. al, *supra* note 36, at 38; Wu, *Restoring the Balance of Copyright*, *supra* note 28, at 159-61.

[52] Am. Libr. Ass'n., *supra* note 45 at 5; see also Faith O. Majekolagbe, *A Right to Republish: Redesigning Copyright Law for Research Works*, 25 MINN. J. L., SCI. & TECH.1, 12 (2024).

[53] Sources on file with the author. This and certain other information from individual librarians was conveyed to the author confidentially.

[54] Libby is an app that is owned by OverDrive. OverDrive also has an eponymous legacy platform still widely used. Overdrive provides over 90 percent of ebooks to libraries.
Matthew Lynch, *Libby vs. OverDrive: What Are the Differences?*, THE TECH EDVOCATE (June 14, 2023), https://www.thetechedvocate.org/libby-vs-overdrive-what-are-the-differences/

[55] Lamdan, et. al, *supra* note 36, at 6, 39; Wu, *supra* note 28, at 146-51.

[56] *See* PERZANOWSKI & SCHULTZ, *supra* note 29.

[57] OverDrive's Terms and Conditions under the Digital Content License section and the Content, Trademark and IP section prohibit a number of activities that are permitted under fair use. *OverDrive – Terms and Conditions,* OVERDRIVE, https://www.overdrive.com/policies/terms-and-conditions.htm (as of Jan. 2025).

[58] Lamdan, et. al, *supra* note 36, at 30 ("These publishers were once known as the Big Six (Hachette, HarperCollins, Macmillan, Penguin, Random House, and Simon & Schuster), more recently the Big Five (with the merger of Penguin and Random House in 2013"); *see also* Noorda & Berens, *supra* note 39, at 8. Penguin Random House is the biggest U.S. publishing company with an estimated 25% of its total market share. It is owned by Bertelsmann in Germany, which also

textbook sector by three.[59] Similarly, the platforms for distribution to end readers are highly dominated by a small handful of firms.[60]

Although policymakers should take note of all these multiple negative consequences of ebook licensing, this Article focuses primarily on harms inflicted on libraries—and consequently to the public—when publishers leverage copyright to circumvent exhaustion and extract much more revenue per publication than they would have been able to obtain in the pre-digital world. This is aptly termed "intellectual property wrongs" in which "rightsholders bargain[] for returns well beyond the value of the rights they hold."[61] Although copyright holders such as book publishers may believe otherwise, they are not entitled to extract the maximum possible profit from a work but rather a "fair return," as the U.S. Supreme Court stated in *Twentieth Century Music Corp. v. Aiken* in 1975.[62] The Court has underscored this fair remuneration principle in multiple exhaustion cases decided more recently.[63]

It is through the first sale that the copyright holder is expected to recoup its costs and earn a fair return.[64] Importantly, U.S. libraries have relied on exhaustion for centuries as a default price ceiling to carry out their public-regarding missions to enhance access to knowledge. And Congress has enacted legislation against this common law backdrop numerous times without disturbing the careful copyright balance embodied in this longstanding economic arrangement. Moreover, the Supreme Court has resoundingly

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owns the massive music distributor BMG. Three other firms in the Big Five are also owned by companies not based in the United States: MacMillan is owned by Holtzbrinck Publishing (Germany); Hachette Book Group owned by Hachette Livre (France); and HarperCollins is owned by News Corporation (originally Australian, now an international corporation). Declaration of Alan Inouye, Frosh, *supra* note 47.

[59] American Association of Libraries, *supra* note 45, at 5-6 ("The college textbook publishing market has a long history of anti-competitive behavior . . .. The same three companies—Pearson, Cengage, and McGraw-Hill Education—have dominated the market for more than two decades and currently account for an estimated 85 percent of industry revenues.").

[60] *See* Section IV, *infra*.

[61] Robin Feldman, *Intellectual Property Wrongs*, 18 STAN. J.L. BUS. & FIN. 250, 257 (2013).

[62] *Twentieth Century*, 422 U.S. at 156; *accord* Caterina Sganga & Silvia Scalzini, *From Abuse of Right to European Copyright Misuse: A New Doctrine for EU Copyright Law*, 48 INT'L REV. INTELLECT. PROP. AND COMPETITION LAW (IIC) 405, 428 (2017) (summarizing EU caselaw: "Economic rights are granted to ensure an "adequate" or "appropriate" remuneration from the exploitation of the work, not the largest profit possible, especially when in detriment to the interests of other subjects.").

[63] *See* part III *infra*.

[64] *See* part III *infra*. Susy Frankel and Daniel Gervais differentiate between exhaustion and first sale. Susy Frankel & Daniel J. Gervais, *International intellectual property rules and parallel imports*, *in* RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS 88-89 (Irene Calboli and Edward Lee, eds. 2016) ("The first sale principle is distinct from the exhaustion principle. First sale is relevant to parallel importing, although terminological fog shrouds the real issue. A country that recognizes that first sale exhausts distribution-related rights does not have to allow imports of products from other markets, even where those products have been put on the market in that other country by the same right holder or with her consent. First sale can thus be combined with national exhaustion or international exhaustion, and the notions are, therefore, distinct."). However, in the United States, courts and commentators have not otherwise distinguished between the two concepts and often use them interchangeably.

confirmed the importance of the exhaustion limit to IP rights in recent copyright and patent decisions.[65] In all three of its copyright exhaustion decisions, the Court has upheld and applied the exhaustion principle to limit the scope of the copyright holder's rights.[66] Digital technology, however, forces libraries to confront formidable pressures from publishers (in concert with digital platform intermediaries) who claim that exhaustion no longer applies, because these entities now license rather than sell their products.

C. Enter Copyright Misuse

Significantly, courts have simultaneously expanded the doctrine of abuse of copyright (more commonly known in the United States as copyright misuse) to strike down abusive software licensing practices.[67] The comparison of software licenses (to which copyright misuse has been steadily applied) to ebook licenses suggests that ebook licenses to libraries have been inexplicably overlooked as a major locus of copyright abuse. Unlike many mass consumer software licensees, or even business licensees, libraries serve a particular social purpose in the copyright universe. Libraries do not buy (or license) works only for their own employees or for the purpose of re-selling to others. Rather, libraries complement the market[68] and their services mitigate multiple market failures that would occur in their absence.[69] Although book publishers argue to the contrary, economic analysis indicates that these services do not supplant the market for private book sales.[70] Thus libraries have been and continue to be a special type of book consumer, perhaps even *sui generis*. Their unique public-regarding and non-market functions should be at the forefront when considering whether a license goes beyond acceptable bounds and violates copyright's core social policies.[71]

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[65] Kirtsaeng v. John Wiley & Sons, 568 U.S. 519 (2013) (copyright exhaustion); Impression Products v. Lexmark, Intern., 581 U.S. 360 (2017) (patent exhaustion).
[66] *See* part II, *infra*.
[67] *See* section II, *infra*.
[68] Rub, *Reimagining*, *supra* note 44, at 191 ("it is highly problematic to let libraries—which have always operated alongside the market—be completely subject to the publisher's powerful commercial interests.").
[69] Katz, *supra* note 8, at 104 ("libraries operate in a space that commerce does not and will not occupy, and the services that libraries provide supplement rather than compete with services that publishers and other commercial intermediaries could offer." *See also id.* at 104-21 (analyzing specific market failures); Reese, *supra* note 27, at 588 ("A consumer who is not willing or able to pay the purchase or rental price for a copy of a work may be able to borrow a copy from a library at no direct charge.").
[70] *See id.*; *see also* Rub, *Reimagining*, *supra* note 44, at 212 ("Overall, in the physical space, public libraries serve a goal that is undoubtedly socially desirable. They provide significant access to creative works, inform their patrons, and create a culture of readership. Because much of this access does not substitute purchases in the physical world, it does so with minimal harm to the publishers' incentives.").
[71] Katz, *supra* note 8, at 103-04; *see also* Christophe Geiger and & Bernd Justin Jütte, *Copyright as an Access Right: Concretizing Positive Obligations for Rightholders to Ensure the Exercise of User Rights*, 73 GRUR INT'L 1019, 1020 (2024) ("While 'access' is a broader issue within copyright law, and indeed is touched by other areas of the law, this study proposes that specific privileges must be granted to institutions that function as gateways to information, such as libraries, educational institutions and similar entities.").

Importantly, copyright abuse can remedy situations that cannot be addressed by fair use.[72] Whereas fair use primarily considers the actions of the user, misuse focuses on the behavior of the copyright owner and has evolved quickly in response to potential over-reaches in software licensing. William Patry and Richard Posner, among others, have suggested that misuse is a possible remedy when copyright holders overclaim the scope of their rights by undermining fair use.[73] Undermining the principle of exhaustion is an equivalent problem of copyright over-reach, especially so for libraries.

While some scholars have noted the significance of exhaustion to libraries,[74] or have suggested applying fair use liberally to allow more capacious library ebook lending,[75] virtually no discussion exists of applying copyright misuse to licensors' attempts to contract around exhaustion.[76] Yet, considering exhaustion and misuse in tandem rather than as separate limits to copyright seems only natural, because both doctrines are rooted in antipathy towards anti-competitive practices by copyright owners. And they have particular implications for libraries, which are unique actors in the copyright eco-system.

II. EXHAUSTION OF INTELLECTUAL PROPERTY RIGHTS

A. International Context

By the time the Uruguay Round of the GATT produced the 1994 WTO TRIPS Agreement, various jurisdictions had already established principles of exhaustion. Disagreement among countries that favored a principle of national exhaustion (in which only a first sale within a jurisdiction's territorial borders would exhaust the IP holder's distribution right) and those that favored a principle of international exhaustion (in which a first sale anywhere in the world would exhaust that right) led the WTO member states to agree to disagree, that is, to specify no minimum standard of exhaustion. TRIPS Article 6 simply states that "nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights."[77] Soon after the TRIPS Agreement was concluded, two 1996 copyright treaties negotiated within the auspices of the World Intellectual Property Organization also included references to the exhaustion principle,

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[72] 17 U.S.C. § 107 ("Limitations on exclusive rights: Fair use . . .."; *cf.* 17 U.S.C. § 108(f) ("Nothing in this section . . . (4) in any way affects the right of fair use as provided by section 107, or 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.").

[73] William F. Patry & Richard A. Posner, *Fair Use and Statutory Reform in the Wake of Eldred*, 92 CAL. L. REV. 1639, 1654-1659 (2004); *see also* Kathryn Judge, *Rethinking Copyright Misuse*, 57 STAN. L. REV. 901, 930-31 (2004) (fair use); David S. Olson, *First Amendment Based Copyright Misuse*, 52 WILLIAM & MARY LAW REV. 537 (2010) (First Amendment).

[74] Katz, *supra* note 8; *see also* Ali Petot, *The $500 Ebook: How Copyright and Antitrust Law Failed America's Libraries: Extending First Sale Doctrine Protections to Libraries' Ebook Purchases or Implementing Price Caps as Alternative Solutions to Lower Ebook Costs*, 99 WASH. U. L. REV. 1733 (2022); Matthew Chiarizio, *An American Tragedy: E-Books, Licenses, and the End of Public Lending Libraries*, 66 VAND. L. REV. 615 (2013).

[75] Rub, *Reimagining, supra* note 44.

[76] One brief treatment can be found in Wu, *Restoring the Balance of Copyright*, supra note 28, at 155-61.

[77] TRIPS, *infra* note 174, Art. 6.

each stating that "nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right [of distribution] applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorization of the author."[78] In sum, existing treaty law allows jurisdictions tremendous leeway to determine appropriate exhaustion rules, whether in the analog or digital context. Consequently, exhaustion rules fall within international IP's "unregulated policy space"[79] or policy "wiggle room"[80]—to be determined solely by national IP laws and policy.

Exhaustion rules can vary depending on the particular IP legal regime in question (i.e., copyright, patent, or trademark). And the rules may also depend on a complex interplay of statutory and common law. The U.S. Supreme Court, for example, found in favor of a non-geographic reading of 17 U.S.C. § 109(a), which translates to an international exhaustion principle in U.S. copyright law,[81] even though the text of the 1976 Act is ambiguous on this point. Justice Ginsburg, in dissent, noted that the majority disregarded prior positions taken by the U.S. Trade Representative against a rule of international exhaustion in bilateral free trade agreements.[82] (Notably, Ginsburg did not object to the principle of exhaustion more generally.) U.S. patent exhaustion principles, discussed further below, quickly followed suit in enunciating an international exhaustion rule despite the complete absence of any statutory language.[83]

A survey of the copyright exhaustion policies of various jurisdictions reveals a wide range of laws governing exhaustion.[84] Shubha Ghosh and Irene Calboli observe that an international exhaustion rule fosters "increased competition, possible price reductions, and increased choices for consumers."[85] These are public policy rationales that are "easily and directly linked to consumer welfare narratives," according to Susy Frankel and Daniel Gervais.[86] In addition, many jurisdictions have exceptions to their exhaustion rules for rental. For example, the United States prohibits rental of a phonorecord or computer

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[78] WIPO Copyright Treaty art. 6, Dec. 20, 1996, S. Treaty Doc. No. 105-17 (1997), 2186 U.N.T.S. 121, 36 I.L.M. 65 (1997); WIPO Performances and Phonograms Treaty art. 8, Dec. 20, 1996, S. Treaty Doc. No. 105-17 (1997), 2186 U.N.T.S. 203, 36 I.L.M. 76 (1997).

[79] Daniel J. Gervais, (Re)structuring Copyright: A Comprehensive Path to International Copyright Reform 42 (2017).

[80] Jerome H. Reichman, *Securing Compliance with the Trips Agreement after US v India*, 1 J. Int'l Econ. L. 585-601 (1998).

[81] *Kirtsaeng*, *supra* note 65.

[82] *Id.* at 573-74.

[83] U.S. trademark law is also governed by a rule of international exhaustion subject to two exceptions. Christine Haight Farley, *Territorial Exclusivity in U.S. Copyright and Trademark Law, in* Distribution des Intangibles - La Propriété Intellectuelle dans le Commerce des Nouveaux Biens 45 (Pierre-Emmanuel Moyse, ed, 2014).

[84] Ghosh & Calboli, *supra* note 29, at 114-36; *accord* Frankel & Gervais, *supra* note 64, at 97-104.

[85] Like the United States, other jurisdictions have adopted a rule of international exhaustion for copyright (as well as patent and trademark). Still others, like the European Union, follow a rule of regional exhaustion. Some countries, like Canada and Australia, premise exhaustion on specific types of copyright-protected works, e.g., books not published within that jurisdiction. Ghosh & Calboli, *supra* note 29, at 136.

[86] Frankel & Gervais, *supra* note 64, at 88.

program,[87] although this U.S. exception itself has an exception for "the lending of a computer program for non-profit purposes by a non-profit library."[88]

Ghosh and Calboli have explored the various economic policy rationales for and against the exhaustion principle across different jurisdictions, by assessing the impact of exhaustion on the incentives to create that copyright is supposed to encourage.[89] They catalog many different social benefits that exhaustion can provide, including increasing incentives and opportunities to follow-on creators.[90] From another law and economics perspective, Guy Rub views copyright exhaustion "as a tool to reduce information costs in markets for copyrighted goods."[91] Although Rub is generally skeptical that exhaustion is socially desirable in most cases, he makes an exception for libraries.[92] Other U.S. IP scholars have cited to an early 20th century case for the proposition that

> [c]ourts have long resisted limitations on downstream use and resale of personal property on the ground that 'they offend against the ordinary and usual freedom of traffic in chattels.' . . . Such restraints on alienation are inconsistent with 'the essential incidents of a right of general property in movables, and … obnoxious to public policy, which is best subserved by great freedom of traffic in such things as pass from hand to hand.'[93]

This latter policy justification for exhaustion is especially pertinent in the United States, as discussed in the next section.

In addition to its neutrality regarding minimum standards for exhaustion, treaty law is completely silent on the relationship of libraries to copyright holders. Therefore, countries have addressed the question of library-specific exceptions and limitations,[94] not to mention remuneration for library lending, with an array of approaches. As Rub summarizes: "While all legal regimes require libraries to purchase the books they lend to their patrons, and while they differ in what additional restrictions, if any, they might face, in most countries explored, libraries are not required to routinely purchase dedicated licenses for their operation in the physical world."[95] Some countries in the EU, for example, have established "a mechanism—commonly called "Public Lending Rights"

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[87] 17 U.S.C. § 109(b).
[88] *Id.*
[89] GHOSH & CALBOLI, *supra* note 29 at 22-40.
[90] *Id.*; *see also* Shubha Ghosh, *Incentives, contracts, and intellectual property exhaustion*, *in* RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS 3-22 (Irene Calboli & Edward Lee 2016).
[91] Rub, *Rebalancing*, *supra* note 33, at 744.
[92] *Id.* at 808 ("Public libraries might present a more difficult case because they provide access to typically weaker members of society and to researchers, who regularly produce significant spillovers and benefits that are sometimes not well represented by the consumers' willingness to pay. Therefore, it might make sense to treat public libraries differently.").
[93] Brief of 25 Intellectual Property Law Professors as Amici Curiae in Support of Petitioner, Kirtsaeng v. John Wiley & Sons, 568 U.S. 519 (2013) (No. 11-697), 2012 WL 2861167, at *12 (citing to John D. Park & Sons Co. v. Hartman, 153 F. 24, 39 (6th Cir. 1907)).
[94] Kenneth D. Crews, *Study on Copyright Limitations and Exceptions for Libraries and Archives* (November 2, 2017). https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=389654 (prepared for the World Intellectual Property Organization).
[95] Rub, *Reimagining, supra* note 44, at 204; *see also* Rub, *Rebalancing, supra* note 33, at 752.

(PLR)—that compensates the author and/or the publishers for the libraries' activities based on a statutorily-set formula."[96] The exact contours and implementation of the PLRs for print works in individual countries can vary widely.[97] However, "at the other end of the spectrum, are countries whose laws allow libraries to freely lend copyrighted materials without compensating the author and that, in practice, do not compensate them."[98] The United States, as well as India and Japan, have taken this approach.[99] In the United States, this long standing approach of free lending has relied historically on its version of the exhaustion principle, discussed in more detail below.

A. United States

In the United States, the principle of IP exhaustion has its origins in English common law regarding antipathy towards servitudes on property. The Supreme Court refers to its "historic pedigree" in both its most recent exhaustion decisions on copyright and patent law, respectively: *Kirtsaeng v. Wiley* and *Impression Products v. Lexmark.* In *Impression Products*, the Court stated that:

> exhaustion has 'an impeccable historic pedigree,' tracing its lineage back to the 'common law's refusal to permit restraints on the alienation of chattels.' . . . As Lord Coke put it in the 17th century, if an owner restricts the resale or use of an item after selling it, that restriction 'is voide, because ... it is against Trade and Traffique, and bargaining and contracting betweene man and man.' 1 E. Coke, Institutes of the Laws of England § 360, p. 223 (1628); see J. Gray, Restraints on the Alienation of Property § 27, p. 18 (2d ed. 1895) ('A condition or conditional limitation on alienation attached to a transfer of the entire interest in personalty is as void as if attached to a fee simple in land').[100]

In the American context, therefore, one could characterize the exhaustion principle as a triumph of property rights over IP rights. While legal scholars disagree over the historical

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[96] As Rub notes, "attempts were made—and rejected—since at least 1985 to introduce PLR into federal U.S. law." Rub, *Reimagining, supra* note 44, at 207 n.106.

[97] The EU has a public lending right directive, therefore all member states are required to have it. But each country can decide who pays (the library or government), how much, and what universe of titles (domestic vs. foreign authors). Since this provision is not based on international treaty law, there is no requirement of national treatment.

[98] Rub, *Reimagining, supra* note 44, at 207.

[99] *Id.*

[100] *Impression Products*, 581 U.S. at 371; *see also Kirtsaeng*, 568 U.S. at 538-39 (2013) ("The 'first sale' doctrine is a common-law doctrine with an impeccable historic pedigree. In the early 17th century Lord Coke explained the common law's refusal to permit restraints on the alienation of chattels. Referring to Littleton, who wrote in the 15th century, Gray, Two Contributions to Coke Studies, 72 U. CHI. L. REV. 1127, 1135 (2005), Lord Coke wrote:

> '[If] a man be possessed of ... a horse, or of any other chattell ... and give or sell his whole interest ... therein upon condition that the Donee or Vendee shall not alien[ate] the same, the [condition] is voi[d], because his whole interest ... is out of him, so as he hath no possibilit[y] of a Reverter, and it is against Trade and Traffi[c], and bargaining and contracting betwee[n] man and man: and *539 it is within the reason of our Author that it should ouster him of all power given to him.' 1 E. Coke, Institutes of the Laws of England § 360, p. 223 (1628). A law that permits a copyright holder to control the resale or other disposition of a chattel once sold is similarly 'against Trade and Traffi[c], and bargaining and contracting.'")

accuracy of this account of hostility towards restraints on chattels as a matter of time-honored common law precedent,[101] the U.S. Supreme Court has consistently and repeatedly endorsed and foregrounded this rationale.

The earliest reported U.S. cases on copyright exhaustion turned on whether there was an authorized transfer of title of a copy by the copyright holder to a consumer or licensee.[102] Eventually, the U.S. Supreme Court heard the case of *Bobbs-Merrill Co. v. Straus*,[103] which involved a notice printed on a book that said book could not be sold for less than a sum of a dollar.[104] The Court held in favor of the department store purchaser (who allegedly was selling the title for 89 cents) on the basis of exhaustion, stating that "one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it."[105]

Congress almost immediately codified this aspect of the exhaustion principle in section 41 of the 1909 Copyright Act,[106] enacted the year after *Bobbs-Merrill* was decided, and eventually continued this partial codification in the 1976 Act as section 109(a).[107] Analyzing the decade of case law immediately after the *Bobbs-Merrill* decision, Ariel Katz documents that "the same Court . . . that established the doctrine of exhaustion also restricted the ability of IP owners to evade it using various techniques, including notices, license restrictions, and contracts."[108] He concludes from this that the "Court emphatically rejected the notion that exhaustion was no more than a default rule that IP owners could reverse by providing notice of their intent to restrict it. Rather, the Court understood exhaustion as an integral component of the general legal order, which Congress did not intend to modify, and which IP owners were incapable of altering."[109]

Just as important as this property law-based restriction on copyright's scope is the IP-based principle that the revenue generated from the article or work's first sale encapsulates the fair and expected remuneration for the IP holder. In a 1917 decision rejecting Thomas Edison's attempts to control downstream uses of his patented film projectors (that had restrictions that said projectors could only be used with his patented film reels), the Supreme Court stated that

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[101] *See generally* Sean M. O'Connor, *The Damaging Myth of Patent Exhaustion*, 28 TEX. INTELLECT. PROP. L. J. 443 (2020) (claiming that the Court's origin stories have exaggerated the true historical justifications for exhaustion).

[102] Reply Brief for Petitioner at 12-14, Kirtsaeng v. John Wiley & Sons, Inc., 568 U.S. 519 (2013) (No. 11-697), 2012 WL 4713124.

[103] Bobbs-Merrill Co. v. Straus, 210 U.S. 339 (1908).

[104] The notice stated that "The price of this book at retail is $1 net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright." *Id.* at 341.

[105] *Id.* at 349-50.

[106] Copyright Act of 1909, ch. 329, 35 Stat. 1075 (1909) ("[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.").

[107] 17 U.S.C. § 109(a); Katz, *supra* note 8, at 90 n.31. The House Report accompanying the bill stated that a "library that has acquired ownership of a copy is entitled to lend it under any conditions it chooses to impose." H.R. Rep. No. 94-1476, at 79 (1976).

[108] Ariel Katz, *supra* note 8, at 95 (later discussing Motion Picture Patents Co. v. Universal Film Co., 243 U.S. 502, 515 (1917) and Straus v. Victor Talking Machine Co., 243 U.S. 490, 501 (1917)).

[109] *Id.* at 97.

> the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents, but is 'to promote the progress of science and the useful arts.' As a result, 'the right to vend is exhausted by a single, unconditional sale, the article sold being thereby carried out the monopoly of the patent law and rendered free of every restriction which the vendor may attempt to put upon it.'[110]

As Perzanowski and Schultz state explain further:

> This 'single-recovery' approach is rooted in the basic purposes of IP policy. By limiting . . . patent holders to a single profit per sale, it maximizes the incentives to distribute new inventions to as many people as possible and at the same time encourages purchasers to fully utilize the products they buy . . . *Limiting patent holders to a single recovery also guards against the abuse that would likely occur if patent holders were granted ongoing control over products released into the stream of commerce*.[111]

These patent exhaustion rationales apply equally to copyright law, as will be discussed further below.

Apart from embodying these fundamental common law principles, exhaustion serves multiple pragmatic as well as policy purposes. Outside of the library context, exhaustion generally supports user innovation, competition, and consumer autonomy.[112] Of critical importance to competition law, it encourages markets in reselling new and/or used articles or works, which enhance consumer welfare due to lower prices. Exhaustion also gives consumers the right to repair their purchased products.[113]

For libraries in particular, exhaustion also undergirds a key preservation function in addition to promoting public access to knowledge, allowing libraries to build, maintain, and share important archives of past knowledge with each other as well as with the public.[114] It permits libraries to prioritize patron privacy and to act as drivers of creativity and innovation: As stated above, patenting activity increased discernibly in areas where Carnegie libraries were established, presumably through the amplification of knowledge diffusion.[115]

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[110] Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502, 511 (1917).

[111] Perzanowski & Schultz, *supra* note 29, at 159 (emphasis added) (("A restriction which would give to the plaintiff such a potential power for evil ... is plainly void because wholly without the scope and purpose of our laws, and because, if sustained, it would be gravely injurious to that public interest, which we have seen is more a favorite of the law than is the promotion of private fortunes"), quoting *Motion Picture Patents*, 243 U.S. at 519).

[112] *Id.*, at 8-10; Ariel Katz, *The economic rationale for exhaustion: distribution and post-sale restraints*, *in* Research handbook on intellectual property exhaustion and parallel imports 23, 25-34 (Irene Calboli & Edward Lee 2016) (hereinafter Katz, *economic rational for exhaustion*).

[113] *See generally* Aaron Perzanowski, The Right to Repair: Reclaiming the Things We Own (2022).

[114] Bureau of Nat'l Literature v. Sells, 211 F. 379, 381-82 (W.D. Wash. 1914) (finding no infringement, in light of first sale doctrine, where reseller re-bound used books and held them out as new books). In the digital context, libraries have relied on the fair use doctrine to support the digitization of older print books to preserve these books, many of which were printed on paper with high levels of acid. *See* Levine, *infra* note 300, at 203.

[115] *See generally* Berkes & Nencka, *supra* note 24.

However, book publishers (and other copyright holders in the movie, software and video game copyright industries[116]) naturally chafe at the exhaustion limit to copyright primarily because they prefer price discrimination to price competition. Exhaustion opens the door to lower-priced goods, whether through re-sale or parallel imports of identical works,[117] compared to the never-sold copies in the commercial market. Because of these impacts of exhaustion, publishers have repeatedly argued, both in the pre-digital and digital age, that libraries undercut the market in book sales.[118] That argument is examined in more detail below. Yet, it is critically important to remember that in the print context:

> Congress has already established a system allowing public libraries to access and lend copyrighted materials at merely their retail cost. Given that American public libraries have been lending books since the 19th century and the active involvement of both the publishing industry and library representatives in the drafting of the [1976] Copyright Act, it's improbable that Congress was oblivious to the existing balance in the physical world when it enacted the Act, thereby blessing this equilibrium. Indeed, Congress made it clear that the publishers' market and expected income do not encompass a right to price discriminate by selling targeted, separated, and expensive licenses to libraries. Since there's no evidence Congress intended a different balance in the digital world, that market is just not part of copyright law's grant to publishers.[119]

The social welfare-enhancing effects of exhaustion in the library context are not limited to lower prices (as would be the case with all exhaustion contexts), but also the increased access to the public of otherwise unaffordable books. This access not only encourages general learning, collective knowledge, and concomitant progress of society overall, but also provides incentives to create additional works (and inventions) by those who benefit from the availability and affordability of library books.[120]

1. Copyright Case Law

The U.S. Supreme Court has decided three copyright exhaustion cases. In each, including its most recent decision, *Kirtsaeng v. John Wiley*, it has firmly upheld the exhaustion principle. Before delving into these cases in further detail, however, this section examines the Ninth Circuit's *Omega v. Costco* decision, which is the first case to suggest explicitly that an attempted circumvention of the exhaustion principle can form a basis for copyright misuse. *Omega* was intertwined procedurally and temporally with the Supreme Court's ultimate copyright exhaustion ruling in *Kirtsaeng*. The primary legal issue in both cases was whether a first sale outside of the United States exhausts a U.S. copyright holder's distribution rights through the application of section 109(a) to the importation right of section 602 of the 1976 Act.[121]

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[116] PERZANOWSKI & SCHULTZ, *supra* note 29, at 3-33
[117] *Id.*, at 9-12.
[118] Lamdan, et. al, *supra* note 36, at 13-16.
[119] Rub, *Reimagining*, *supra* note 44, at 238.
[120] Examples of authors who credit libraries as foundational to their creativity include authors as diverse as bell hooks and Ray Bradbury.
[121] Costco had defended on the basis of first sale under section 109(a) and eventually on the basis of misuse.

By affixing a copyrighted logo to an otherwise unprotectable watch case, Omega had hoped to take advantage of favorable exhaustion principles.[122] As the *Kirtsaeng* litigation was underway, the *Omega* district court granted summary judgment in favor of defendant Costco, applying an international exhaustion rule; however, the Ninth Circuit reversed and remanded, finding that its controlling "precedent held that the first sale doctrine did not apply to copies of copyrighted works that had been produced abroad."[123] On remand, the district court then found that Omega had misused its copyright. Granting summary judgment again to Costco, the court observed that "Omega concedes that a purpose of the copyrighted Omega Globe Design was to control the importation and sale of its watches containing the design, as the watches [themselves] could not be copyrighted. Accordingly, Omega misused its copyright of the Omega Globe Design by leveraging its limited monopoly in being able to control the importation of that design to control the importation of its Seamaster watches."[124] Thus, the court found that Omega exceeded the proper scope of its IP rights. While couched in the language of parallel importation, the district court's reasoning illustrates that a copyright holder's attempts to circumvent exhaustion (a necessary precondition to parallel importation)[125] can form the basis of a finding of copyright misuse.

When Omega appealed to the Ninth Circuit again, the Supreme Court had decided *Kirtsaeng*. The *Kirtsaeng* Court ultimately found that section 109(a) does limit the section 602 importation right even when the authorized first sale of the work occurred outside of the United States.[126] Therefore, it held that a sale anywhere in the world exhausts the copyright holder's rights, resolving the then-open question of whether the United States had a national or international copyright exhaustion doctrine in favor of the latter. Applying the *Kirtsaeng* rule instead of its own precedent, the Ninth Circuit panel found that Omega did not have a viable infringement claim, and affirmed on this basis.[127] However, in concurrence, Judge Wardlaw viewed misuse as the only possible basis for affirmance,[128] stating that:

> Inherent in granting a copyright owner the exclusive right to reproduce his works is the risk that *he will abuse the limited monopoly his copyright provides by restricting competition in a market that is beyond the scope of his copyright.* . . . Omega attempted

[122] *See* Irene Calboli, *Corporate Strategies, First Sale Rules, and Copyright Misuse: Waiting for Answers from Kirtsaeng v. Wiley and Omega v. Costco (II)*, 11 NW. J. TECH. & INTELL. PROP. 221, 235 (2013).
[123] *Omega,* 2011 WL 8492716, at 694 (citing to Omega S.A. v. Costco Wholesale Corp., 541 F.3d 982, 984 (9th Cir. 2008)).
[124] Omega S.A. v. Costco Wholesale Corp., 2011 WL 8492716 at *2.
[125] Frankel & Gervais, *supra* note 64, at 88-89.
[126] *Kirtsaeng*, *supra* note 65. Omega wound its way through the courts on this same issue and even though Omega reached the Supreme Court before Kirtsaeng did, the Supreme Court did not render a definitive ruling, but instead affirmed *per curiam* by an equally divided court. Costco Wholesale Corp. v. Omega, S.A., 562 U.S. 40 (2010) (per curiam).
[127] *Omega* 2011 WL 8492716, at 695.
[128] Judge Wardlaw noted that the first sale issue (i.e., whether it would be combined with national or international exhaustion to apply to parallel importation) was not raised on appeal. Therefore, the only possible basis for affirming was on misuse grounds, which itself was based on Omega's attempted evasion of exhaustion through the misapplication of copyright. *Id.* at 696 (Wardlaw, J., concurring).

> to use the copyrighted Globe Design to decrease competition in the U.S. importation and distribution of its watches by it and its authorized dealers—an obvious leveraging of a copyright to control an area outside its limited monopoly on the design.[129]

This is a clear judicial statement that improper attempts at eliminating exhaustion constitute copyright over-reach that can be a basis for copyright misuse.

Omega involved watches. *Kirtsaeng* involved books, the quintessential subject matter of copyright (and of course the most relevant type of work for purposes of this Article). And to any observer, whether sympathetic or hostile, it is utterly clear that *Kirtsaeng* emphatically re-endorsed the exhaustion principle. In its previous 1998 *Quality King* decision, the Court had also encountered the question of whether section 109(a) limited the importation right of section 602 and held:

> After the first sale of a copyrighted item 'lawfully made under this title,' any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an 'owner' of that item. Read literally, § 109(a) unambiguously states that such an owner 'is entitled, without the authority of the copyright owner, to sell' that item. Moreover, since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right 'under section 106,' and since that limited right does not encompass resales by lawful owners, the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners of L'anza's products who decide to import them and resell them in the United States.[130]

The *Kirtsaeng* Court decided the same question presented in *Quality King*, but under the factual variant of a first sale occurring outside of (rather than within) the United States. It therefore resolved the question of whether the United States adhered to a liberal principle of international exhaustion (which would permit the parallel import of books from Asia) or the more IP owner-restrictive principle of national exhaustion (which would not). Its ultimate holding rested as much on strong public policy grounds as on pure statutory interpretation. These policy considerations included the interests of libraries in ensuring their longstanding customs were not threatened by an overly narrow interpretation of exhaustion. *Kirtsaeng* observed that "reliance upon the 'first sale' doctrine is deeply embedded in the practices of those, such as booksellers, libraries, museums, and retailers, who have long relied upon its protection."[131]

In other words, the Court recognized that it is both unwieldy and impractical to allow restrictions on alienation of copyright-protected chattel not only because of the numerous ways in which copyright can be subdivided but also because of enormous and possibly

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[129] *Id.* at 699, 701 (Wardlaw, K., concurring) (emphasis added) ("The district court correctly held that Omega misused its copyright 'by leveraging its limited monopoly in being able to control the importation of [the Globe Design] to control the importation of its Seamaster watches.' The district court did not clearly err in finding that: (1) Omega copyrighted the Globe Design, at the advice of its legal department, to control the importation and distribution of Omega watches into the United States; and (2) Omega told its authorized distributors that the purpose of suing Costco was to 'stem the tide of the grey market' and the 'unauthorized importation of Omega watches into the U.S.'") *Id.* at 700-01.

[130] Quality King Distributors, Inc. v. L'Anza Research Intern., Inc., 523 U.S. 135, 145 (1998).

[131] *Kirtsaeng*, 568 U.S. at 544; *see also id.* at 541.

insurmountable transaction costs that such servitudes would incur on downstream purchasers and users of said chattel, especially in globalized commerce.[132] As Molly Van Houweling has observed regarding servitudes on chattel embedded with IP: "Even if we assume, unrealistically, that people who acquire intellectual resources burdened with use restrictions do so with full understanding of those restrictions and in exchange for something of commensurate value to them, the prospect of inefficient and undesirable loss of future opportunities for use of creative and inventive works remains."[133] And as Ghosh and Calboli observe, *Kirtsaeng*'s policy rationales are grounded in the conclusion that unlike land, "there are no natural limits to a . . . copyright. A[] creation may have an infinite number of uses."[134] Consequently, the Court recognized that such restrictions are squarely against the public policy of copyright, which includes broad exhaustion principles for the healthy functioning of market participants such as booksellers as well as important cultural institutions encouraging the flow of knowledge such as museums and libraries.

The *Kirtsaeng* Court also emphatically re-affirmed its holdings in *Bobbs-Merrill* and *Quality King*, its prior two copyright exhaustion decisions:

> In reaching [the] conclusion in [*Quality King*] we endorsed *Bobbs–Merrill* and its statement that the copyright laws were not 'intended to create a right which would permit the holder of the copyright to fasten, by notice in a book ... a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it.'[135]

As Katz interprets this language, "*Kirtsaeng* affirmed that the basis of the first-sale doctrine is not [simply] statutory. The upshot . . . is that people can resell, lend, or give away lawfully made books - not because Congress created a limited exception to the copyright owner's distribution right, but because Congress had never intended to allow copyright owners the power to do so."[136] This pentimento of the common law exhaustion limit to a copyright follows from the fact that the statutory language is less than precise about how the first sale doctrine limits the importation right (or, for that matter, uses other than the owner's ability to "sell or otherwise dispose of the possession of the copy").[137]

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[132] *Kirtsaeng*, 568 U.S. at 539 ("The 'first sale' doctrine also frees courts from the administrative burden of trying to enforce restrictions upon difficult-to-trace, readily movable goods. And it avoids the selective enforcement inherent in any such effort."). As Molly Van Houweling has observed, "information costs, problems of the future, and externalities that long motivated doctrinal restrictions on land servitudes are all the more relevant to both chattel servitudes and IP . . . in particular, . . . notice and information costs, including the costs involved in identifying and locating servitude beneficiaries for the purposes of renegotiating. Notice and information costs are minimized for land servitudes by recording systems, but no comprehensive recording system exists for chattels outside of the secured transactions context. And recording of IP is notoriously imperfect." Molly Shaffer Van Houweling, *Exhaustion and personal property servitudes*, *in* RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS 61 (Irene Calboli & Edward Lee 2016).

[133] Molly Van Houweling, *The New Servitudes*, GEO. L.J. 1, 55 (2008).

[134] GHOSH & CALBOLI, *supra* note 29, at 179.

[135] *Kirtsaeng*, *supra* note 65, at 546.

[136] Katz, *supra* note 8, at 90.

[137] 17 U.S.C. § 109.

Furthermore, as it did in *Quality King*, the *Kirtsaeng* Court forcefully rejected the book publisher's claims that a rule of international exhaustion would negatively impact publishing practices by foreclosing price discrimination. The Court stated that "the Constitution's language nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices for the same book, say to increase or to maximize gain."[138] As Robin Feldman observes, this part of the Court's ruling implies "that intellectual property rights holders are not necessarily entitled to any economic bargain they can strike."[139]

1. Patent Case law

Unlike copyright law, the 1952 Patent Act (1952 Act) does not contain any explicit statutory reference to exhaustion. Despite this absence, the Supreme Court has emphatically re-affirmed the principle of patent exhaustion in two recent cases: *Impression Products v. Lexmark* and *Quanta Computers v. LG Electronics*.[140] *Impression Products* involved the patent holder's attempt to prevent the re-sale of used printer ink cartridges by third party businesses, positioning it to be the sole supplier of expensive cartridges to be used in conjunction with its patented printers. Following the lead of *Kirtsaeng*, a nearly unanimous Court opted for a broad interpretation of the patent exhaustion principle, including a rule of international exhaustion.[141] Furthermore, it re-affirmed that "the exhaustion doctrine is not a presumption about the authority that comes along with a sale; it is instead a limit on 'the scope of the patentee's rights'"[142] and that exhaustion "*remains an unwritten limit on the scope* of the patentee's monopoly."[143]

As it did in *Kirtsaeng*, the Court in *Impression Products* batted away the argument that the patentee was entitled to leverage the patent to price discriminate among territories:

> The Patent Act does not guarantee a particular price, much less the price from selling to American consumers. Instead, the right to exclude just ensures that the patentee receives one reward—of whatever amount the patentee deems to be "satisfactory compensation,"—for every item that passes outside the scope of the patent monopoly.[144]

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[138] *Kirtsaeng*, 568 U.S. at 552; *see also Quality King*, 523 U.S. at 153 (1998).
[139] Feldman, *supra* note 61, at 307.
[140] Quanta Computs, Inc. v. LG Elecs., Inc., 553 U.S. 617, 638 (2008). In an earlier third patent exhaustion case, *Bowman v. Monsanto*, the Court rejected the exhaustion argument under specific facts that involved self-replicating inventions (a genetically modified bean/seed), which arguably limits the precedential value of its decision).
[141] *Impression Products*, 581 U.S. at 370.
[142] *Id.* at 374.
[143] *Id.* at 378 (emphasis added) (citing to Astoria Fed. Sav. & Loan Ass'n. v. Solimino, 501 U.S. 104, 108 (1991) ("[W]here a common-law principle is well established, ... courts may take it as given that Congress has legislated with an expectation that the principle will apply except when a statutory purpose to the contrary is evident" (internal quotation marks omitted)).
[144] *Id.* at 363; *accord id.* at 380 ("But the Patent Act does not guarantee a particular price. Instead, the Patent Act just ensures that the patentee receives one reward—of whatever it deems to be satisfactory compensation—for every item that passes outside the scope of its patent monopoly.").

And in discussing its prior 2008 patent exhaustion decision, *Quanta Computers*, the Court reiterated the basic exhaustion principle that an "authorized sale ... took [the patentee's] products outside the scope of the patent monopoly."[145]

One can only conclude from the Supreme Court caselaw that a capacious exhaustion principle is a firm default setting in the U.S. IP framework. However, there are still unresolved questions about the existence and reach of digital exhaustion, discussed below.

C. Digital Exhaustion Law and Policy

Unlike its analog counterpart, a digital copy of a book typically can be distributed quickly with a few clicks of a mouse. Still unresolved is the question whether ebooks should be subject to digital exhaustion under a principle of media neutrality or some other rationale.[146] Regardless, the unresolved debate around digital exhaustion[147] strengthens this Article's arguments that misuse of copyright occurs when ebook licenses for libraries leverage prices that exceed comparable print volumes. IP rights holders have relied on the uncertainty around digital exhaustion as a convenient means to extract more revenue and other concessions from library licensees.

Only a handful of cases to date attempt to reconcile the exhaustion principle with the technical underpinnings of digital technology. In the United States, the Second and Ninth Circuits have been the most prominent and active courts. The Second Circuit has held that a digital transfer from one device to another is an infringement because the process in question reproducing a copy of the work in violation of section 106(1), which is not covered by the first sale doctrine of section 109(a).[148] But the Ninth Circuit has opened the door to digital exhaustion in certain situations, as will be discussed further below.[149] And in Europe, which will not be discussed in detail here, "the story of digital exhaustion is everything but straightforward; the story contains inconsistencies and flaws, and importantly, remains without a satisfying resolution even after over a decade since its

[145] *Id.* at 373 (citing to *Quanta*, 553 U.S. at 638).
[146] *See, e.g.*, Katz, *supra* note 8, at 87-95 (arguing that common law exhaustion arguably covers reproductions as well as distributions of copyright-protected works); *see also* Rub, *Reimagining, supra* note 44, at 246 (arguing that digital exhaustion is supported by fair use).
[147] *Compare* Clark D. Asay, *Kirtsaeng and the First-Sale Doctrine's Digital Problem*, 66 STAN. L. REV. ONLINE 17, 20 (2013), *and* Katz, *supra* note 8, at 90, *with* Rub, *Rebalancing*, *supra* note 33, at 753 n.51.
[148] Capitol Rec., LLC v. ReDigi Inc., 910 F.3d 649, 659 (2d Cir. 2018).
[149] *Compare* UMG Rec., Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011), *with* Vernor v. Autodesk, Inc., 621 F.3d 1102 (9th Cir. 2010).

beginning."[150] In sum, courts in all jurisdictions are faced with the difficult challenge of deciding whether analog and digital copies of the exact same works are functionally equivalent, and hence the question of digital exhaustion is far from settled.

To date "U.S. law hasn't yet [consistently] recognized intangible property interests in digital media."[151] This has come about largely as a result of the software industry's aggressive licensing approaches in the mass consumer context, which have been largely upheld as a matter of economic efficiency by courts following the Seventh Circuit's decision in *ProCD v. Zeidenberg*.[152] According to this logic, a consumer's personal digital copy of a copyright-protected work may not necessarily be viewed as personal property governed by the exhaustion (or first sale) principle, because it is typically governed by a license rather than a sale.

For better or (mostly) worse, this ephemeral and probably misguided[153] distinction between licenses and sales has become the focal point in determining exhaustion. For example, in a case involving physical transfer of CDs containing software, the Ninth Circuit in *Vernor v. Autodesk* upheld license restrictions that prevented further lending or resale of the CDs.[154] It enunciated a three part test for distinguishing between sales and licenses: "a software user is a licensee rather than an owner of a copy where the copyright owner (1) specifies that the user is granted a license; (2) significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions."[155] However, this case could be viewed as limited to software licenses where the software is embedded in a CD format and sold in a mass consumer market context. By contrast, in the context of the

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[150] Peter Kalensky, *Digital Exhaustion: A Decade after the UsedSoft Case*, 14 J. Intel. Prop. Info. Tech. & Elec. Com. L. 525, 526 (2023) (comparing the CJEU's decision in Case C-128/11, UsedSoft GmbH v. Oracle Intern. Corp. (CJEU, 3 July 2012) with Case C-263/18, Nederlands Uitgeversverbond, Groep Algemene Uitgevers v. Tom Kabinet Internet BV, Tom Kabinet Holding BV, Tom Kabinet Uitgeverij BV, (CJEU, 19 December 2019)); *see also* Caterina Sganga, *Digital exhaustion after* Tom Kabinet*: a non-exhausted debate*, in EU Internet Law in the Digital Single Market (Tatiana-Eleni Synodinou, Philippe Jougleux, Christiana Markou, Thalia Prastitou-Merdiet, eds., 2021) at 2.2.1. Library ebook lending issues are similarly unresolved. *See* Konrad Gliscinski, et al., *eBooks and Secure Digital Lending in European Libraries:* Comparative *Analysis under National and International Law,* Zenodo *(2025),* https://zenodo.org/records/10960187.

[151] Perzanowski & Schultz, *supra* note 29, at 45.

[152] ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1454 (7th Cir. 1996). *But see* Brett Frischmann & Moshe Y. Vardi, *Better Digital Contracts with Prosocial Friction-in-Design*, 65 Jurimetrics J. __–__ (2025).

[153] *See generally* Guy A. Rub, *Against Copyright Customization*, 107 Iowa L. Rev. 677 (2022) (arguing that Ninth Circuit cases are incorrect as a matter of first principle because they ignore state law governing commercial transactions).

[154] Vernor v. Autodesk, Inc., 621 F.3d 1102, 1104 (9th Cir. 2010) (the standard licensing agreement "imposes transfer restrictions, prohibiting customers from renting, leasing, or transferring the software without Autodesk's prior consent and from electronically or physically transferring the software out of the Western Hemisphere.").

[155] *Id.* at 1111. In reaching its conclusion, the court considered and rejected arguments made by libraries at that time that "the software industry's licensing practices could be adopted by other copyright owners, including book publishers, record labels, and movie studios" and lead to undesirable consequences. *Id.* at 1115.

transfer of music CDs, the Ninth Circuit in *UMG v. Augusto* held that license restrictions prohibiting further re-sale *did* violate the exhaustion principle.[156] Its reasoning was based on the casual way in which the copyright holder UMG was tracking its promotional music CDs, which resulted in UMG relinquishing "sufficient incidents of ownership."[157] The Ninth Circuit decided *Vernor* and *UMG* in approximately the same time frame, and therefore these cases illustrate the legal indeterminacy of digital exhaustion when the digital content is in the form of a CD, which resembles an analog "hard copy" of a copyright-protected work.

Today, many if not most digital transfers—equivalent to distributing the copy of the work per section 106(3)—involve making at least one intermediate reproduction of that work. That intermediate copy implicates the copyright holder's exclusive right to reproduce the copyrighted work in copies under section 106(1). As stated above, statutory exhaustion under section 109(a) is a limit to the section 106(3) distribution right; arguably, it does not affect the reproduction right. Some have argued that common law exhaustion provides a limit on the reproduction right in addition to the distribution right.[158] Others argue that fair use could be applied to the intermediate copy, just as the fair use doctrine has been applied similarly in other cases involving digital copies that did not reach the end user.[159]

Despite these or other arguments supporting digital exhaustion, the Second Circuit has held that digital exhaustion does not apply to transfers of digital copies, even when the original and intermediate copies are destroyed after the transfer, which would minimize the risk of distribution of multiple copies. In *Capitol Records v. ReDigi*, the court drew a hard boundary between the reproduction right (to which the statutory first sale doctrine does not apply) and the distribution right (to which it does), and declined to find either exhaustion or fair use.[160] Regardless of whether the outcome was correctly decided, the *ReDigi* court's failure to appreciate the critical importance of the principle of exhaustion and why its equivalent is needed in the digital context is deeply problematic.

More recently, the Second Circuit adhered to similar reasoning in *Hachette Book Group v. Internet Archive*,[161] which was not a digital exhaustion case *per se*, but involved the question whether Internet Archive's version of controlled digital lending or CDL[162] (in which for every digital copy reproduced from a print volume, the Internet Archive would remove a copy from circulation) amounted to transformative fair use.[163] As in

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[156] UMG Rec., Inc. v. Augusto, 628 F.3d 1175, 1178 (9th Cir. 2011) (refusing to uphold license terms "Resale or transfer of possession is not allowed and may be punishable under federal and state laws.").
[157] *Id.* at 1183 (citation omitted).
[158] Katz, *supra* note 8, at 92-95.
[159] *See, e.g.,* Sega Enters. Ltd v. Accolade, Inc., 977 F.2d 1510, 1519 (9th Cir. 1992); Rub, *Reimagining, supra* note 44, at 200.
[160] Capitol Records, LLC v. ReDigi Inc., 910 F.3d 649, 659 (2d Cir. 2018).
[161] Hachette Book Grp., Inc. v. Internet Archive, 115 F.4th 163, 183-84 (2d Cir. 2024).
[162] David R. Hansen & Kyle K. Courtney, A White Paper on Controlled Digital Lending of Library Books 2-3 (2018).
[163] *Hachette Book Group*, *supra* note 161, at 183 ("IA does not perform the traditional functions of a library; it prepares derivatives of Publishers' Works and delivers those derivatives to its users in full. That Section 108 allows libraries to make a small number of copies for preservation and replacement purposes does not mean that IA can prepare and distribute derivative works *en masse*

Redigi, the *Hachette* court declined to find transformative fair use on the facts, finding that the defendant "offers few efficiencies beyond those already offered by Publishers' own eBooks."[164] In so holding, however, it importantly distinguished the Internet Archive from other libraries, stating that the former "does not perform the traditional functions of a library."[165]

The relatively sparse case law on digital exhaustion is a mixed bag. A principle of media neutrality would point in the direction of finding exhaustion in both *Redigi* and *Hachette*, especially where distribution restrictions are placed on prior or simultaneous copies (whether through destruction of those copies or by other means). So far, U.S. courts, primarily in the Second Circuit, lean toward finding that the exhaustion principle does not limit digital transactions that are characterized as licenses rather than sales.[166] Even if courts ultimately find in favor of a digital exhaustion principle, further challenges remain regarding the reach of the Digital Millennium Copyright Act's (DMCA) anti-circumvention provisions, combined with widespread use of digital rights management (DRM).[167]

Regardless, the decided cases are not directly relevant to library transactions. An ebook license to an individual Amazon consumer purchased for their Kindle reader, for example, presents a categorically different question than ebook license terms to non-commercial library licensees. Efficiency justifications for mass commercial software licenses do not govern the very different question of license terms that threaten significant non-market functions of libraries in facilitating the public's interest in access to knowledge. Consequently, exhaustion principles applicable to commercial software licenses are not on all fours with exhaustion principles, whether analog or digital, that should govern library ebook licenses.[168]

Returning to exhaustion generally, *Impression Products* unequivocally treated exhaustion as a limit to the scope of the IP right, despite the absence of statutory language addressing exhaustion.[169] Furthermore, it reinforced that "where a common law principle is well established, . . . courts may take it as given that Congress has legislated

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and assert that it is simply performing the traditional functions of a library.") (citing *ReDigi*, 910 F.3d at 658).

[164] *Id.*

[165] *Id.*

[166] U.S. government agencies have consistently concluded that digital exhaustion does not exist under the current statutory framework.*See e.g.*, Rub, *Reimagining*, *supra* note 44, at 227 ("[T]wo agencies determined the first sale doctrine does not currently protect digital dissemination. More importantly, both agencies concluded that the Copyright Act should not be amended to add a comprehensive digital first sale.").

[167] Digital exhaustion intersects with the DMCA's anti-circumvention provisions, which can also implicate copyright abuse. *See* GHOSH & CALBOLI, *supra* note 29, at 166 (reviewing anti-circumvention provisions in mass consumer contracts that arguably rise to "abuse of digital rights by intellectual property owners.").

[168] Two district courts have considered the application of misuse to exhaustion. Adobe Sys. Inc. v. Kornrumpf, 780 F. Supp. 2d 988 (N.D. Cal. 2011); Arista Records, Inc. v. Flea World, Inc., 356 F. Supp. 2d 411 (D.N.J. 2005). Both cases involved mass consumer sales or licenses of digital products (software and music, respectively), and therefore are distinguishable from cases involving library licenses.

[169] *Impression Products*, *supra* note 65, at 378.

with an expectation that the principle will apply except when a statutory purpose to the contrary is evident."[170] According to Katz, U.S. copyright caselaw demonstrates that "the copyright statute should not be interpreted as if it were written on a legal clean slate, but against the backdrop of previously existing or recognized rights and interests. Just as the statute presumably retains the substance of the common law rights of individuals, it should also presumably preserve the ability of public institutions to pursue their recognized mandate, unless there is a clear indication of legislative intent to the contrary."[171] As he further observes:

> The significance of *Kirtsaeng* (and the line of previous exhaustion cases) lies in clarifying the baseline for understanding the scope of exhaustion as developed by the Court's jurisprudence: copyright owners' exclusive rights are a creature of statute, but users' liberty of transferring ownership or possession of copies of books to others is not. Users can exercise this liberty not because Congress has chosen to exempt it from what otherwise would be prohibited, but because it never intended to limit it in the first place. These holdings reflect an established legal principle: Under the common law, every person is free to dispose of their possessions or carry on their business as they please in the absence of positive law limiting those freedoms.[172]

The uncertainties faced by ordinary consumers as a result of the uneven and erroneous application of the exhaustion principle in the digital context is a problem for many reasons. These uncertainties are magnified when faced by libraries whose myriad socially beneficial activities can be thwarted by onerous digital licensing terms. As discussed in the next section, these terms threaten the longstanding boundaries around the legitimate scope of copyright and point to the application of the doctrine of misuse.

III. Abuse of Copyright

Abuse of IP rights and its subset copyright abuse are not widely used terms of art within U.S. IP case law or statutory law. However, IP treaty law has long recognized the concept of abuse of IP rights and its exact contours are still evolving. This section first canvases the landscape of abuse of copyright, including the burgeoning U.S. case law on copyright misuse. It then discusses some of the conceptual touchstones.

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[170] *Id.* (internal quotation marks omitted). Similarly, the Kirtsaeng Court reminded us that unless the contrary is evident, "[s]tatutes which invade the common law . . . are to be read with a presumption favoring the retention of long-established and familiar principles." 568 U.S. at 538 (citing Samantar v. Yousuf, 560 U.S. 305, 320 n. 13 (2010) (Congress "is understood to legislate against a background of common-law ... principles," *Astoria Fed. Sav. & Loan Assn. v. Solimino*, 501 U.S. 104, 108 (1991), and when a statute covers an issue previously governed by the common law, we interpret the statute with the presumption that Congress intended to retain the substance of the common law, see *Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783 (1952) ("Statutes which invade the common law ... are to be read with a presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident").").

[171] Katz, *supra* note 8, at 86; *see generally* Chon, *Prioritizing Freedom to Operate*, *supra* note 11.

[172] Katz, *supra* note 8, at 91.

A. International Context

Treaty law addressing intellectual property recognizes the general concept of abuse of IP rights. The venerable 1883 Paris Convention for the Protection of Industrial Property Article 5(A)(2) refers to "abuses which might result from the exercise of the exclusive rights conferred by the patent."[173] The more recent 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) refers to abuse of IP rights in two places: Article 8 ("Principles")[174] and Article 40 ("Control of Anti-Competitive Practices in Contractual Licenses").[175]

The precise contours of abuse of IP rights are still evolving within each member state of these multilateral treaties. Lucie Guilbault has traced the concept of abuse of IP rights in the European context, describing it as a subset of the general concept of abuse of rights.[176] Caterina Sganga and Silvia Scanzini further observe that "many national civil codes include general clauses [recognizing] the abusive exercise of subjective rights."[177] For example, the civil laws of the Netherlands, France, and Germany include different

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[173] Paris Convention for the Protection of Industrial Property art. 5(A)(2), as last revised at the Stockholm Revision Conference, Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305 ("Each country of the Union shall have the right to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent, for example, failure to work.") (1967). While the original 1883 Article 5 text included a working requirement, this specific language of "abuse of rights" first appears in the 1925 Hague version, linking it to failure to work the patent ("Toutefois chacun des pays contractants aura la faculté de prendre les measures législatives nécessaires pour prévenir *les abus* qui pourraient résulter de l'exercice du droit exclusif conféré par Ie brevet, par exemple faute d'exploitation . . .") (emphasis added).

[174] Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of the Uruguay Round, Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (15 April 1994) 33 ILM 81 [hereinafter TRIPS Agreement or TRIPS] Art. 8(2). ("Appropriate measures . . . may be needed to prevent the abuse of intellectual property rights by right holders . . .").

[175] *Id.* Art. 40(2) ("Nothing in this Agreement shall prevent Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market.") (1994). Daniel Gervais observes that "The WTO does not regulate competition (antitrust law) but here as in other Agreements, it imposes restraints on what Members can do. However, in light of [Articles] 7 and 8 and the mention of those articles in the Doha Declaration, which some see as enhancing their potential role, Members may take measures against abuses of intellectual property rights on a product (considering possible substitutes) in a 'relevant market' . . . Whether a right holder dominates the market is only one element to consider. Article 40 focuses chiefly on contractual practices. Article 40(1) established the principle that some licensing practices may adversely affect trade and impede the transfer and dissemination of technology. It does not specify which practices could be involved and which remedies could be used against such trade and other distortions." Daniel Gervais, The TRIPS Agreement: Drafting History and Analysis 433 (3d ed. 2008).

[176] Lucie Guibault, Copyright Limitations and Contracts. An Analysis of the Contractual Overridability of Limitations on Copyright 187 (2002) (citing to Louis Josserand, De l'esprit des droits et de leur relativité (1939)).

[177] Caterina Sganga & Silvia Scalzini, *supra* note 62, at 418.

forms of this concept.[178] Importantly, in these examples, abuse of rights is not limited to abuse of dominant market position.[179] Rather, abuse of rights can take three forms: "on the concept of fault in civil liability, on the holder's intention to cause harm *or on the incompatibility of the exercise with the purpose for which the right was conferred*."[180]

In the specific context of copyright, the French civil code addresses abuse of rights.[181] Courts in other jurisdictions have entertained allegations of abuse of copyright through their respective caselaw.[182] More recently, the Court of Justice of the European Union (CJEU) has addressed this concept within the context of community exhaustion of IP rights.[183] Summarizing these decisions, Sganga and Scalzini state that the CJEU

> is clear in limiting the protection to the normal exploitation of the work, implicitly identifying the function of economic rights as that of ensuring only an 'appropriate remuneration' or a 'satisfactory share' of the market for no legal source suggests the inclusion of the possibility to extract the maximum profit possible from the work. Here stands the border between use and abuse, although this terminology is never used to address the issue.[184]

B. United States

The United States does not have exact equivalents to the concepts of abuse of rights introduced above[185] and its 1976 Act does not provide specifically for abuse of rights. Naturally one reason is that, unlike the European examples, the U.S. legal system rests on a common law rather than a civil law foundation. Interestingly, since the mid-20th century, the United States has developed a robust jurisprudence of abuse of IP rights under the common law doctrines of patent misuse[186] and its legal relation, copyright misuse. Both

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[178] GUIBAULT, *supra* note 176, at 188-190.
[179] *Id.* at 190 ("Thus, unlike the prohibition set out under the European rules on competition concerning anti-competitive behaviours such as abuse of a dominant position, the civil law doctrine of abuse of rights requires no evidence of a dominant position in the market or of a constraining effect on trade.")
[180] *Id.* (emphasis added).
[181] *Id.* at 18 ("the Code de la propriété intellectuelle (CPI) bans the manifest abuse of moral and economic rights by the author's heirs (Arts. L. 121-3 and L. 122-9), against which any person interested in the use of the work may claim access to it in court, and obtain any appropriate measure.").
[182] *Id.* at 19-21 (discussing Belgium, the Netherlands, Germany and Greece).
[183] *Id.* at 23 ("the concept of abuse of copyright has emerged between the lines of several [CJEU] decisions").
[184] *Id.* at 25; *see also* Jonathan Band, *Protecting Library Exceptions Against Contract Override*, 72(3) J. COPYRIGHT SOC'Y (forthcoming 2025) (summarizing EU and other provisions preventing contractual overrides).
[185] GUIBAULT, *supra* note 176, at 190.
[186] The doctrine of patent misuse preceded that of copyright misuse, originating in the Supreme Court's decision in Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488, 494 (1942) (applying patent misuse doctrine to a patentee's tying of patented salt-injection machines to unpatented salt tablets), *invalidated in part* by Ill. Tool Works Inc. v. Indep. Ink, Inc., 547 U.S. 28, 31 (2006). While beyond the scope of this Article, several excellent analyses and summaries exist on patent misuse, including its subset inequitable conduct. *See, e.g.*, Christa J. Laser, *Equitable Defenses in Patent Law*, 75 U. MIAMI L. REV. 1 (2020); Daryl Lim, *Revisiting the Patent Misuse Doctrine*, *in*

types of misuse originated not from statutory codifications, but rather as equitable doctrines.[187] While Congress eventually codified patent misuse,[188] it has not similarly amended the 1976 Act to include a copyright misuse provision. Despite this statutory absence, courts have gradually expanded the bases for copyright misuse.

Almost all the U.S. case law refers to the concept as misuse rather than abuse.[189] Although the semantic differences between the terms abuse and misuse may be inconsequential, they nonetheless merit a brief discussion. Some international IP scholars have suggested that "the term 'copyright abuse' [can] describe any situation in which a copyright owner uses its rights in an improper way."[190] The treaty language discussed in the section above[191] suggests that each member state has the latitude to define both the precise terminology as well as any legal tests used to describe said abuse. Thus, this Article refers to "abuse" and "misuse" interchangeably, following the lead of U.S. courts, which overwhelmingly have adopted and used the term "misuse."

In 1948, a district court in Minnesota decided arguably the earliest copyright abuse case, *Witmark v. Jensen.*[192] This involved ASCAP's practice of requiring blanket licensing by movie theatres of ASCAP's entire repertoire of musical works rather than licensing individual work(s) in movies. Although the court did not explicitly refer to abuse or misuse, it nonetheless found that ASCAP's actions of "placing the control of performance rights for motion pictures in a Society maintained by them . . . [resulted in] a potential economic advantage which far exceeds that enjoyed by one copyright owner."[193] It further

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THE INNOVATION SOCIETY AND INTELLECTUAL PROPERTY (Josef Drexl, ed., 2019). Trademark misuse is a much less explored subject. *See, e.g.*, William E. Ridgway, *Revitalizing the Doctrine of Trademark Misuse*, 21 BERKELEY TECH. L.J. 1547 (Fall 2006), as is trade secret misuse. Deepa Varadarajan, *The Uses of IP Misuse*, 68 EMORY L. J. 739 (2019).

[187] These judicially created doctrines of IP misuse exemplify how common law and equity continue to pervade, shape, and supplement U.S. IP statutory frameworks. Chon, *Prioritizing Freedom to Operate*, *supra* note 11.

[188] Conditioning a patent license on the purchase of an unpatented staple good was once considered *per se* patent misuse. However, Congress then limited misuse to cases where the patentee has market power in the tying market product. 35 U.S.C. § 271(d) (2012).

[189] However, as discussed in part II, a Ninth Circuit concurring opinion includes strong language referencing the term "abuse" in connection with anti-competitive behavior. Omega v. Costco Wholesale Corp., 776 F.3d 692, 699 (9th Cir. 2015) (Wardlaw, concurring); *see also* Malibu Media, LLC v. Guastaferro, No. 1:14-CV-1544, 2015 WL 4603065 (E.D. Va. July 28, 2015) at *2 ("The copyright misuse defense aims to prevent *abuse of the public policy embodied by the Copyright Act*–namely, to 'promote the Progress of Science and useful Arts.'") (emphasis added).

[190] John T. Cross & Peter K. Yu, *Competition Law and Copyright Misuse*, 56 DRAKE L. REV. 427, 455 (2008).

[191] Paris Convention, *supra* note 173 ("Each country of the Union shall have the right . . .").

[192] Witmark v. Jensen, 80 F. Supp. 843, 850 (D. Minn. 1948) ("[p]ublic interest transcends plaintiffs' rights under their copyrights, and where the granting of the relief sought would serve to continue the unlawful practices here condemned, it should be withheld. One who unlawfully exceeds his copyright monopoly . . . is not outside the pale of the law, but where the Court's aid is requested, as noted herein, and the granting thereof would tend to serve the plaintiffs in their plan and scheme with other members of ASCAP to extend their copyrights in a monopolist control beyond their proper scope, it should be denied.").

[193] *Id.* at 847.

stated that "the result is to give the copyright owner not only the reward which is his due from the licensing of a single copyrighted film, but to extend his monopoly by requiring his licensee to accept one or more other films and to pay royalties therefore as an additional consideration."[194] In this pioneering case, the court articulated a core concern of abuse of IP rights: The use of the copyright to extract more than a fair or normal share of profits from the protected work(s). Significantly, the case involved over-reaching via licensing terms.

In 1979, the U.S. Supreme Court acknowledged the doctrine of copyright misuse in the context of a declaratory judgment action challenging the practice of blanket licensing.[195] Since then, at least nine U.S. Courts of Appeals have approved the concept of copyright misuse, including the Second,[196] Third,[197] Fourth,[198] Fifth,[199] Seventh,[200] Eighth,[201] Ninth,[202] Eleventh,[203] and Federal[204] Circuits. Many if not most of these cases involved software licensing. U.S. treatise writers have summarized many different bases for the finding of copyright abuse or misuse by courts.[205] Despite being uncodified, no Court of Appeals has rejected the concept of copyright misuse, although some have declined to find misuse on the facts of the cases before them.[206]

Unlike the frequently invoked defense of fair use, which focuses primarily (although not exclusively) on the behavior of a putative infringer, copyright misuse focuses on the behavior of the copyright owner and the impact of this behavior on the core public policies underlying copyright law. Over time, courts have defined the contours of copyright misuse in several ways. The Fourth Circuit's *Lasercomb* decision, which arguably ushered in the current era of software licensing misuse cases, defined the scope

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[194] *Id.* At the time, ASCAP had rights over 80 percent of the musical works incorporated in films.
[195] Broadcast Music v. Columbia Broadcasting Sys., Inc. 441 U.S. 1, 6 (1979) (remanding both antitrust and misuse claims for further deliberation) ("CBS argued that ASCAP and BMI are unlawful monopolies and that the blanket license is illegal price fixing, an unlawful tying arrangement, a concerted refusal to deal, and a misuse of copyrights."). As Frischmann and Moylan discuss, this decision was preceded by at least three decisions by the Supreme Court that articulated foundational misuse principles in general. Frischmann & Moylan, *supra* note 50, at 882-86 (discussing Morton Salt Co. v. GS. Suppiger, 314 U.S. 488 (1942); U.S. v. Paramount Pictures, Inc., 334 U.S. 131 (1948); and U.S> v. Loew's, Inc., 371 U.S. 38 (1962)).
[196] Columbia Broadcasting Sys., Inc. v. ASCAP, 562 F.2d 130, 132, 141(2d Cir. 1977) (seeking a declaration of misuse); *rev'd*, *Broadcast Music*, *supra* note 195.
[197] Video Pipeline v. Buena Vista Entertainment, 342 F.3d 191, 205 (3d Cir. 2003).
[198] Lasercomb v. Reynolds, 911 F.2d 970, 977 (4th Cir. 1990).
[199] DSC Communications Corp. v. DGI Tech., Inc., 81 F.3d 597, 601 (1996).
[200] Assessment Technologies of WI, LLC v. WIREdata, Inc., 350 F.3d 640, 647 (7th Cir. 2003); Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1200 (7th Cir. 1987).
[201] United Tel. Co. of Missouri v. Johnson Publ'g. Co., Inc., 855 F.2d 604 (8th Cir. 1988).
[202] Practice Mgmt. Info. Corp. v. American Med. Ass'n, 121 F.3d 516, 520 (9th Cir. 1997).
[203] Bateman v. Mnemonics, Inc., 79 F.3d 1532 (11th Cir. 1996).
[204] Chamberlain Grp., Inc. v. Skylink Techs., Inc., 381 F.3d 1178, 1202 (Fed. Cir. 2004) (applying 7th Circuit law).
[205] PAUL GOLDSTEIN, INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE § 5.5.3 ("Misuse and Abuse of Copyright") (2001); 4 NIMMER ON COPYRIGHT § 13.09 ("The Defense of Abuse"); 5 PATRY ON COPYRIGHT § 17:128 ("Misuse").
[206] *See, e.g.*, Video Pipeline v. Buena Vista Entm't., 342 F.3d 191, 205 (3d Cir. 2003); Data General Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147 (1st Cir. 1994).

of copyright misuse as "not whether the copyright is being used in a manner violative of antitrust law . . . but *whether the copyright is being used in a manner violative of the public policy embodied in a grant of copyright*."[207] A number of subsequent decisions have cited this language.[208]

Another oft-cited *Lasercomb* quote is that misuse "forbids the use of the copyright to secure an exclusive right or limited monopoly not granted by [copyright] . . .."[209] In one of its more recent opinions recognizing copyright misuse, the Ninth Circuit has stated that misuse prevents holders of copyrights "from leveraging their limited monopoly to allow them control of areas outside the monopoly."[210] Still other courts use the language of improper extension, e.g., when a copyright holder "tries to *extend* the copyright beyond its intended reach"[211] or when a copyright holder "improperly attempt[s] to *extend* the limited monopoly granted by . . . copyrights . . .."[212] Patry broadly characterizes misuse as attempts to "give the copyright owner more legal protection than copyright law is designed to do."[213]

Many forms of copyright misuse exist and many of these bases for misuse overlap with each other. All are violative of public policies embodied in the grant of copyright. One major category of misuse consists of anti-competitive acts that may[214] or may not rise to the level of antitrust violations, including extracting concessions from licensees, restrictions on licensees' ability to deal with competitors, dealings that limit another party's ability to compete, and anticompetitive uses of the judicial system.[215] Indeed, *Lasercomb v. Reynolds* involved this latter type of abuse. In *Lasercomb*, the plaintiff's standard software licensing agreement contained a provision that forbade its licensees from developing a competing product for the term of the contract (a period of 99 years), which the court interpreted as anti-competitive as well as antithetical to copyright public policy.[216] The licensor's anti-competitive behavior need not rise to an antitrust violation

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[207] *Lasercomb*, 911 F.2d at 978 (emphasis added).
[208] *See, e.g.*, *Omega*, 2011 WL 8492716 at 699 (concurring opinion); *Video Pipeline*, 342 F.3d at 204 (3d Cir. 2003); *Practice Mgmt*, 121 F.3d at 521.
[209] *Lasercomb*, 911 F.2d at 977; *see, e.g.*, Philips North America LLC v. Advanced Imaging Services, Inc., Slip Copy at *4 (E.D. Ca 2022).
[210] Apple Inc. v. Psystar Corp., 658 F.3d 1150, 1157 (9th Cir. 2011) (quoting A&M Records v. Napster, 239 F.3d 1004, 1026 (9th Cir. 2001)).
[211] Moonbug Entm't Ltd. v. Babybus (Fujian) Network, Slip Copy at *5 (N.D. Cal. 2022) (quoting Religious Tech. Ctr. v. Lerma, 1996 WL 633131, slip op. at *12 (E.D. Va. 1996)) (emphasis added).
[212] Philips North America, LLC v. Summit Imaging Inc., Slip Copy at *8 (W.D. Wa 2020) (emphasis added).
[213] 4 PATRY ON COPYRIGHT § 10A:1 (March 2023 update).
[214] *See* cases discussed in 4 NIMMER ON COPYRIGHT § 13.09 [A][1] ("Violation of Antitrust Laws").
[215] *See* cases discussed in 4 NIMMER ON COPYRIGHT § 13.09 [A][2][c] ("No Necessity for Antitrust Violations"); 4 Nimmer on Copyright § 13.09 [A][3] ("Recurring Applications" discussing "Requiring Exclusive Maintenance," "Forbidding Reverse Engineering;" "Eliminating Other Rights in Software;" "Controlling Expression," Appending Minor Expression to Much Larger Product"); and 4 NIMMER ON COPYRIGHT § 13.09 [A][4] ("*United States v. Microsoft*"); *see also* Cross & Yu, *supra* note 190, at 430-33 (describing United States v. Microsoft Corp., 253 F.3d 34, 47 (D.C. Cir. 2001) and other cases as paradigmatic examples).
[216] *Lasercomb*, 911 F.2d at 973.

(or abuse of dominant position, as European competition law refers to it).[217] While this form of misuse is especially relevant in the context of potential market competitors, it also has pertinence for non-market copyright stakeholders such as libraries, which are often presented with take it or leave it contractual terms by oligopolistic firms. Regardless, copyright misuse has strong analogues with and is probably influenced by early forms of anti-competition-based patent misuse rationales.[218]

While licensing over-reach is a commonly asserted basis for copyright misuse, courts have articulated other types of copyright misuse. For example, courts have based copyright misuse on abuse of the copyright litigation process, through improperly leveraging copyright for settlement advantage in litigation.[219] Yet another is the use of copyright to assert protection over uncopyrightable articles,[220] unpatented articles,[221] or other content over which the plaintiff has no IP rights,[222] such as data.[223] As stated by Deepa Varadarajan:

> Courts and claimants have invoked copyright misuse not only to address competitive harms, but also copyright owners' acts that: (i) preemptively restrain fair uses, like socially valuable speech and reverse engineering; (ii) upset the subject matter boundary between patent and copyright by sneaking functional works through the "back-door" of copyright protection; and (iii) overclaim or misrepresent the legitimate scope of copyright, particularly to unsophisticated audiences.[224]

Some courts have found what essentially amounts to copyright abuse without mentioning the term misuse[225] or have concluded that activities violating the

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[217] Regardless of market power, an IP rightsholder who refuses to license its IP-protected product is immunized from antitrust enforcement. Intergraph Corp. v. Intel Corp., 195 F.3d 1346, 1362 (Fed.Cir.1999) ("[M]arket power does not 'impose on the intellectual property owner an obligation to license the use of that property to others.'") (quoting United States Dep't of Justice & Fed. Trade Comm'n, *Antitrust Guidelines for the Licensing of Intellectual Property* 4 (1995)).
[218] Roger Arar, *Redefining Copyright Misuse*, 81 COLUM. L. REV. 1291, 1304 (1981).
[219] *Omega*, 2011 WL 8492716 at 700 ("for a copyright owner to use an infringement suit to obtain property protection . . . that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively, is an abuse of process" (citations omitted)); *see also* Adler Med., LLC v. Harrington, 2023 WL 4666440 (D.N.M., 2023); Energy Intel. Grp. Inc., v. CHS McPherson Refinery, Inc., 300 F. Supp. 3d 1356, 1373 (D. Kan. 2018); Saks Inc. v. Attachmate Corp., No. 14 CIV. 4902 CM, 2015 WL 1841136, at *12 (S.D.N.Y. Apr. 17, 2015).
[220] *Omega*, 2011 WL 8492716 at 699-700.
[221] Alcatel v. DGI, 166 F.3d 772 (5th Cir. 1999); *DSC Communications Corp.*, 81 F.3d at 601.
[222] Lexmark Int'l, Inc. v. Static Control Components, Inc., 387 F.3d 522, 528-29 (6th Cir. 2004); Gad, Inc. v. ALN Assocs., Inc., 770 F. Supp. 1261, 1266 (N.D. Ill. 1991).
[223] *Assessment Technologies of WI*, 350 F.3d at 647
[224] Varadarajan, *supra* note 186, at 743; *see also* Religious Tech. Center v. Lerma, 1996 WL 633131, slip op. at *12 (E.D. Va. 1996); *but see* SPLUNK INC., v. CRIBL, Inc., 2024 WL 2701628 (N.D.Cal., 2024) (refusing to apply misuse to fair use abrogation).
[225] *Static Control Components, Inc.*, 387 F.3d at 528-29; *see also Witmark* , 80 F.Supp. at 850.

misrepresentations provisions of section 512(f) of the Digital Millennium Copyright Act's (DMCA) could constitute a type of statutory misuse.[226]

Courts view copyright misuse as an equitable doctrine. As such "the core of [a court's] inquiry is whether '[e]quity may rightly withhold its assistance from such a use of the [copyright] by declining to entertain a suit for infringement ... until ... the improper practice has been abandoned and [the] consequences of the misuse of the [copyright] have been dissipated."[227] Once the offending activity ceases, then presumably the copyright can be enforced again, as is typically the case with patent misuse (from which copyright misuse historically derives).[228] Procedurally, it is considered primarily a defense to infringement although some courts have allowed it to be asserted as a counterclaim.[229] In some decisions, including the sole case in which misuse was entertained by the U.S. Supreme Court, misuse was positioned within a request for declaratory relief,[230] and this is a viable litigation strategy.[231]

Some courts characterize misuse as a variation of the equitable doctrine of unclean hands[232] or alternatively recognize a separate application of the doctrine of unclean hands to activities that might be classified as copyright misuse.[233] Significantly, however, the concept of unclean hands requires that it be asserted by the party who is a victim of the misuse, whereas misuse does not require that the party was "prejudiced by the conduct in question; instead, it is enough that a public policy has been violated."[234] For example, the

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[226] Online Policy Group v. Diebold, Inc., 337 F. Supp. 2d 1195 (N.D. Cal. 2004) ("In section 512(f), Congress provides an express remedy for misuse of the DMCA's safe harbor provisions."); *cf. Static Control Components*, *supra* note 222.

[227] *Omega*, 2011 WL 8492716 at 701 (quoting Morton Salt Co. v. Suppiger Co., 314 U.S. 488 (1942)).

[228] Thomas Cotter, *Misuse*, 44 HOUS. L. REV. 901, 903-25 (2007) (summarizing history of doctrine); Varadarajan, *supra* note 186, at 74.

[229] *See, e.g.*, Amaretto Ranch Breedables, LLC v. Ozimals, Inc., 790 F. Supp. 2d 1024, 1033 (N.D. Cal. 2011) (collecting and comparing cases permitting and prohibiting copyright misuse as a counterclaim or independent claim); Apple Inc. v. Psystar Corp., 2009 WL 303046, Slip Copy at *3 (N.D. Cal. 2009); Philips North America LLC v. Advanced Imaging Services, Inc., Slip Copy (E.D. Ca 2022); Ass'n of Am. Med. Colleges v. Princeton Rev., Inc., 332 F. Supp. 2d, 11 (D.D.C. 2004); *but see Lasercomb*, 911 F.2d at 973; Sony Pictures Entm't, Inc. v. Fireworks Entm't Group, Inc., 156 F. Supp. 2d 1148, 1167 n. 28 (C.D. Cal. 2001) (defendants had to assert misuse as an affirmative defense, not as a counterclaim).

[230] *Columbia Broadcasting Sys*., *supra* note 196; *Broadcast Music*, *supra* note 195.

[231] *See, e.g., Practice Management*, 121 F.3d at 520-21; Oldcaste Precast, Inc. v. Granite Precasting & Concrete, Inc., No. CIV. C10-322 MJP, 2011 WL 813759, at *9 (W.D. Wash. 2011); *but see* Shirokov v. Dunlap, Grubb & Weaver, PLLC, No. CIV.A. 10-12043-GAO, 2012 WL 1065578, at *32 (D. Mass. 2012).

[232] Supermarket of Homes, Inc. v. San Fernando Valley Bd. of Realtors, 786 F.2d 1400, 1408 (9th Cir. 1986).

[233] Oracle America, Inc. v. Hewlett Packard Enterprise Co., 2017 WL 635291, Slip Copy at *6 (N.D. Cal. 2017); Tempo Music, Inc. v. Myers, 407 F.2d 503 (4th Cir. 1969); Harms v. Stern, 231 F. 645 (2d Cir. 1916); Testa v. Jannsen, 492 F. Supp. 198 (W.D. Pa. 1980); *see generally* 4 Nimmer on Copyright § 13.09[B] ("The Defense of Unclean Hands").

[234] 5 PATRY ON COPYRIGHT § 17:128; *see also* Cotter, *Misuse*, *supra* note 228, at 902 ("In other words, there is no misuse 'standing' requirement, as would be necessary to assert the defense of unclean hands in a contract action—or, for that matter, to assert a viable antitrust claim.").

defendant in the *Lasercomb* decision had not signed the problematic license in question in that case.[235]

C. Conceptual Touchstones

An important throughline runs through the different variants of copyright misuse: The leveraging of the copyright to extract more than the copyright holder's normal or fair remuneration from a protected work such that it violates the public policy embodied in a grant of copyright. An early commentator observed:

> Examination of copyright policy reveal[s] a primary purpose to further progress in arts and sciences, implemented by Congress through an elaborate scheme of economic incentives. When these incentives are abused, however, to in effect overcompensate the [copyright holders] for [their] efforts, then the primary policy of copyright—promoting the "Progress" of science and the arts is indirectly subverted. No longer is the copyright owner simply being rewarded for [their] work in a manner commensurate with its worth, but rather the normally impersonal market is being privately manipulated to exaggerate significantly [their] economic compensation.[236]

Thus, despite the absence of statutory language, courts have developed the doctrine of copyright misuse as another mechanism to balance the social costs and benefits of copyright protection, and specifically to guard against copyright over-reach. While misuse is certainly animated by anti-competitive concerns,[237] courts have not limited copyright misuse (as it has been in the patent context) to antitrust claims and they have expanded the doctrine irrespective of anti-competitive concerns. As with the development of the fair use doctrine before its codification into section 107 of the 1976 Act, judge-made misuse law addresses many different types of copyright over-reach,[238] and not just behavior that is antithetical to fair market competition generally.

Frischmann and Moylan provide a taxonomy of situations when courts might appropriately apply the misuse doctrine: where, for example,

> courts [need] the flexibility to 'fill in gaps' left in statutory law; we label this the corrective function of the misuse doctrine. Second, the misuse doctrine allows courts to coordinate related and interdependent bodies of law; we label this the coordination function. Third, it allows courts to safeguard the public interest generally; we label this the safeguarding function.[239]

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[235] *Lasercomb*, 911 F.2d at 973 ("Although defendants were not party to the restrictions of which they complain, they proved at trial that at least one Interact licensee had entered into the standard agreement, including the anticompetitive language.").
[236] Arar, *supra* note 218, at 1310.
[237] *Id.* at 1312; *see generally* Cross and Yu, *supra* note 190 (focus on anti-competitive use of IP).
[238] Cotter, *supra* note 228, at 939-40; *see also* Cathay Y. N. Smith, *Copyright Silencing*, 106 Cornell L. Rev. Online 71 (2021); Cathay Y. N. Smith, *Weaponizing Copyright*, 35 Harv. J.L. & Tech 193, 197-98 (2021); Margaret Chon, *Response: The Peoples' Copyright* (reviewing and responding to Kristelia García, *The Emperor's New Copyright*, 103 B.U. L. Rev. (2023)); Lydia Loren, *Slaying the Leather-Winged Demons in the Night: Reforming Copyright Owner Contracting with Clickwrap Misuse*, 30 Ohio N.U. L. Rev. 495 (2004).
[239] Frischmann & Moylan, *supra* note 50, at 872.

And based on the extant caselaw, Cotter posits some first principles that underpin the concept of copyright misuse:

> existing misuse doctrine suggests . . . that we want to prevent IP owners from extracting concessions that go beyond the scope of the IP grant . . . Thus our provisional definition of 'misuse' might be restated such that misuse occurs when the patent or copyright owner attempts to transgress . . . boundaries, i.e., to assert patent or copyright rights beyond the limits the law has set.[240]

Building from these cases and commentary, it is appropriate to examine whether attempts to foreclose the longstanding reliance by libraries upon exhaustion are a violation of the public policy embodied in a grant of copyright. Characterizing a transaction as a license rather than a sale is essentially an attempted end-run around exhaustion, allowing copyright holders to extract more than their fair return than they would receive for a comparable print copy of a copyright-protected work sold to libraries. The proper scope of copyright—the limits the law has set on the copyright holder's exclusive rights—is then exceeded.

Copyright's scope is bounded by the centuries-old exhaustion principle, in addition to the idea/expression distinction[241] as well as by numerous exceptions and limitations (the most prominent of which is fair use). Some have suggested that courts assess the proper scope of copyright according to the purpose and context of a particular use of a work, such as reverse engineering, a permissible use. For example, the late Dan Burk argued that both fair use and misuse could address attempts to prevent reverse engineering efforts through licensing terms.[242] Analogously, courts could assess whether the proper scope of copyright has been exceeded by attempts to eliminate the many public benefits of exhaustion in the particular use case of library ebook licenses. Yet while the Ninth Circuit in *Omega* applied the misuse doctrine to efforts to curtail exhaustion of IP rights in a watch,[243] no courts have considered applying misuse to the current prevalent efforts to thwart exhaustion in the context of ebook licensing to libraries. This raises the question of why this particular variant of misuse has been overlooked.

Legal stakeholders have apparently assumed that any exhaustion principle applicable to consumer or business software licensees equally applies to library licensees. The dominance of mass consumer software licensing, in which the digital exhaustion principle has been contested (albeit not definitively settled),[244] has obscured the distinctly

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[240] Cotter, *Misuse*, *supra* note 228, at 937-38; *accord* Judge, *supra* at 930.

[241] 17 U.S.C. § 102(b) ("In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.").

[242] Dan L. Burk, *Anticircumvention Misuse*, 50 UCLA L. REV. 1095 (2003); *see also* Frischmann & Moylan, *supra* note 50, at 928 ("we derive a single per se misuse rule against licensing provisions that clearly restrict reverse engineering.").

[243] One notable exception is Judge Wardlaw's concurrence in *Omega v. Costco*, discussed *supra* section II.

[244] See *infra* section IV.

different situation of library licensees. Misuse based upon curtailing exhaustion cannot possibly be a one-size-fits-all scenario. The role of libraries in the copyright system is not on all fours with the role of ordinary consumers or businesses, both of which participate actively in a commercial market. Copyright's economic incentives derive from market transactions but these incentives cannot govern primarily non-market stake-holders such as libraries.

As described earlier, libraries play functionally separate purposes altogether from other consumers of copyright-protected works in the copyright eco-system. Under the U.S. copyright framework and elsewhere, libraries preserve, protect, and disseminate knowledge through their acquisition and general circulation of copies of books and other works, not to mention through their intentional shaping of specialized collections. They also provide access to otherwise unaffordable copyright-protected works to under-resourced communities.[245] The often hidden but enormously beneficial spillovers of libraries have been and continue to be a fundamental part of the public's bargain with copyright holders:

> [L]ibraries and archives have a unique public role in copyright, as evidenced by [sections] 108, 109, and 407 of title 17 of the United States Code. Each of these sections acknowledges libraries' importance to society by extending to them rights that are not available to others. . . . Why have libraries been granted such rights? Simply put, they serve an intermediary function between the copyright owner and the user, and their actions advance the public interest in a way that neither a creator nor a user does. They act in the interests of both sides of copyright, increasing a work's visibility (copyright owner's interest) as well as communities' access to information for educational or entertainment purposes (public interest).[246]

Thus Congress has viewed copyright law as creating, or at least supporting, an information production and distribution system in which libraries play a critical role. This is reflected in the special provisions for libraries codified in the 1976 Act, as well as the implicit understanding underlying the Act that copyright exhaustion undergirds these various essential library functions.

New technologies provide many types of media and devices for learning. Nonetheless, whether analog or digital, print or audio, textual information is still a (if not the) primary means through which codified knowledge is captured by authors and transferred to others. And libraries have propagated and protected this knowledge through the broad availability of affordable books and other text-based materials through the doctrine of exhaustion. The digital transition—at least in theory—should enable libraries

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[245] Geiger & Jutte, *supra* note 71, at 1025 ("libraries . . . provide lawful access to a wider user base, including marginalized groups which would otherwise not have access to a broad spectrum of information, knowledge and cultural artifacts. Such institutions therefore constitute important repositories of information and enable cultural participation in a lawful manner.").

[246] Michelle Wu, *Restoring the Balance of Copyright*, *supra* note 28, at 134.

to provide universal access to everything digital.[247] But because of current market realities and an outdated legislative framework, the public is being denied the potential benefits that libraries could provide. Thus, it is important to examine why the exhaustion limit defines the proper scope of copyright, especially in the library context, and why any attempts to curtail exhaustion via licensing in the library context should be viewed as violating core copyright policies, therefore constituting misuse. The next section does so.

IV. Applying Copyright Exhaustion and Misuse to Library Ebook Licenses

When first introduced, digital technology appeared to have the potential to enable libraries to better achieve their mission: to make more content more available at a lower price. Digital technology dramatically reduced the cost of reproduction and distribution. It also provided users with unprecedented flexibility—accessing content on their own devices. Indeed, retail prices of ebooks for ordinary consumers are typically lower than for the print versions (even in paperback form). However, these promises have turned into disappointments for libraries: Digital technologies have enabled digital lending business models that increase publishers' control over their works while inexorably increasing the costs to libraries.[248]

For publishers, ebook licensing provides opportunities to wield tremendous bargaining power to price discriminate, addressing their unsubstantiated fears that sales to libraries (whether of print or digital books) significantly undercut sales to the broader public.[249] As for libraries, a decade and a half of ebook licensing negatively affects the downstream patrons and public they serve. This 'new normal' upsets the longstanding copyright balance between incentive and access that existed prior to digital licensing to libraries.

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[247] Along these lines, Michael Carroll argues that libraries should adopt a "network consciousness" to provide more coordinated services in an overall digital environment with multiple and competing sources of information. Michael W. Carroll, *Libraries' Shifting Roles and Responsibilities in the Networked Age*, *in* Minds Alive: Libraries and Archives Now 87, 95 (Patricia Demers and Toni Samek, eds. 2020). Dean Sarah Watstein similarly observes that "in the context of the knowledge economy, libraries are increasingly defined as convener, enabler, distributor, advocate, and archive and less as infrastructure, platform, repository, and portal. . . . In this context, books are one of the many products targeted to the library marketplace and one of the many means of transmitting, disseminating, and preserving knowledge." (2025) (unpublished comment, on file with author). Regardless, the dominant licensing practices by publishers and platforms today are more along the lines of dividing and conquering, rather than facilitating optimal collaboration among libraries.

[248] Jonathan Band, *Digital Content and Libraries: Revolution or Devolution?*, presentation at the American Library Association meeting (2024). This is not to say that all licensing practices are harmful to the public. *See, e.g.*, Michelle M. Wu, *The Corruption of Copyright and Returning It to Its Original Purposes*, 40 Legal Reference Serv's. Quarterly 113, 124, 137-43 (2021) (detailing the subversion of copyright's public purposes by industry conglomerates while acknowledging some specific benefits of digital licensing) (hereinafter Wu, *The Corruption of Copyright*).

[249] As one report put it, ebook licensing presents "An Opportunity for Publishers to Achieve Long-Held Goals." Lamdan, et. al, *supra* note, 36, at 11. Publishers have long been concerned about the impact of the exhaustion principle on their sales of new books in print form as well as digital. *Id.* at 11-16.

According to library advocate Jonathan Band, libraries are now forced to run two different business models simultaneously: bricks and mortar and online. Not only are two models more expensive than one but also the online model is much more costly than anticipated because of the circumvention of exhaustion in digital formats. When libraries buy print books subject to the exhaustion principle, they can buy as many copies as they need, loan them to whoever they want, decide how long the loan period should be, keep the copies for as long as they want, and pay no more than retail. However, when libraries license ebooks, the publishers (in concert with platforms) decide how many copies libraries can have, who they can lend to, how long they (and their patrons) can keep the books, and—critical for the question of copyright abuse—charge prices that from the Big Five publishers have more than tripled since 2010.[250]

When evaluating whether the current state of affairs violates copyright's core policies, it is important to consider pricing concerns in light of claims made by publishers about the consequences of "the lack of 'frictions'—the physical world's inherent slowness and inefficiencies—in the digital arena."[251] Frictions associated with print include the time and resources needed to get to physical library spaces to borrow the books, the degradation of print quality over time, as well as other factors that make print borrowing less attractive than digital borrowing.[252] This relative lack of friction for ebooks compared to print books exacerbates publishers' worries that digital borrowing will undercut their revenues unless they can control the terms and conditions of the borrowing through price discrimination.[253] Conversely, however, most digital licenses mimic print lending models, allowing only one borrower at a time. Most significantly, the cost versus availability of ebooks can be particularly profitable for publishers because the marginal cost of reproducing additional copies is close to zero: "In an ebook, there's no variable cost at all once you set up the system . . . You can put one book through, 100 books through, 50,000 books through. No additional cost, you're just transferring files."[254] As noted antitrust scholar Herbert Hovencamp observes:

> Once a book or a video has been reduced to digital form the cost of sending it to one new customer is practically zero and the product can be sold an unlimited number of times. In fact, ebook sellers often charge a price of zero for books such as classics whose copyrights have expired. By contrast, a conventional book or DVD must be manufactured, shipped, and inventoried by a retailer. Each copy incurs these additional costs, whether or not royalties are due. This can make market definition questions complex, although it is no reason for simply assuming that the internet version is a market unto itself. It certainly creates advantages, however, for purely digital products sold in e-commerce, such as ebooks or streamed digital content.[255]

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[250] According to one source, currently "[m]ost public libraries pay $16-$20 for each copy of a hardback book, which will circulate an average of 6 years. For the same eBook from the "Big Five" publishers, libraries pay 8-13 times more." *Taxpayers aren't getting their money's worth on library eBooks*, READERS FIRST, available at https://www.readersfirst.org/cost-crisis (last visited June 10, 2025) (hereinafter "READERS FIRST, *Taxpayers*").

[251] Rub, *Reimagining, supra* note 44, at 200.

[252] *Id.* at 209.

[253] *Id.* at 214.

[254] Lamdan, et. al, *supra* note 36, at 23 (quoting a former Big Five executive).

[255] Herbert Hovencamp, *Antitrust and eMarkets,* 36 STAN. L. AND POL'Y REV. 1, 11 (2025).

Although an open question, overall "ebooks appear to be relatively inexpensive to produce when compared to physical books."[256] Regardless, publishers will continue to have the incentive to publish both print and ebooks in order to satisfy overall market demand. There is very little reliable evidence that publishers would produce fewer books if held to the exhaustion principle for ebooks.

Against these considerations, this section will examine some of the current ebook pricing and related access issues associated with licensing to libraries that could form the basis for a finding of copyright misuse.

A. Impacts on Access Through Excessive Pricing Combined With Time Limits

At the outset of the digital book era, ebook pricing resembled that of print books and the industry norms were equivalent to those that governed physical books. For example, as "early as 2001, HarperCollins was offering libraries unlimited [sequential (not simultaneous)] checkout licenses to ebooks."[257] However, in 2011, it announced a new eBook lending policy that would limit the term to 26 months.[258] Other publishers soon followed this lead[259] and by 2020, "all of the Big Five had shifted to some form of time-limited licenses."[260] This shift from perpetual to limited licenses affected the price per copy, which did not decrease in response to the limited license term, but either remained the same or went up over time. As publishers 'shrinkflated' their license models from no expiration to expiration after 24 loans (or alternatively 26 loans), prices for ebooks offered to libraries became multiple times higher than prices offered to other consumers. This inexorable increase in the cost of books for libraries was not inevitable. But it became an industry norm for the Big Five publishers when they began to realize the benefits from price discrimination via either limited license periods or limitations on the number of times a book could be borrowed from a library.[261]

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[256] Lamdan, et. al, *supra* note 36, at 22.
[257] Lamdan, et. al, *supra* note 36, at 30.
[258] Calvin Reid, *Librarian Unhappiness Over New Harper e-Book Lending Policy Grows*, PUBLISHERS WEEKLY (Mar. 2, 2011), https://www.publishersweekly.com/pw/by-topic/digital/content-and-e-books/article/46333-librarian-unhappiness-over-new-harper-e-book-lending-policy-grows.html.
[259] Lamdan, et. al, *supra* note 36, at 31.
[260] *Id.*; *see also* Rub, *Reimagining*, *supra* note 44, at 214, n. 141 ("The two-year license, while common, is not the only one publishers use. Some publishers, most prominently HarperCollins, offer a 26-circulations license. Such a license allows the library to lend the eBook to 26 times, but it does not restrict how many patrons can read it at the same time. Some publishers offer less common licenses, including permanent licenses that allow the library to lend it to one user at a time in perpetuity. Some libraries use Hoopla for some of their eBook catalogs, a service which charges for every loan by its patron until the library's monthly budget is consumed. All those licenses, like the more common two-year license, are extremely expensive.").
[261] PERZANOWSKI & SCHULTZ, *supra* note 29, at 6 ("[W]hen libraries acquire ebooks, licensing terms and software code often impose hard ceilings on lending. HarperCollins ebooks, for example, can be lent out twenty-six times, which translates to a single year of borrowing, after which they essentially self-destruct. Patrons cannot borrow that title again until the library ponies up an additional fee to the publisher.").

As calculated by Rub:

> Four of the [B]ig [F]ive [publishers] offer a 24-month license, for which they charge from 216–298% more than their retail price for books. On average, the current markup is 257%. Considering that the price of retail e[b]ooks is about 76% that of retail printed books, the markup between retail e[b]ooks and library e[b]ooks is about 340%, meaning that libraries pay about 4.4 times more for a two-year license than individuals pay for permanent licenses.[262]

Since Rub calculated these price differentials (based presumably on 2023 data), three of the Big Five publishers increased library prices again in 2024.[263] Kyle Courtney and Juliya Ziskina state, moreover, that "[s]ome libraries pay a cost per circulation fee on top of initial fees, entering into de facto rental agreements at unrestrained prices. Publishers often charge libraries three to 10 times as much as the consumer price for the same ebook."[264] By contrast, a single print volume purchased by a library can circulate to far more than 26 patrons and/or for at least six years if not longer.[265]

At the same time that licensing fees have skyrocketed for libraries, publisher revenues have increased enormously. Reportedly, as of mid-2021, HarperCollins earned over $19 million in revenue from library ebook licenses in the United States, which was nearly twice as much revenue as " [was] earned" the year before.[266] Thus, even if the libraries concede that publishers have reasons to impose some artificial friction to substitute for analog friction, the publishers seem to be using digital formats to justify huge and unwarranted price hikes to libraries. As a result, for example, some law school librarians report that they purchase print copies of textbooks specifically because of the licensing restrictions on ebooks (one user per copy) imposed by licensors, while textbook prices have skyrocketed for students, necessitating more library reserve copies.[267] And as

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[262] Rub, *Reimagining, supra* note 44, at 214 n.139 (citing to *Publisher Price Watch*, Readers First, https://www.readersfirst.org/publisher-price-watch (last visited Jan. 24, 2024)).

[263] *Price increases from three of the Big Five,* Readers First (Aug. 23, 2024), https://www.readersfirst.org/news/2024/8/23/price-increases-from-three-of-the-big-five. According to one county librarian, this resulted in increases in "price per unit we paid in 2023 to current (Aug. 2024) prices in OverDrive . . .:

- HarperCollins eBook prices rose 15%. This is the third year in a row that HarperCollins has raised unit prices.
- Hachette eBook prices are up 4% and eAudio prices are up 20%.
- Macmillan eBook prices have increased an average of 20%."

Carmi Parker, *e-Lending Position Paper* (Dec. 2, 2020) available at https://static1.squarespace.com/static/53765f6fe4b060b2a3d3586b/t/67d49369b98a08597ea31d22/1741984618865/eLending+position+paper_v3.pdf.

[264] Kyle Courtney & Juliya Ziskina, The Publisher Playbook: A Brief History of the Publishing Industry's Obstruction of the Library Mission 15 (2023); Majekolagbe, *supra* note 52, at 11-12 (documenting similar increases in academic journal pricing).

[265] Readers First, *Taxpayers, supra* note 251.

[266] Lamdan, et. al, *supra* note 36, at 27 (citing to Declaration of Chantal Restivo-Alessi in Hachette Book Group v. Internet Archive).

[267] American Library Association, *supra* note 45, at 5 ("Textbook prices have risen 184 percent over the last two decades—three times the rate of inflation—and nearly two-thirds of students say they have skipped buying required textbooks because of the cost.").

this Article was being prepared for publication, academic libraries were hit with alarming news that a primary platform for academic content is phasing out "one-time perpetual purchases of digital collections, print and digital books for libraries. These transitions will take place throughout 2025, in close co-operation with customers."[268] As a result, academic libraries (already resource squeezed at most institutions) will be forced to pay ongoing subscriptions to maintain access to major academic content.

Although beyond the scope of this Article, these pricing practices also then result in thousands of lesser-known authors being in effect shut out of digital libraries. Faced with limited budgets, librarians will choose authors who will be familiar to their readers rather than spend scarce resources on works by authors with limited recognition. This can negatively impact not only incentives for creativity but also overall social benefit that copyright is supposed to encourage.

B. Impacts on Access Through Delays, Embargoes and Outright Refusals to Sell or License

As stated in the Article's introduction, libraries increasingly rely on either publisher or third party digital platforms. This reliance strengthens the ability of publishers and platforms (sometimes but not always in conjunction with each other) to force further access constraints together with price increases upon libraries through technological lock-in.[269] These constraints might be thinly justified as creating artificial frictions that emulate the frictions that are encountered by a print volume. As Perzanowski and Schultz document:

> There is no shortage of examples of this artificial friction. Publishers often limit the availability of titles by withholding them from circulation throughout a given year. They impose distribution delays by enforcing waiting periods between patron loan requests and downloads . . .. None of these limitations on libraries and their patrons exist for analog books.[270]

In addition to enforced delays, some publishers have engaged in embargoes.[271] As well, multiple examples of outright refusals to license have been documented.[272] Publishers have applied these embargos and refusals to license to libraries only; ebooks are therefore made unavailable to this particular subset of users while remaining available to license by other consumers. In effect, this means that less advantaged readers are artificially deprived of books that the wealthy can always access. In a particular painful case for fans of E.B. White's children's classics, HarperCollins does not make Charlotte's

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[268] *Clarivate Unveils Transformative Subscription-Based Access Strategy for Academia*, CLARIVATE (Feb. 18, 2025), https://clarivate.com/news/clarivate-unveils-transformative-subscription-based-access-strategy-for-academia/.

[269] Lamdan, et. al Report, *supra* note 36, at 6, 8-10.

[270] PERZANOWSKI & SCHULTZ, *supra* note 29, at 106.

[271] Haight & Pierson, *supra* note 27, at 228.

[272] Wu, *The Corruption of Copyright*, *supra* note 248, at 127 ("Amazon, Simon & Schuster, Macmillan, and some textbook publishers serve as examples, each of which has refused to license ebooks to libraries at various points in time.").

Web available as an ebook through OverDrive.[273] These refusals do not just affect library patrons who read simply for pleasure; they also impact students for whom a particular text may be assigned for class.[274] As for audiobooks, which are not only becoming more popular but also implicate accessibility concerns for print-disabled individuals, "Amazon Original" Audiobooks are not available to libraries through OverDrive, the digital book distributor that almost all public libraries use. This is discussed more in sub-section (C) below.

Relatedly, libraries may have access to only a limited selection of titles through so-called "walled gardens" that "allow[] people to see ebooks only on the platform where they were originally purchased."[275] Not only does this undermine libraries' historical ability to curate and individualize their collections, it furthers the technological lock-in that results in less consumer choice, including for libraries. And it can lead to bizarre dependencies upon the platforms that distribute these limited catalogs, as well as facilitate the spread and sale of misinformation and/or fake books. For example, Hoopla, a platform that competes with OverDrive, populated its search results with AI-generated hallucinations and charged for each checkout as if the books were legitimate.[276]

C. Impacts on Access Through Prohibitions on Inter-library Loans, Fair Use, Accessible Formats, Privacy, and other Library and User Rights

Other collateral consequences of digital licenses indicate copyright over-reach. The public law framework provided by section 108 of the 1976 Act specifically permits libraries to loan books to other libraries,[277] yet publishers and platforms have included license prohibitions on inter-library loans (ILL).[278] As Courtney and Ziskina recount:

> ILL is one of the key methods by which materials are shared between libraries and provided to scholars, researchers, students, and other patrons. The U.S. Interlibrary Loan Code, first published in 1916 and adopted by the American Library Association (ALA) in 1917, notes that the purpose of ILL is twofold: "(a) to aid research calculated to advance the boundaries of knowledge by the loan of unusual books not readily accessible

[273] However, the eAudiobook is available — its distribution rights are owned by Books On Tape, which is Penguin Random House's eAudio arm.

[274] Petot, *supra* note 74, at 1736 ("Books also have nonfungible characteristics that restrict libraries' purchase choices. For example, a tenth grader who needs to read 1984 for English class cannot very well substitute Fahrenheit 451 instead. A library would receive many complaints if it did not carry Harry Potter or To Kill a Mockingbird in its collection."). After Amazon deleted George Orwell's "1984" in 2009 from its Kindle without notice, a student who had been using the digital copy for a summer reading assignment and lost all notes and annotations that he had added alongside the book, brought a lawsuit. Frank James, *Amazon Kindles Lawsuit For Deleting Orwell From E-Readers*, NPR: THE TWO-WAY (July 31, 2009, 4:39 PM), https://www.npr.org/sections/thetwo-way/2009/07/amazon_kindles_lawsuit_for_del.html.

[275] Lamdan, et. al, *supra* note 36, at 37-38.

[276] Laura Crossett & Jennie Rose Halperin, *Hoopla's Content Problem: Strange, Skewed Results Still Dominate Catalog,* LIBRARY FUTURES (Aug. 12, 2024), https://www.libraryfutures.net/post/hooplas-content-problem.

[277] 17 U.S.C. § 108.

[278] PERZANOWSKI & SCHULTZ, *supra* note 29, at 86 ("These terms make clear that HeinOnline's definition of "ownership" is an exceedingly narrow one. A library that purchases one of these hard drives couldn't lend it to another institution, for instance.").

> elsewhere; and (b) to augment the supply of the average book for the average reader." In response to limited budgets, limited space, and frequent inability to buy books that are out of print, libraries often lend materials through ILL.[279]

Furthermore, as stated earlier, OverDrive's terms of use prevent end users from several activities protected under fair use.[280] Likewise, academic vendor contracts sometimes include "fair use" clauses, which attempt to control what end-users can do with a digital book.[281] With the onset of uses for purposes of artificial intelligence research, publishers have been particularly opaque about the conditions under which licenses will be made available to academic institutions.[282] This resistance flies in the face of legislative history behind the 1976 Act suggesting that Congress intended to place libraries in a privileged position with regard to fair use.[283] The curtailing of fair use is a quintessential example of copyright abuse, and so too should the attempted circumvention of other user activities specifically permitted by statute, such as ILL.

Publishers have also quashed the circulation of books in accessible formats, which is a user right enshrined in the recent Marrakesh Treaty,[284] to which the United States is a

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[279] Courtney & Ziskina, *supra* note 265 at 4. As they further state, negotiations between publishers and libraries ultimately resulted in the enactment of section 108(g) of the 1976 Act. *Id.* at 5.

[280] *Overdrive - Terms and Conditions,* OverDrive, overdrive.com/policies/terms-and-conditions.htm (last visited Jan. 21, 2025).

[281] The snippet below from the University of Washington Libraries catalog for the *Fahrenheit 451* eAudiobook, shows the existence of a fair use clause in the license terms. This is highly ironic given Ray Bradbury's embrace of free circulation of books and repeated declarations of his love for and gratitude towards libraries:
https://orbiscascade-washington.primo.exlibrisgroup.com/discovery/fulldisplay?docid=alma991619976278014520&context=L&vid=01ALLIANCE_UW:UW&lang=en&search_scope=UW_EVERYTHING&adaptor=Local%20Search%20Engine&tab=UW_default&query=any,contains,Fahrenheit%20451&offset=0.

[282] Katherine Klosek, ARL, & Samantha Terimi, *AI Is Reigniting Decades-Old Questions Over Digital Rights, but Fair Use Prevails*, Ass'n of Research Librs. (Feb. 28, 2025) (hereinafter Klosek et. al, AI is Reigniting), available at:
https://www.arl.org/blog/ai-is-reigniting-decades-old-questions-over-digital-rights-but-fair-use-prevails/.

[283] Courtney & Ziskina, *supra* note 265, at 6 ("In a Senate Report on the [then-] new Copyright Act, the Senate discussed the legislative need to clarify fair use because case law failed to explain how a library might provide photocopies of copyrighted material in its collection under the previous 1909 Act. . . . Ultimately, the fair use doctrine was officially codified in § 107 of the Copyright Act, emphasizing that reproduction for purposes such as teaching, scholarship, or research—all facilitated by libraries' copying—is not an infringement of copyright.")

[284] Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (2013); *see* Wu, *The Corruption of Copyright, supra* note 248, at 138-39.

signatory state, and which the U.S. Copyright Office has attempted to implement.[285] This is largely due to threatened litigation against Amazon by publishers, claiming that both the "text-to-speech" and "speech-to-text" features of its audiobooks violate the publishers' derivative work right and/or their public performance right.[286]

In addition, user privacy is increasingly threatened by the collection of data by both publishers and platforms. On the OverDrive platform, for example, library buyers are required to check boxes before licensing particular books.[287] Other privacy over-reach occurs because of the increasing push to monetize data, which causes the platforms (and some publishers) to engage in data analytics to engage in price discrimination and market titles more lucratively.[288]

D. Impacts on Access Through Prohibitions on Library Preservation and Archiving

Although this Article is not primarily concerned with the preservation role of libraries, this important function warrants brief discussion here and further inquiry.[289] The U.S. Copyright Office has reiterated the fundamental importance of this often misunderstood or under-valued role of libraries.[290] Control over digital content by publishers, platforms and others can interfere with the preservation and archival (in addition to access) functions of libraries. Ebooks have given rise to a host of collateral

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[285] *See* Understanding the Marrakesh Treaty Implementation Act, U.S. Copyright Office, August 2020, https://www.copyright.gov/legislation/2018_marrakesh_faqs.pdf; Katherine Klosek, *US Copyright Office Allows Access to E-books for People with Disabilities, but Licenses May Still Restrict Access*, Ass'n of Research Libs. (Jan. 18, 2022), https://www.arl.org/blog/us-copyright-officeallows-access-to-e-books-for-people-with-disabilities-but-licenses-may-still-restrict-access/; *see also* Courtney & Ziskina, *supra* note 265, at 13 ("in 2009 (just as the early iterations of the Marrakesh Treaty were proposed), publishers advocated against the new Kindle 2's read-aloud feature, which would have increased accessibility for readers with print disabilities. Despite the feature's potential to equitize eBook access, the Authors Guild argued that the feature would negatively impact the audiobook market. Publisher backlash prompted Amazon to discontinue the universally available feature and instead required the company to obtain permission from the copyright holder before implementing the functionality.").

[286] Wu, *The Corruption of Copyright*, *supra* note 248, at 138-39 (describing threatened litigation).

[287] *See, e.g.*, *Macmillan Library Lending Terms,* OverDrive,https://company.overdrive.com/macmillan-library-lending-terms/?_gl=1*ybxge5*_gcl_au*MTQ0MTU0MzU2Ny4xNzI1MDQ2NjU1*_ga*MjAyMDU2OTA4NC4xNzI1MDQ2NjU1*_ga_HZXJE0QXEP*MTcyNTA0NjY1NC4xLjEuMTcyNTA1MjUwMC4zMC4wLjA.&_ga=2.265379983.1205633443.1725046656-2020569084.1725046655 (last visited Jan. 17, 2024) (as an example, the Macmillan checkbox includes a link to this list of stipulations).

[288] *See* American Library Association, *supra* note 45, at 6 ("publishers are poised to capture vast amounts of data about students, faculty, research outputs, institutional productivity, and campus life. This data represents a potential multi-billion-dollar market . . . ."); *see also* Lamdan, et. al, *supra* note 36, at 44-50 (describing the growing influence of data analytics).

[289] Reese, *supra* note 27, at 603-10, 635-44 (describing the many social benefits of preservation and how they may be impacted by digital formats).

[290] *See* U.S. Copyright Office, Section 108 of Title 17 (Sept. 2017) (reiterating importance of preservation functions).

consequences, such as vulnerability to vanishing content[291] without notice or through technological obsolescence.[292] Potentially large swathes of information can disappear at publishers' behest, as illustrated by the debate over the sanitizing of Roald Dahl's, Theodor Seuss Geisel's, and other authors' books.[293] In what appears to be a quest for more profits for more popular titles, academic publisher Wiley pulled over 1000 books from the ProQuest platform in 2022.[294] Similarly, in 2023, OverDrive dropped The Economist from its magazine package without offering to compensate libraries, even though it was by far the most popular digital magazine in their collection.[295]

While publishers sometimes refuse to license ebooks,[296] streaming media are the most obvious examples of the complete unavailability of content for libraries to preserve, archive, and make content accessible to the public.[297] If Disney or Netflix or a music distributor chooses not to release certain shows or songs on DVD or CD, then the public, via its library, has no access.[298] The problem of technological obsolescence is also an issue for some digital content. Physical media such as DVDs and CDs are becoming quickly obsolete for all audio-video content, including audiobooks. To be sure, some preservation challenges can be ameliorated with digital technologies;[299] nonetheless, print

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[291] LUCA MESSARAA, CHRIS FREELAND & JUILYA ZISKINA, VANISHING CULTURE: A REPORT ON OUR FRAGILE CULTURAL RECORD (2024) ("The rise of streaming platforms and temporary licensing agreements means that sound recordings, books, films, and other cultural artifacts that used to be owned in physical form, are now at risk—in digital form—of disappearing from public view without ever being archived. Furthermore, cyber attacks . . are a new threat to digital culture, disrupting the infrastructure that secures our digital heritage and impeding access to information at community scale."); Mark A. Lemley, *Disappearing Content*, 101 BOST. U. L. REV. 1255 (2021) ("In the past, we might have aspired to a world in which all the works of history were available forever. That's now an achievable goal. The dead hand control of copyright shouldn't stand in the way.").

[292] *See* Lamdan, et. al, *supra* note 36, at 29 (detailing that digital content can disappear for many reasons, which presents challenges to the preservation function of libraries); *see also* Haight & Pierson, *supra* note 27, at 226-28.

[293] Cathay Smith, *Editing Classic Books: A Threat to the Public Domain?*, 110 VA. L. REV. ONLINE 1, 5-8 (2024).

[294] Lamdan, et. al, *supra* note 36, at 46 n.104; *see also* Courtney & Ziskina, *supra* note 265 at 18-19.

[295] Michael Blackwell, *Guest post: OverDrive magazines no longer offers The Economist*, READERS FIRST (Jan. 20, 2023), https://www.readersfirst.org/news/2023/1/20/guest-post-overdrive-magazines-no-longer-offers-the-economist.

[296] For example, Amazon refuses to license its titles to libraries. *See* Wu, *The Corruption of Copyright, supra* note 248, at 127.

[297] American Library Association, *supra* note 45 at 3-4.

[298] This is the case currently with, for example, Apple's CODA, which won the 2021 Best Picture Oscar; Netflix's The Queen's Gambit & Bridgerton; Hulu's Only Murders in the Building; and The Acolyte on Disney+.

[299] Melissa Levine, *Intellectual Property and Public-Private Partner Motivations: Lessons from a Digital Library*, *in* THE CAMBRIDGE HANDBOOK OF PUBLIC-PRIVATE PARTNERSHIPS, INTELLECTUAL PROP. GOVERNANCE, AND SUSTAINABLE DEVELOPMENT 199, 203 (Margaret Chon, Pedro Roffe, & Ahmed Abdel-Latif, eds., 2018).

books are not as vulnerable as digital content to technological changes to devices.[300] Finally, although section 108 of the 1976 Act allows libraries to make copies for archival purposes,[301] many licenses and/or terms of use prohibit any copying at all. This deliberate evasion of the public law framework is another form of copyright over-reach.

E. Impacts on Access Exacerbated by Industry Concentration

Corporate consolidation within both the publishing and platform industries[302] exacerbates many of these consequences of the shift to digital licenses. Ebook licensing magnifies pre-existing mismatches between the private interests of publishers, the majority of which are for-profit businesses, and those libraries with missions to serve the public.[303] The involvement of either third party or publisher platforms, such as Amazon and OverDrive, with their own specific goals and motives, complicates the dynamics of the relationship between publishers and libraries. As Perzanowski and Schultz note, "[m]ost publishers refuse to deal directly with public libraries when it comes to ebooks. Instead, they contract with vendors like OverDrive, who provide technology platforms that allow library patrons to access digital books."[304]

Amazon (which is both a publisher as well as a platform)[305] has around 70 percent of the US ebook market as of 2024,[306] and OverDrive has over 90 percent of the library market. Both publisher and platform markets exhibit oligopolistic if not monopolistic characteristics, and they have evolved to tie their products to each other. By agreement between the publishers and the platforms, tacit or otherwise, platform contracts for ebook distribution are offered to libraries on a take it or leave it basis.[307]

In addition to controlling prices, platforms such as OverDrive exert control over areas of decision-making formerly made by librarians. By contrast, print distributors do not impose the same level of control over libraries that the current digital platforms do.

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[300] Kevin Kelly, *Scan This Book!*, N.Y. Times Mag. (May 14, 2006), at 43, 46 ("Printed books require no mediating device to read and thus are immune to technological obsolescence. Paper is also extremely stable, compared with, say, hard drives or even CD's. In this way, the stability and fixity of a bound book is a blessing. It sits there unchanging, true to its original creation.").

[301] 17 U.S.C. § 108.

[302] Lamdan, et. al, *supra* note 36, at 6; *see also id.* at 39 ("Platforms don't just lock in readers. They lock in publishers") (discussing Amazon's market share of over 80%); *see also* Wu, *supra* note 28, at 147 (publishers collaborating with platforms).

[303] Haight & Pierson, *supra* note 27, at 227.

[304] Perzanowski & Schultz, *supra* note 29, at 86.

[305] Hovencamp, *supra* note 256, at 20-21; *Id.* at 23 (Amazon "might plausibly monopolize the market for ebooks, where its market share of around 60% is substantial").

[306] *Ebook Industry News Feed*, About Ebooks (Nov. 20, 2024), https://about.ebooks.com/ebook-industry-news-feed/ (according to this source, eBooks comprise 21 percent of total book sales as of November 2024); *see also Ebook Market Size & Share Analysis - Growth Trends & Forecasts (2025 - 2030)*, Mordor Intelligence, https://www.mordorintelligence.com/industry-reports/e-book-market (according to a different source, the five major eBook publishers are Amazon, Rakuten-Kobo, Apple, Barnes & Noble, and Smashwords (in no particular order).

[307] Digital library licenses are typically not bargained. Libraries contract with the distributor and can negotiate a platform fee. But the cost and terms of an individual license are non-negotiable. The publisher tells the distributor what terms to use and a price range. The distributor selects the price to offer the customer and enforces the terms.

For example, with print books, librarians decide on how long to make a patron loan request available. With ebooks, OverDrive sets the parameters. Thus the public service missions of libraries are trampled by the private interests of publishers and platforms.

Purchased by a private equity firm in late 2019,[308] OverDrive has reportedly doubled in value since that time.[309] And unlike print distributors, it does not offer discounts to most of its customers, although there are rumors that it may offer discounts to its largest library customers. By contrast, most general public libraries purchase their print volumes from wholesalers Baker & Taylor or Ingram and the competition between these two distributors means that librarians can buy print books at deep discounts. Library advocate Jonathan Band suggests that

> Although libraries, publishers, and OverDrive all participate in the fiction that public libraries lend ebooks, in fact libraries act as brokers for the ebook "lending" by OverDrive, and even OverDrive really isn't lending in the traditional meaning of the term. It is making an authorized copy on the user's device, which disappears after a set period, typically 2 or 3 weeks. Everyone participates in the fiction for purposes of marketing and convenience[, the net effect of which is that] all the publishers . . . mak[e] ebooks available to libraries via a single platform that charges similar prices for millions of titles.[310]

Wu argues that this close tying of platforms to publishers is an arguable violation of antitrust laws.[311]

Examples do exist of independent publishers who do in fact offer digital books for sale to libraries at reasonable prices.[312] But these are still few and far between, relative to the market power wielded by the major publishing industry firms. And in the debate between libraries and publishers, assertions made by the latter arguably have disingenuously blurred the differences between ownership and licensing.[313]

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[308] Marshall Breeding, *OverDrive's New Owners: What It Means,* American Libraries (Dec. 31, 2019), https://americanlibrariesmagazine.org/blogs/the-scoop/overdrives-new-owners-what-means/.

[309] KKR, a global investment firm, agreed to acquire OverDrive from Rakuten in 2019, with the transaction finalized in June 2020. The reported value of the acquisition was $775 million. Rakuten told Good e-Reader they profited $365 million from the sale, so it is likely KKR bought OverDrive for $775 million. Michael Kozlowski, *Rakuten sells Overdrive to KKR*, Good e-Reader (Dec. 25, 2019), https://goodereader.com/blog/digital-library-news/rakuten-sells-overdrive-to-kkr.

[310] E-mail from Jonathan Band to author (Aug. 30, 2024).

[311] *See* Wu, *supra* note 28, at 146-53; s*ee also* Haight & Pierson, *supra* note 27, at 253-55; *but see* Petot, *supra* note 74, at 1749-52.

[312] The number of digital titles for sale rather than license is comparably tiny, although more are beginning to become available through a recent partnership between Digital Public Library of America and Independent Publishers Group. *See Groundbreaking Agreement Provides Libraries with Permanent Ownership Rights Over Tens of Thousands of Digital Titles*, DPLA (Aug. 13, 2024), https://dp.la/news/groundbreaking-ebook-agreement; *see also* Perzanowski & Schultz, *supra* note 29, at 87 (When customers buy ebooks from O'Reilly they can "freely loan, re-sell or donate them, read them without being tracked, or move them to a new device without re-purchasing all of them," as long as they don't keep any copies of their books after lending or reselling them. That's a notion of ownership that looks familiar to most of us.").

[313] *See* Perzanowski & Schultz, *supra* note 29, at 87.

V. Possible Applications

The foregoing sections have established the following propositions: (1) Libraries occupy a privileged position in the copyright system; (2) exhaustion forms a major common law limit to the scope of copyright, historically working in tandem with libraries to facilitate their multiple functions; and (3) the equitable doctrine of copyright misuse is not only widely accepted but also growing in response to licensing over-reaches. Twisting these three strands together, a court could and should find copyright misuse in the case of a licensing regime that leads to price discrimination against libraries or curtails activities that otherwise would be allowed after the first sale of an equivalent print book.

In turning to judicial solutions, it is important to note that legislative responses so far have been meager and insufficient. Although Congress has shown some passing recent interest,[314] prospects of federal legislative reform on this issue are unclear despite the obvious need.[315] In the interim, some state legislatures have undertaken efforts to counteract unfair pricing.[316] Maryland was the first state to enact legislation of this sort. However, in a challenge brought by the publishers, *Association of American Publishers, Inc. v. Frosh*, a federal district struck down its 2021 law as being preempted by the 1976 Act, while acknowledging the importance of libraries and their publics.[317] Since then, multiple state legislatures have considered reasonable ebook pricing statutes but only Connecticut has enacted a law that purports to avoid the preemption issue.[318]

Against the background of these scattered attempts at legislative reform, the remainder of this Article considers the viability of a common law approach towards ebook licensing, combining exhaustion principles with the copyright misuse doctrine. It first considers some litigation questions, then briefly addresses preemption issues surrounding copyright's interface with contract law.

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[314] *See* Alan Inouye, *How Will We Ever Resolve the Library Digital Content Problem?*, 33.2 MAINE POL'Y REV. 92 (2024); Petot, *supra* note 74, at 1738 n.32 (citing to Press Release, United States Senate Comm. on Fin., Wyden, Eshoo Press Big Five Publishers on Costly, Overly Restrictive E-Book Contracts with Libraries (Sept. 23, 2021), https://www.finance.senate.gov/chairmans-news/wyden-eshoo-press-big-five-publishers-on-costly overly-restrictive-e-book-contracts-with-libraries [https://perma.cc/5EXK-79MG]).

[315] Mary LaFrance, *Copyright, eBooks, and the Future of Digital Lending*, 27 YALE J. LAW & TECH. 58 (2025); Katherine Klosek, *Protecting library rights: Considerations for Congress*, 84 COLLEGE & RESEARCH LIBRARIES NEWS [ONLINE] 296 (2023); Katherine Klosek, et. al, *AI Is Reigniting*, *supra* note 282 (describing how "the 2002 Digital Choice and Freedom Act . . . introduced by Representative Lofgren (D-CA), would have created a new section of the US Copyright Act asserting that license terms that restrict any of the limitations on the copyright holder's exclusive rights are not enforceable under any state statute.").

[316] Haight & Pierson, *supra* note 27, at 229-56 (summarizing state legislative efforts and possible additional actions); Erik Ofgang, *Libraries Pay More for E-Books. Some States Want to Change That.*, N.Y. TIMES (Jul. 16, 2025), https://www.nytimes.com/2025/07/16/books/libraries-e-books-licensing.html?unlocked_article_code=1.XE8.IEHp.RORQEORzQznQ&smid=url-share.

[317] *Frosh*, 596 F. Supp. at 398 ("Libraries face unique challenges as they sit at the intersection of public service and the private marketplace in an evolving society that is increasingly reliant on digital media.").

[318] Haight & Pierson, *supra* note 27, at 229; *Connecticut EBook Bill Passes!*, READERS FIRST (May 15, 2025), https://www.readersfirst.org/news/2025/5/15/connecticut-ebook-bill-passes.

A. Misuse in Action

This Article claims that contractual terms that eliminate exhaustion, raise prices beyond fair remuneration, and/or eliminate consumer freedoms such as fair use, can and should be a basis for a finding of copyright misuse, especially in the context of library licensees. A library resisting the terms of a digital license that purports to override exhaustion need only show the attempt to eliminate exhaustion in the digital context to show the likely presence of abuse.[319] For example, the common publishing industry practices of imposing two-year terms on a library ebook license or onerous restrictions on the number of times a title can be borrowed before a library license expires would support the conclusion that copyright holders are curtailing the libraries' typical reliance on exhaustion of print versions. Moreover, the comparison of the costs of ebook licensing against the typical cost (measured against average shelf life) of analogous print volumes, could independently support a finding of excessive pricing of digital books and therefore misuse. The combined presence of these two practices—end-runs around exhaustion and excessive pricing—would strongly justify a finding of copyright misuse. Even more persuasive would be an allegation of misuse that rests not only on these two major over-reach indicia but also on the forced bundling of licensed products and/or the undermining of other core copyright features such as ILL, fair use, or library preservation.

Misuse allegations could be framed as claims for declaratory relief. In *Broadcast Inc. v. Columbia Broadcasting System, Inc.*,[320] for example, CBS had filed a declaratory judgment action against BMI and ASCAP, challenging their practices of blanket licensing. The Second Circuit found these practices to be a *per se* violation of the antitrust laws and ergo copyright misuse.[321] Although the Supreme Court ultimately reversed and remanded on the grounds that the licensing practices should have been evaluated under a rule of reason, it did not question the propriety of the misuse issue being brought up affirmatively as part of a request for declaratory relief.

A recent decision by the Southern District of New York illustrates the viability of this litigation approach. In *Shake Shack Enterprises, LLC v. Brand Design Company, Inc.*,[322] the plaintiffs brought action against a typeface foundry, seeking a declaratory judgment that foundry had engaged in copyright misuse by attempting to monopolize the legitimate use of a typeface in the public domain. While the reported case was decided on grounds of preemption (discussed below), the court allowed the misuse allegation.

Recall that a key aspect of the misuse doctrine is that it can be applied to contracts that are not binding upon the party itself. In *Lasercomb*, the court found plaintiff's copyrights were unenforceable due to licensing over-reach in its standard form contracts,

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[319] Katz, *Economic Rationale for Exhaustion*, *supra* note 8, at 31 ("exhaustion should be treated as a sticky default rule. The law should not categorically invalidate any attempt to contract around the first sale doctrine, but it should also require those who seek to enforce the restraints to justify their efficiency and reasonableness before a court will uphold them."); *accord* Frischmann & Moylan, supra note 50 (arguing in favor of a *per se* misuse rule in certain clearcut circumstances).

[320] *Broadcast Music*, *supra* note 195.

[321] *Columbia Broadcast. Sys.*, *supra* note 196.

[322] Shake Shack Enter., LLC., v. Brand Design Co. Inc., 708 F. Supp. 3d 515 (S.D.N.Y. 2023).

not in the specific contract at issue between the parties.[323] Given the ubiquity of the publisher-platform dyad in the distribution of digital books, the misuse doctrine arguably could permit a court to void the abusive provisions in publisher-platform agreements as violating public policy with a showing of legal liability through joint action via either an exclusive license, service agreement, or otherwise, and to order the disabling of any platform-based technical protection measure so as to enable libraries to continue lending out unprotected content.[324] This is analogous to the standing granted to a party challenging a contract in violation of antitrust law without being a party to the offending contract.[325] Given the close relationship between publishers and platforms in providing content to libraries, demonstrating such joint action should not be an insurmountable obstacle.

Of course, specific digital licenses directly negotiated between publishers and libraries can be scrutinized by courts for copyright over-reach via limits on exhaustion combined with evidence of circumvention of exhaustion, excessive pricing, and other overrides of the public law framework. In either case, plaintiffs can combine a request for declaratory relief with a request for injunctive relief, asking for the contracts to be unenforceable unless and until the offending provisions are removed or amended to conform with reasonable rather than excessive returns on copyright. This is consistent with the equitable origins of the misuse doctrine. To permit libraries to use the ebooks once the underlying copyrights are declared unenforceable, courts could simultaneously order the non-enforcement of DRM under 17 U.S.C. section 1201 so that the library could legally circumvent DRM to continue lending a DRM-protected work.

One question is whether such a declaratory judgment action could be brought by a party other than a library, such as a state Attorney General who would have standing to challenge misuse pertinent to the contracts between state-funded libraries and publishers. Because this type of action is an action in equity, it would not be subject to the standing requirement of 17 U.S.C. § 501(b)[326] and therefore could be brought on behalf of libraries by others, such as Attorneys General.

B. Preemption

This brings us to a final critical issue: The indeterminate interface between copyright and contract law.[327] As a response to copyright over-reach, the remedy for misuse is the inability to enforce the copyright until the misuse is purged. This copyright remedy would obviate any need to consider breach of contract claims. However, arguably, misuse

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[323] *Lasercomb*, 911 F.2d.

[324] *See* Ghosh & Calboli, *supra* note 29, at 166 (reviewing anti-circumvention provisions in mass consumer contracts that arguably rise to "abuse of digital rights by intellectual property owners.").

[325] Antitrust Law: An Analysis of Antitrust Principles and their Application - Areeda and Hovenkamp, 3f "Standing" of Private Plaintiffs (¶335-¶363).

[326] 17 U.S.C. § 501(b) ("The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it.").

[327] *See generally* Guy A. Rub, *Moving from Express Preemption to Conflict Preemption in Scrutinizing Contracts over Copyrighted Goods*, 56 Akron L. Rev. 301 (2023) (hereinafter "*Moving from Express*"); Mark A. Lemley, *Beyond Preemption: The Federal Law and Policy of Intellectual Property Licensing*, 87 Cal. L. Rev. 111 (1999) (discussing preemption in the context of then-proposed Article 2B of the Uniform Commercial Code).

can also be leveraged to respond to contractual over-reach through the federal preemption of digital licensing provisions. Federal copyright law could preempt ebook license terms not only expressly by section 301 of the 1976 Act,[328] but also impliedly through the doctrine of implied or conflict preemption. While relatively few courts so far have found federal copyright law to preempt state contract law,[329] it is equally true that none of the cases decided have raised the issue of exhaustion within the context of digital licenses between publishers (or platforms) and libraries.

A standard section 301 express preemption analysis proceeds in two steps: first, a court must determine whether the claim concerns a type of work described in section 102 or 103 of the 1976 Act (subject matter equivalence), and second, a court must determine whether the claim asserts one of the exclusive rights granted to copyright owners under section 106 of the 1976 Act (claim equivalence). If the answer is yes to both questions, then the state law claim is preempted by federal copyright law. The recent *Shake Shack* decision discussed above found express copyright preemption of the state breach of contract counterclaim alleged by the typeface foundry.[330]

To the first question in the section 301 analysis—that is, whether the object of the contract falls within the subject matter of copyright—the court answered affirmatively even though typeface is not protected by copyright. Because the typeface was a type of pictorial, graphic, sculptural work that could be protected by copyright,[331] it fell within the subject matter of copyright, notwithstanding the decision by the Copyright Office to put it in the public domain.[332] Regarding the second part of the section 301 analysis—whether the state law presented equivalent rights to the federal copyright act—the court found equivalence of claims because "[t]he alleged contract embodies the rights to control public display of Neutraface glyphs that House Industries would otherwise enjoy under section 106 of the Copyright Act (assuming, of course, the absence of 37 C.F.R. § 202.1(e))."[333] The *Shake Shack* decision is part of a recent trend led by the Second Circuit to acknowledge express preemption of contracts by copyright pursuant to section 301.[334]

Recently, the Northern District of California, another influential copyright court, found implied (or conflict) preemption as a basis for voiding various state law claims,

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[328] 17 U.S.C. § 301 ("Preemption with respect to other laws (a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.").

[329] Rub, *"Moving from Express," supra* note 327, at 312.

[330] *Shake Shack*, 708 F. Supp. 3d , at 526.

[331] 17 U.S.C. § 101 (definition of "pictorial, graphic, and sculptural works").

[332] *Shake Shack*, 708 F. Supp. 3d at 528.

[333] *Id.* at 529.

[334] Rub, *supra* note 328, at 308-12 (discussing Universal Instruments Corp. v. Micro Sys. Eng'g, Inc., 924 F.3d 32 (2d Cir. 2019) (finding preemption) and ML Genius Holdings LLC v. Google LLC, No. 20-3113, 2022 WL 710744 (2d Cir. Mar. 10, 2022)).

including breach of contract, in *X. Corp. v. Bright Data Ltd.*[335] Although this case involved contract terms embedded within mass consumer licenses (X users' accounts), it nonetheless illustrates an approach towards preemption analysis that weighs the importance of federal copyright policies against the state's interests. The court stated that

> Although conflict preemption has played second fiddle to express preemption in the case law as of late, *it is the more appropriate consideration when the question presented is not whether rights created by state law are equivalent to rights created by federal copyright law but whether enforcement of state law undermines federal copyright law*. . .. The Supreme Court has found conflict preemption where the enforcement of state law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.' [336]

In an order dismissing X's complaint, Judge Alsup found that federal copyright law preempted claims based on the defendant's acts of scraping and selling of data, stating that "X Corp. would entrench its own private copyright system that rivals, even conflicts with, the actual copyright system enacted by Congress. X Corp. would yank into its private domain and hold for sale information open to all, exercising a copyright owner's right to exclude where it has no such right."[337]

Furthermore, Second Circuit Judge Pierre Leval reiterated in a recent case involving federal copyright preemption of a state right of publicity that:

> [w]hat constitutes a 'sufficient obstacle'' is a ''matter of judgment, to be informed by examining the federal statute as a whole and identifying its purpose and intended effects.' If, by reason of state law, a federal statute's ''operation within its chosen field [would] be frustrated and its provisions be refused their natural effect[,] the state law must yield to the regulation of Congress.'[338]

Freedom of contract, by itself, is far too weak a straw to justify overturning the principle of exhaustion in federal copyright law. Indeed, the consumer protection and police protection functions of states militate in the opposite direction—to justify state interests in favor of (rather than against) preemption, so as to protect the right of access to knowledge by the public that many state and local libraries safeguard.

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[335] X. Corp. v. Bright Data Ltd., 733 F. Supp. 3d 832 (N.D. Cal. 2024).
[336] *Id.* at 850 (emphasis added) (citations omitted).
[337] *Id.*
[338] In Re Jackson, 972 F.3d 25, 34 (2d Cir. 2020) (citations omitted); *Id.* at 35 ("Federal copyright law does not entirely divest the states of authority to limit the exploitation of a work within copyright's subject matter in furtherance of sufficiently substantial state interests, such as protecting a person's privacy, compensating for fraud or defamation, or regulating unauthorized use of its citizens' personas."). The Copyright Principles Project suggested that courts consider multiple factors in preemption analysis involving state contract law, including but not limited to: "*the extent to which the contractual provision at issue alters the scope of protection copyright would otherwise provide*; . . . [and] *whether enforcing the contract would establish legal control over ideas or information that copyright leaves unprotected in ways that would unreasonably inhibit future authorship or create undue monopolization* . . .." Pamela Samuelson et. al, *The Copyright Principles Project: Directions for Reform*, 25 BERKELEY TECH. L. J. 1175, 1236 (2010) (emphasis added).

And an IP licensing agreement is not just any old contract. Jorge Contreras describes it this way:

> It conveys an interest in a property right. Thus, while a rental agreement is a contract, interpreted in accordance with the laws of contract, it also conveys a leasehold interest, a property interest that has an existence that is both dependent on, but also independent of, the contract that created it. That is, *there are aspects of a leasehold that need not be written into a rental agreement, but which exist nonetheless – the result of even more centuries of common law development*.[339]

By analogy, IP licensing agreements may not overturn longstanding restrictions against servitudes on chattel. Because an IP licensing agreement is drafted not only under the shadow of the federal public law framework, but also against the background of common law property rights, courts should scrutinize the public policies of both federal and state laws when considering whether to void provisions based on copyright misuse.

CONCLUSION

As knowledge economies have moved decisively from analog to digital technologies, the common law doctrine of copyright misuse can play a significant role in filling gaps not yet addressed by the 1976 Act. Instances of copyright over-reach affect many others besides library licensees.[340] But in the library context, these acts have inflicted egregious harm on the public welfare that Anglo-American-Commonwealth copyright is supposed to promote, dating from its origins in the Statute of Anne. Ebook licenses have disrupted the longstanding social bargain between publishers and the public. Although the principle of copyright exhaustion may not be a universal truth acknowledged in identical ways among jurisdictions regulating the relationship between libraries and publishers, it has been and continues to be an integral and durable feature of the U.S. copyright system.

As digital licensors pressure, threaten, even at times arguably bully, libraries and their publics into believing that they are only entitled to "mere legal crumbs they [are] permitted to collect to the extent they fell off the copyright table,"[341] it is important to identify certain licensing behaviors as abusive. And it is equally important to acknowledge that libraries are often unsung hero/ines of the copyright saga—performing roles that have relied heavily and historically on the exhaustion of the copyright holders' rights upon first sale, so as to preserve as well as promote the "Progress of Science and

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[339] CONTRERAS, *supra* note 8, at 47 (emphasis added).

[340] *See generally* Kristelia García, *The Emperor's New Copyright*, 103 B.U. L. REV. 837 (2023); PAUL J. HEALD, COPY THIS BOOK! WHAT DATA TELLS US ABOUT COPYRIGHT AND THE PUBLIC GOOD (2020); Jason Mazzone, *CopyFraud*, 81 N.Y.U. L. REV. 1026 (2006); *see also* Katherine Klosek, et. al, *AI is Reigniting*, *supra* note 282 (describing misleading restrictions: "Penguin Random House (PRH) now includes language in its copyright statement that reads: "No part of this book may be used or reproduced in any manner for the purpose of training artificial intelligence technologies or systems." The PRH warning "expressly reserves [the titles] from the text and data mining exception," in accordance with the EU copyright directive. Elsevier added a copyright notice to its website that reads "Copyright © 2025 Elsevier, its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies.").

[341] Katz, *supra* note 8, at 87.

the Useful Arts."[342] By leveraging copyright's common law in support of their many historic and still socially valuable functions, libraries can continue to serve as important drivers of creativity and innovation, as well as protectors of past knowledge for future generations.

[342] U.S. CONST. art. I, § 8, cl. 8.