

PHOTOCOPYING AND FAIR USE: EXPLORING THE MARKET FOR SCIENTIFIC JOURNAL ARTICLES

BRIAN T. STER*

INTRODUCTION

Section 107 of the Copyright Act of 1976 recognizes the judicially created doctrine of fair use, which may be used as a defense in a suit for copyright infringement.¹ The doctrine is defined on a case-by-case basis by the evaluation of four factors that are listed in the statute. Those factors are: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the material copied; and (4) the effect of the use upon the potential market for or value of the copyrighted work.² Although no simple definition of the doctrine can be formulated, generally the “use must be of a character that serves the copyright objective of stimulating productive thought and public instruction without excessively diminishing the incentives for creativity.”³ At one time, most employees of corporations engaged in research and development assumed that the practice of photocopying articles from scientific journals fell within this definition. However, a recent ruling by the Second Circuit, which affirmed the decision of the district court, has drastically changed that line of thinking.⁴

American Geophysical Union and eighty-two other publishers of scientific journals brought a class action against Texaco for its unauthorized photocopying of their articles.⁵ The publishers had registered their journals with the Copyright Clearance Center (“CCC”), a nonprofit organization founded to act as a clearinghouse for individuals and entities that want to make photocopies of copyrighted articles.⁶ Texaco claimed, among other defenses, that the photocopying was protected as fair use.⁷ The district court, after a bench trial limited solely to the issue of fair use, found Texaco’s actions were not fair use.⁸ Perhaps the most significant aspect of the Second Circuit’s decision is found in its

* J.D. Candidate, 1997, Indiana University School of Law—Indianapolis; B.S. Mechanical Engineering, 1994, Purdue University. The author would like to thank Professor Kenneth D. Crews for his comments on the initial draft of this Note. The author would also like to give special thanks to his wife, Colleen Ster, for her love and support.

1. 17 U.S.C. § 107 (1994).

2. *Id.*

3. See Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1110 (1990).

4. *American Geophysical Union v. Texaco Inc.*, 37 F.3d 881 (2d Cir. 1994), *aff’g* 802 F. Supp. 1 (S.D.N.Y. 1992), *amended and superseded*, 60 F.3d 913 (2d Cir. 1994), *cert. dismissed*, 116 S. Ct. 592 (mem.) (1995).

5. *Texaco*, 60 F.3d at 914.

6. *Id.* at 929 n.16.

7. *Id.* at 914-15.

8. *Texaco*, 802 F. Supp. at 28.

analysis of the fourth statutory fair use factor, the effect on the market. The court not only looked at the potential harm to the sales of the articles copied by Texaco, but it also analyzed potential lost licensing revenues through the CCC.⁹ The problem with this analysis, as Texaco unsuccessfully argued to the court,¹⁰ is the circularity of its reasoning: the court presupposes the publishers' right to demand such fees when determining market effect, but this right is the very question that the fair use trial was to determine. In essence, the decision expanded the traditional concept of what is included in the definition of "the market" when analyzing the fair use doctrine.

This Note examines the relationship between the photocopying of scientific articles and the fourth factor of the fair use defense, the effect on the market. Part I of this Note provides a brief history of copyright law and the fair use defense as it relates to photocopying. Part II contains an analysis of the *Texaco* case and an operational overview of the CCC. Part III of the Note provides an in-depth examination of the fourth statutory factor and looks at what exactly defines "the market" in the fair use analysis. Part IV presents a proposal for altering the current method of analyzing the fourth factor in photocopying cases similar to *Texaco*.

I. HISTORY OF COPYRIGHT LAW AND FAIR USE RELATED TO PHOTOCOPYING

A. Copyright Law Generally

Congress shall have power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."¹¹ This text demonstrates the Framers' view that the activities of authors and inventors are roughly equivalent.¹² The constitutional protection offered to an author is designed to "stimulate activity and progress in the arts for the intellectual enrichment of the public."¹³

Congress has attempted to meet the Framers' objectives by giving the creator of an original work an alienable property right known as a copyright.¹⁴ The first Copyright Act,¹⁵ which was adopted soon after the ratification of the Constitution, has been amended several times and undergone four thorough revisions.¹⁶ Subject to various limitations, the current act gives an author the right "to do and to

9. *Texaco*, 60 F.3d at 927-31.

10. *Id.* at 929.

11. U.S. CONST. art. I, § 8, cl. 8.

12. *See* Leval, *supra* note 3, at 1108. Leval also points out the utilitarian purpose of the Constitutional text. For example, because the language states that the right may only be conferred "for limited times," the language indicates that the Framers did not view it as an absolute or moral right inherent in natural law. *Id.*

13. *Id.* at 1107.

14. *See* William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659, 1661-62 (1988).

15. Act of May 31, 1790, ch. 15, 1 Stat. 124.

16. *See* Fisher, *supra* note 14, at 1662 n.5.

authorize" the following: (1) reproduce copies; (2) prepare derivative works; (3) distribute copies; (4) perform the work; and (5) display the work.¹⁷ Any violation of these exclusive rights of the copyright owner constitutes an infringement.¹⁸ In this manner, copyright law protects the rights of individual copyright holders. However, copyright law, under the direction of the Constitution, must also promote the arts and science. Thus, a tension exists between the constitutional mandate of promoting the arts and science, and the constitutional protection of an individual's property interest in his copyright. This tension has long been recognized. As long ago as 1803, Lord Ellenborough acknowledged this tension when he wrote, "while I shall think myself bound to secure every man in the enjoyment of his copy-right, one must not put manacles upon science."¹⁹

*B. Development of Fair Use: From Folsom v. Marsh to
The Copyright Act of 1976*

The doctrine of fair use developed as one way to ease the tension between the progress of science and rewarding an individual for his work. *Folsom v. Marsh*²⁰ was the first American case to recognize the fair use exception that developed in England in the mid-eighteenth century.²¹ In *Folsom*, the plaintiffs, who had purchased a valid copyright from the author of a set of books containing writings by George Washington, brought suit against a book-selling company and the author of a competing work. The defendants, claiming fair use, admitted at trial that for their version of Washington's autobiography, they had copied 353 pages,

17. The full text of 17 U.S.C. § 106 provides:

Exclusive rights in copyrighted works

Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following: (1) to reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work; (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; (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

17 U.S.C. § 106 (1994 & Supp. I 1995).

18. 17 U.S.C. § 501 (1994).

19. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 575-76 (1994) (quoting *Carey v. Kearsley*, 170 Eng. Rep. 679, 681 (K.B. 1803) (internal quotation marks omitted)).

20. 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4901).

21. Michael G. Anderson et al., *Market Substitution and Copyrights: Predicting Fair Use Case Law*, 10 U. MIAMI ENT. & SPORTS L. REV. 33, 36 n.21 (1993).

or 5.7%, of the plaintiffs' work.²² The circuit court found the defendants guilty of infringement and rejected their fair use claim.²³ Justice Story stated that large portions from an original work could be cited if the clear purpose was to criticize.²⁴ However, according to the court, if the purpose of the new work was not to criticize, but to supersede the use of the original work, then infringement has occurred.²⁵

Justice Story explained that allowing unlimited copying, when the secondary copying competed with the first use of the original work, would discourage creation of future works.²⁶ Justice Story then stated, in what became the basis for today's fair use test, the following methodology for fair use analysis:

In short, we must often, in deciding questions of this sort, look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.²⁷

With regard to the policy driving the *Folsom* decision, Justice Story refused to consider the general public interest that would be served by the defendants' work.²⁸ Instead, he focused on the fact that the defendants had copied substantially, and had not transformed the copied material into anything substantially new.²⁹ Courts today continue to consider whether the defendant made a transformative use of original materials when analyzing claims of fair use.³⁰ However, in some fair use cases involving areas of key technology, modern courts have departed from Justice Story's approach to consider the public interest served by the defendant's use.³¹

The development of fair use following the *Folsom* decision was anything but a smooth process.³² Because the 1909 Copyright Act³³ contained no reference to fair use, the evolution of this doctrine occurred in the courts alone. With the exception of the Second Circuit,³⁴ courts were likely to find fair use of literary or

22. *Folsom*, 9 F. Cas. at 343.

23. *Id.* at 349.

24. *Id.* at 344.

25. *Id.* at 344-45.

26. *Id.* at 347.

27. *Id.* at 348.

28. See Karen S. Frank & Michael J. Higgins, *Fair Use: In the Courts and Out of Control?*, in *ADVANCED SEMINAR ON COPYRIGHT LAW: 1995*, at 411 (PLI Patents, Copyrights, Trademarks & Literary Prop. Course Handbook Series No. G4-3941, 1995), available in WESTLAW, 411 PLI/PAT, at *6.

29. *Id.*

30. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994); *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 923 (2d Cir. 1994).

31. See Frank & Higgins, *supra* note 28, at *7.

32. See WILLIAM F. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* 18-20 (1985).

33. Act of Mar. 4, 1909, ch. 320, 35 Stat. 1075.

34. Between 1930 and 1945 the Second Circuit applied the term "fair use" to various

artistic works only where the defendant had copied a minimum of material for the purpose of review or criticism.³⁵

By the 1960s and 1970s, new technology, especially in the field of photocopying, brought new problems to fair use analysis. In 1973, *Williams & Wilkins Co. v. United States*³⁶ effectively ended the pre-1976 era of fair use cases. In *Williams*, a case with factual similarities to the *Texaco* case,³⁷ the plaintiff charged the Department of Health, Education, and Welfare, through the National Institute of Health (NIH) and National Library of Medicine (NLM), with copyright infringement based on their practice of photocopying medical journal articles for users of their libraries.³⁸ Typically researchers requested the copies to assist them in their own projects or to simply have the articles available for background reading.³⁹ Even though each library placed restrictions on the photocopying, the combined amount of copying for both libraries easily totaled over one million pages per year.⁴⁰ In response to the plaintiff's charge of infringement, the defendant libraries asserted the affirmative defense of fair use.

After weighing Justice Story's four fair use factors, the court in *Williams* concluded that the defendants' practice of photocopying articles from medical journals was indeed fair use.⁴¹ The court based its decision on three major propositions. First, the plaintiff did not show substantial harm caused by the NIH and NLM practices.⁴² Second, the court stated that medical research would be injured by a holding of infringement.⁴³ Finally, the court identified the need for legislative guidance on this problem, which Congress was at that time preparing, and stated that, in the interim, the risk of harm should not be placed upon science and medicine.⁴⁴ The court also found it significant that the type of photocopying complained of had occurred ever since the 1909 Act was adopted.⁴⁵ In other words, this type of photocopying had become customary.

examinations that had nothing to do with the traditional concept of the term. PATRY, *supra* note 32, at 62-63. By 1964, though, the Second Circuit had abandoned this shotgun approach and limited fair use to its role as an affirmative defense. *Id.* at 64 n.232.

35. See Frank & Higgins, *supra* note 28, at *8.

36. 487 F.2d 1345 (Ct. Cl. 1973), *aff'd*, 420 U.S. 376 (1975).

37. Of course, factual differences exist also. Most notably, the photocopying done in *Williams* was by nonprofit organizations, unlike the photocopying by *Texaco*, a for-profit entity. See U.S.C. § 107(1) (1994).

38. *Williams*, 487 F.2d at 1346-47.

39. *Id.* at 1348.

40. *Id.* at 1348-49.

41. *Id.* at 1353.

42. *Id.* at 1354.

43. *Id.*

44. *Id.*

45. *Id.* at 1351.

C. Fair Use Following The Copyright Act of 1976

The Copyright Act of 1976⁴⁶ marked the first time that the fair use doctrine had been given a statutory basis. From the beginning of the revision process,⁴⁷ the proposed bill contained a reference to fair use.⁴⁸ Also from the beginning of the process, this reference sparked debate among authors, publishers, educators, and members of Congress.⁴⁹ Even though the House and Senate Subcommittees finally agreed on the language to be used, they never agreed upon exactly what that language meant. The subcommittees instead agreed to leave the language intentionally vague, and Congress adopted the compromise verbatim.⁵⁰

The fair use language as ultimately adopted simply attempted to "restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way."⁵¹ The fair use provision reads as follows:

§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

46. Pub. L. 94-553, 90 Stat. 2541 (codified as amended in scattered sections of 17 U.S.C. (1994 & Supp. I 1995)).

47. Revision of the Copyright Act began in 1955 with 35 Congressionally funded studies on copyright issues. See Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 872 (1987). The legislation which eventually became the Copyright Act of 1976 began as a proposed bill in 1964. The act had an effective date of January 1, 1978. Frank & Higgins, *supra* note 28, at *10.

48. See Frank & Higgins, *supra* note 28, at *10.

49. See Litman, *supra* note 47, at 875-76.

50. *Id.* at 877.

51. Anderson et al., *supra* note 21, at 37.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.⁵²

The preamble of this section lists examples of assertions that might warrant successful fair use claims.⁵³ Section 107 does not, and does not purport to, provide a bright line test for fair use; instead, it merely lists factors to be considered on a case-by-case basis.⁵⁴ The statutory language left the determination of how these factors should be applied, and the relative weight that should be given to each, up to the courts. This legislative decision has led to inconsistent application of the four statutory factors.⁵⁵ Judge Leval, the district court judge in *Texaco* who is considered a fair use and copyright law authority, states that these factors are not a "score card that promises victory to the winner of the majority."⁵⁶ Instead, he believes that the factors direct courts to ask in each case whether a finding of fair use would serve or disserve the objectives of copyright law.⁵⁷

By use of the words "shall include," the statute also makes clear that these four factors do not comprise an exclusive list.⁵⁸ Courts may choose to consider other, non-listed factors and even give those more importance than the original four.⁵⁹

D. Fair Use and Photocopying

As mentioned previously, advancing technology in the field of photocopying brought document reproduction to the forefront of fair use cases.⁶⁰ The applicability of the fair use doctrine to photocopying may be divided into three distinct categories. The first category is photocopying by libraries and archives. Section 108 of the Copyright Act⁶¹ provides a special exemption, apart from the concept of fair use, for this type of photocopying.⁶² A special set of suggested guidelines set forth in the legislative history of the Copyright Act cover the next category, photocopying by educational institutions.⁶³ The final category is

52. 17 U.S.C. § 107 (1994).

53. See Anderson et al., *supra* note 21, at 37.

54. See 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.05[A], at 13-156 to 13-158 (1996) [hereinafter NIMMER].

55. See Scott M. Martin, *Photocopying and the Doctrine of Fair Use: The Duplication of Error*, 39 J. COPYRIGHT SOC'Y U.S.A. 345, 348-49 (1992).

56. Leval, *supra* note 3, at 1110.

57. *Id.* at 1110-11.

58. See Jay Dratler, Jr., *Distilling the Witches' Brew of Fair Use in Copyright Law*, 43 U. MIAMI L. REV. 233, 257-58 (1988).

59. *Id.*

60. See *supra* text accompanying notes 36-45.

61. 17 U.S.C. § 108 (1994).

62. *Id.* For a discussion of this type of photocopying, see Martin, *supra* note 55, at 354-64.

63. H.R. REP. No. 94-1476, at 68-70 (1975), reprinted in 1976 U.S.C.C.A.N. 5659, 5681-

83. For a discussion of this type of photocopying, see Robert Kasunic, *Fair Use and the Educator's Right to Photocopy Copyrighted material for Classroom Use*, 19 J.C. & U.L. 271 (1993).

photocopying by businesses. The *Texaco* decision and this Note address this type of photocopying. Beyond the language of § 107, no special guidelines or provisions address this category. If a corporation operates a library, then the § 108 exemption could apply. However, that section requires that the library's collection either be open to the public or be available, not only to the researchers of the institution, but also to others doing research in the field for the exemption to apply.⁶⁴ In most cases of corporate photocopying, including *Texaco*, these strict limitations eliminate corporate libraries from the § 108 exemption.

Claims of fair use for photocopying in the business environment generally have arisen in four areas. The first two areas, photocopying of newsletters for internal circulation purposes⁶⁵ and photocopying by professional duplication businesses,⁶⁶ have both been the subject of recent cases. The *Texaco* case raises issues within the final two areas, photocopying for circulation within the corporation and the use of self-service copiers.

II. CASE ANALYSIS

A. *Facts of the Texaco Case*

In 1985, the plaintiffs, American Geophysical Union and eighty-two other publishers of scientific, technical, and medical journals, supported by the Association of American Publishers, brought a class action for copyright infringement against Texaco, Inc. in the Southern District of New York. The plaintiffs publish copyrighted material under assignment from authors. These publishers alleged that employees of Texaco had infringed their copyrights by making unauthorized photocopies of articles from their journals.⁶⁷

Texaco, one of the largest corporations in the United States, engages in all aspects of the petroleum business from exploration to retail marketing.⁶⁸ As part of its business, Texaco conducts significant scientific research to improve and develop its products and processes.⁶⁹ Texaco employs between 400 and 500

64. 17 U.S.C. § 108 (1994).

65. See generally *Television Digest, Inc. v. United States Tel. Ass'n*, 841 F. Supp. 5 (D. D.C. 1993) (nonprofit trade association's copying of newsletter for distribution to staff members did not fall within fair use defense); *Pasha Publications, Inc. v. Enmark Gas Corp.*, No. CIV.A. 3-92-CV0027-G, 1992 WL 70786 (N.D. Tex. Mar. 10, 1992) (multiple photocopying and fax transmission to district offices by for-profit corporation not fair use).

66. See *Princeton Univ. Press v. Michigan Document Servs.*, 99 F.3d 1381 (6th Cir. 1996) (copying excerpts from copyrighted books to produce "coursepacks" for college student use not fair use); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991) (also holding on similar facts that such a practice was not fair use).

67. *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 914 (2d Cir. 1994), cert. dismissed, 116 S. Ct. 592 (mem.) (1995).

68. *American Geophysical Union v. Texaco Inc.*, 802 F. Supp. 1, 4 (S.D.N.Y. 1992), aff'd, 37 F.3d 881 (2d Cir. 1994), amended and superseded, 60 F.3d 913 (2d Cir. 1994).

69. *Id.*

scientists and engineers at six research centers in the United States and spends over \$80 million per year in research alone.⁷⁰ During the relevant time period, Texaco, in order to support its research activities, subscribed to numerous scientific and technical journals, including some published by various plaintiffs to the class action.⁷¹ As part of their research process, Texaco scientists regularly made, or caused to be made, photocopies of articles to be kept in their personal files and used in the laboratory during the course of their work.⁷² This practice of photocopying scientific articles, a standard practice in the industry, served many functions, including awareness of new learning, suggestion of new ideas, avoidance of previous experimentation shown to be unsuccessful, and, most importantly, circulation of the original journals among colleagues within the corporation.⁷³

Texaco asserted several defenses to the plaintiffs' complaint, including the defense of fair use.⁷⁴ Because it appeared to the parties that the litigation could likely be resolved once the fair use issue was adjudicated, they decided to limit the initial trial to this issue alone.⁷⁵ In order to avoid enormous discovery expenses, the parties also agreed to limit the trial to the files of a randomly selected Texaco scientist, Donald Chickering, II, Ph.D.⁷⁶ Dr. Chickering's files were found to contain a number of photocopies from several journals, but the plaintiffs limited the trial to copies of eight complete articles from the *Journal of Catalysis* found in the files.⁷⁷

Academic Press, the publisher of *Catalysis*, is a wholly-owned subsidiary of Harcourt Brace Jovanovich, Inc., the nation's largest scientific and medical book and journal publisher.⁷⁸ Articles published in *Catalysis* are unsolicited, and Academic Press does not pay authors for the right to publish an article.⁷⁹ Authors who submit their articles to the journal's editors are informed that if the article is selected for publication, then the copyright shall be assigned to Academic Press.⁸⁰

Academic Press sells *Catalysis* at two subscription rates: (1) the institutional

70. *Id.*

71. *Id.*

72. *Id.*

73. *Id.* at 4-5. The district court also stated that such photocopying permitted scientists to maintain easily referenced personal files, avoided the need for repeated trips to the library, and eliminated the risk of error from a transcription. *Id.* at 5.

74. *Id.* at 4.

75. *Texaco*, 60 F.3d at 915. Trial was submitted to the court on a written record limited to the question of fair use under § 107. *Texaco*, 802 F. Supp. at 5.

76. *Texaco*, 802 F. Supp. at 5.

77. *Id.* *Catalysis* is "the change in the rate of a chemical reaction brought about by often small amounts of a substance that is unchanged chemically at the end of a reaction." *Id.* (quoting WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 350 (3d ed. 1976) (internal quotation marks omitted)).

78. *Id.* at 6.

79. *Id.*

80. *Id.*

rate, which is charged to both for-profit and nonprofit institutions; and (2) the individual rate which is one-half the institutional rate.⁸¹ The Texaco facility where Dr. Chickering worked had purchased one subscription to *Catalysis* until 1983, two subscriptions until 1988, and finally three subscriptions after 1988.⁸² Past articles that appeared in *Catalysis* could be obtained in three ways. First, Academic Press offered back issues for sale separately for three years and as annual volumes thereafter.⁸³ Second, reprints could be obtained, but only with a minimum order of 100 copies.⁸⁴ Finally, Academic Press also offered authorization to photocopy articles from *Catalysis* through the CCC.⁸⁵ The CCC, a nonprofit clearing-house, grants blanket permission for a fee to photocopy copyrighted material and then forwards the fees to the copyright owners.⁸⁶

At the relevant time, the CCC offered two principal methods to obtain permission to photocopy articles: the Transactional Reporting Service ("TRS"), which required the user to keep track of its copies and pay the required fees; and the Annual Authorization Service ("AAS"), a blanket license that allowed the user to make all necessary photocopies for one yearly fee.⁸⁷ Most large corporations that have registered with the CCC, including eleven major petroleum companies as of 1991, utilize an AAS license.⁸⁸ Texaco, however, had registered for a TRS license.⁸⁹ For the purpose of the limited issue trial, Texaco did not contend that it had paid for Chickering's copies through its TRS license or in any other manner; instead, Texaco claimed that making these photocopies was protected as fair use and, as such, no payment was necessary.⁹⁰

Of the eight *Catalysis* articles that were the focus of the trial, Dr. Chickering became aware of six of them when Texaco's copies of the periodical were circulated to him.⁹¹ Chickering learned of the other two articles upon seeing a reference to them in another published article.⁹² He did not use any of the articles immediately upon copying, and he never used five of the articles.⁹³

81. *Id.* at 7.

82. *Id.*

83. *Id.*

84. *Id.* These orders take an average of three weeks to be filled. *Id.*

85. *Id.*

86. *Id.* See detailed discussion of the CCC *infra* Part II.D.

87. *Texaco*, 802 F. Supp. at 7-8.

88. *Id.* at 8-9.

89. *Id.* at 25 & n.23. In fact, plaintiffs alleged that Texaco was underreporting the number of photocopies its scientists made, therefore committing infringement. The original complaint did not allege infringement of any particular work, only that Texaco must have been infringing something based on its low reporting. Judge Leval's decision to let the case proceed is considered pathbreaking. See William Patry, *American Geophysical Union v. Texaco, Inc.: Copyright and Corporate Photocopying*, 61 BROOK. L. REV. 429, 431 & n.14 (1995).

90. *Texaco*, 802 F. Supp. at 25 & n.23.

91. *Texaco*, 60 F.3d at 915.

92. *Id.* at 915-16.

93. *Id.*

B. Fair Use Analysis of the Courts

1. *Judge Leval's District Court Decision.*—In a comprehensive opinion, Judge Leval of the U.S. District Court for the Southern District of New York held that Texaco's photocopying did not constitute fair use.⁹⁴ Judge Leval analyzed each of the four fair use factors and weighed equitable considerations. Judge Leval's analysis is summarized in this Note because of the extreme weight it was given by the majority of the court of appeals. However, only a cursory review of factors one through three is included, because this Note focuses on the fourth factor.

Under the first factor of fair use analysis, purpose and character of the use, Judge Leval held Texaco's photocopying was neither transformative nor productive.⁹⁵ With regard to the commercial/noncommercial distinction, Judge Leval flatly rejected Texaco's assertion that Dr. Chickering's photocopying was comparable to that in *Williams & Wilkins Co. v. United States*,⁹⁶ for the purpose of advancing science, and held that the research was conducted for commercial gain.⁹⁷ The second fair use factor, the nature of the copyrighted work, weighed in favor of Texaco.⁹⁸ Judge Leval based this decision on the factual nature of the works photocopied.⁹⁹ The third factor, the amount and substantiality of the portion used, was found to "clearly favor the plaintiffs, as Chickering has copied the entirety of the copyrighted articles in question."¹⁰⁰

Under the fourth factor, the effect on the market, Judge Leval again held in favor of the publishers.¹⁰¹ Texaco argued that Academic Press would not receive substantial additional revenues if Texaco ceased to make unauthorized photocopies because Dr. Chickering and the other scientists wanted a photocopy of a specific article, not additional subscriptions or back issues.¹⁰² Texaco contended that its number of subscriptions would not substantially increase because complete issues or volumes were impractical to a scientist in the lab, who wanted a copy on which to scribble notes.¹⁰³ The court found these contentions substantially correct, but also held that the plaintiffs had shown a variety of methods by which Texaco could provide its scientists with copies of articles

94. *Texaco*, 802 F. Supp. at 28. The district court certified its ruling for interlocutory appeal. *Id.* at 30.

95. *Id.* at 13.

96. 487 F.2d 1345 (Ct. Cl. 1973), *aff'd*, 420 U.S. 376 (1975).

97. *Texaco*, 802 Supp. at 16. *See also* *Los Angeles News Serv. v. KCAL-TV Channel 9*, 108 F.3d 1119 (9th Cir. 1997).

98. *Texaco*, 802 F. Supp. at 16.

99. *Id.* at 17.

100. *Id.*

101. *Id.* at 18.

102. *Id.*

103. *Id.*

promptly and relatively inexpensively while respecting the copyrights.¹⁰⁴ Most notably, the court pointed to the licenses available to Texaco through the CCC as a means of fulfilling its need.¹⁰⁵

Also under the fourth factor, Judge Leval rejected Texaco's argument that Academic Press' growing subscription revenues and large profitability disproved that it was being financially harmed by Texaco's photocopying practices.¹⁰⁶ Judge Leval pointed out that it was not necessary for the copyright owner to show that it had been reduced to poverty; instead, a plaintiff must demonstrate that if the challenged use "should become widespread, it would adversely affect the potential market for the copyrighted work."¹⁰⁷

Judge Leval returned to a discussion concerning the CCC in a section of his opinion entitled "Equitable Rule of Reason."¹⁰⁸ In rejecting Texaco's claims that its photocopying should come within the principles of *Williams & Wilkins Co. v. United States*,¹⁰⁹ Judge Leval pointed directly to the establishment of the CCC.¹¹⁰ The court held that, because of the presence of the CCC, the old concerns of high transaction costs and injury to scientific research were no longer present.¹¹¹

2. *The Decision of the Second Circuit.*—Although based on slightly different reasons, the Second Circuit affirmed the district court decision, two-to-one. The majority went to great lengths to take a narrow view of the issues presented by the case, as evidenced by its issuing of an amended opinion, not once but twice. In responding to concerns raised by the dissent, the majority specifically stated that its decision did not address photocopying for personal use by an individual; instead, the holding was "confined to the institutional, systematic, archival multiplication of copies revealed by the record."¹¹² Like the district court, the court of appeals also examined each of the four fair use factors.

The majority held that the first factor, purpose and character of the use, weighed in the plaintiffs' favor based on the archival nature of Dr. Chickering's photocopying, the commercial use of the copies, and the fact that the use was not transformative.¹¹³ In his dissent, Judge Jacobs disagreed with the majority's analysis of this factor stating that Dr. Chickering's use was "reasonable and

104. *Id.* at 19.

105. *Id.*

106. *Id.* This argument was accepted by the court in *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1357 (Ct. Cl. 1973), where the plaintiff-publisher enjoyed enormous financial success.

107. *Texaco*, 802 F. Supp. at 20 (quoting *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 568 (1985)).

108. *Id.* at 24. This portion of Judge Leval's opinion seemed better suited to the fourth factor analysis.

109. 487 F.2d 1345 (Ct. Cl. 1973), *aff'd*, 420 U.S. 376 (1975).

110. *Texaco*, 802 F. Supp. at 24.

111. *Id.* at 25-26.

112. *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 931 (2d Cir. 1995).

113. *Id.* at 919-24.

customary,"¹¹⁴ as well as transformative.¹¹⁵ Both the majority and the dissent agreed with Judge Leval's analysis of the second and third factors holding that they weighed in favor of Texaco and the plaintiffs, respectively.¹¹⁶

a. The majority's analysis of the fourth factor.—The majority revised its analysis of the fourth factor, the effect on the market, more extensively than the other sections when it issued the amended opinions.¹¹⁷ At the beginning of the analysis of this factor, the majority stated two crucial points. First, the majority emphasized the importance of focusing on the precise copyrighted works at issue, the eight journal articles, as distinguished from journal issues or bound volumes, and the entire category of defendant's conduct, as opposed to the specific instances of photocopying.¹¹⁸ Second, the majority drew attention to the "distinctive nature and history of 'the potential market for or value of' these particular works."¹¹⁹ Under this point, the majority recognized that, although a traditional market exists for journal issues and volumes, there is neither a traditional market for, nor a clearly defined value of, individual journal articles.¹²⁰ This statement by the majority identified the basic trouble of the analysis, and the underlying premise of this Note. Specifically, how does one analyze the effect that a photocopied work has on the traditional market or defined value of the original, when there is no traditional market or defined value on which to base the analysis?

The majority attacked this problem by first stating that the authors of scientific articles are not seeking to capture the potential financial rewards that originate with their copyrights.¹²¹ Instead, the majority argued that the only reward sought by these authors, who assign their copyrights to the publisher upon publication, is the reward of being published itself and that the possible financial rewards of the copyright serve to motivate the publishers to publish.¹²² The majority then noted that even these publishers have not traditionally provided a simple or efficient means to obtain single copies of individual articles.¹²³

The majority then split its fourth factor discussion into two distinct parts. First, the majority concluded that the evidence concerning sales of additional subscriptions or back issues did not push the fourth factor strongly in the favor of

114. *Id.* at 934 (Jacobs, J., dissenting).

115. *Id.* at 935.

116. *Id.* at 925-26, 932.

117. *See generally* Patry, *supra* note 89, at 447-48 (noting that the revision reflects the far-reaching changes in the fourth factor analysis made by the Supreme Court's recent decision in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994)).

118. *Texaco*, 60 F.3d at 926-27 & n.12.

119. *Id.* at 926-27.

120. *Id.* at 927.

121. *Id.*

122. *Id.* It is true that a high level of prestige flows from a selection for publication; however, the majority overstated the position. Authors of scientific articles may not seek financial reward only because it has never been available. It is difficult to accept the proposition, though, that these authors would not accept compensation if made available to them.

123. *Id.*

either party.¹²⁴ This decision shifted the entire fourth factor analysis to licensing revenues and fees, an area that the court had already admitted contained no traditional market.

With respect to licensing revenues and fees, Texaco argued that the district court's reasoning was faulty because the court assumed that the publishers were entitled to demand and receive licensing royalties for photocopying when that is in fact the question to be determined under fair use.¹²⁵ In rejecting that argument, the majority stated that it is indisputable that a "copyright holder is entitled to demand a royalty for licensing others to use its copyrighted work."¹²⁶ The court added, though, that not every effect on potential licensing revenues should come into the analysis.¹²⁷ Specifically, the majority held that the concept of potential licensing revenues was limited to "only traditional, reasonable, or likely to be developed markets when examining and assessing a secondary use's 'effect upon the potential market for or value of the copyrighted work.'"¹²⁸ The court then stated that the publishers, through the use of the CCC, had created a workable and viable market for institutional users to obtain licenses for the right to produce photocopies which allows potential licensing revenues to be considered.¹²⁹

The majority rejected Texaco's argument that the above analysis was inherently flawed. According to the court,

[t]his notion is not inherently troubling: it is sensible that a particular unauthorized use should be considered "more fair" when there is no ready market or means to pay for the use, while such an unauthorized use should be considered "less fair" when there is a ready market or means to pay for the use. The vice of circular reasoning arises only if the availability of payment is conclusive against fair use.¹³⁰

The majority considered lost revenue especially appropriate in this instance because a CCC license could have been obtained for *Catalysis*.¹³¹ The majority did not decide how the entire fair use analysis would have concluded had this not been the case.¹³²

Finally, the majority listed two ways in which Congress has impliedly suggested that the law should recognize licensing fees for photocopying as part of

124. *Id.* at 928-29. Although the district court determined that Texaco may have purchased a few more journal subscriptions absent the photocopying, the court of appeals noted that those few subscriptions would be weak evidence and only slightly tip the fourth factor toward the plaintiffs. *Id.* at 929 & n.15.

125. *Id.* at 929.

126. *Id.*

127. *Id.*

128. *Id.* at 930 (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590 (1994)).

129. *Id.*

130. *Id.* at 931.

131. *Id.*

132. *Id.*

the potential market.¹³³ First, the majority pointed to the conditions under which libraries are permitted to make photocopies.¹³⁴ Even though § 108 specifically states that it does not in any way affect the right of fair use,¹³⁵ the majority agreed that the very fact that Congress restricted library photocopying “suggests that Congress views journal publishers as possessing the right to restrict photocopying, or at least the right to demand a licensing royalty from nonpublic institutions that engage in photocopying.”¹³⁶ Second, the majority pointed to the fact that Congress prompted the development of the CCC by suggesting a mechanism be established to license photocopying.¹³⁷ Thus, based primarily on lost licensing revenue, the majority agreed with the district court’s decision that the publishers had shown a substantial harm to the values of their copyrights, and concluded that the fourth factor favored the publishers.¹³⁸

b. The dissent’s analysis of the fourth factor.—In a scathing dissent, Judge Jacobs agreed with the majority position that the fourth factor should be analyzed in two separate categories, journal subscriptions and sales, and licensing revenues and fees,¹³⁹ but he called the adverse effect of Dr. Chickering’s use on the potential market or value of the work illusory.¹⁴⁰

With respect to subscriptions and sales, to a large extent the dissent agreed with the majority’s analysis that when considered alone, this element may barely favor the publishers.¹⁴¹ However, Judge Jacobs pointed out that because Academic Press charged double the normal subscription rate to institutional subscribers, it must have assumed that “unless they are reading *Catalysis* for pleasure or committing it to memory, the scientists will extract what they need and arrange to copy it for personal use before passing along the institutional copies.”¹⁴²

On the subject of potential licensing revenues and fees, Judge Jacobs fully agreed with the majority’s position that this should only be legally cognizable for traditional, reasonable, or likely to be developed markets.¹⁴³ However, in Judge Jacobs’ opinion, the majority’s statement of the law “supports the conclusion that the availability of a CCC license has little to do with fair use.”¹⁴⁴ Specifically, the dissent found the CCC scheme neither traditional nor reasonable, and stated that its development into a real market is still subject to substantial obstacles.¹⁴⁵

Judge Jacobs also recognized the circularity of the argument. He stated:

133. *Id.*

134. *Id.*

135. 17 U.S.C. § 108(f)(4) (1994).

136. *Texaco*, 60 F.3d at 931.

137. *Id.* See discussion *infra* Part II.D.

138. *Texaco*, 60 F.3d at 931.

139. *Id.* at 936 (Jacobs, J., dissenting).

140. *Id.* at 932.

141. *Id.* at 936.

142. *Id.*

143. *Id.*

144. *Id.*

145. *Id.* at 937.

The market will not crystallize unless courts reject the fair use argument that Texaco presents; but, under the statutory test, we cannot declare a use to be an infringement unless (assuming other factors also weigh in favor of the secondary user) there is a market to be harmed.¹⁴⁶

Significant to Judge Jacobs' analysis is the fact that only a fraction of journal publishers have sought to exact these type of fees.¹⁴⁷ Consider the following:

- (a) only thirty percent of the journals subscribed to by Texaco are even covered by a CCC license;
- (b) not all of the publications of each CCC member are covered by CCC licenses; and
- (c) not all of the articles in publications covered by the CCC are even copyrighted.¹⁴⁸

Therefore, even a CCC license would not have guaranteed protection to Texaco, or any other institutional user, from copyright infringement for photocopying a given article.¹⁴⁹

Judge Jacobs then separately considered the transactional and annual CCC licenses. He began by noting the significant transaction costs associated with a transactional license. According to the dissent, these costs included consulting a directory to determine whether the publisher is a CCC member, determining whether the publication is covered by a CCC arrangement, determining whether the article is one in which the publisher holds a copyright, and finally recording each of the above in a log with the date and number of pages copied.¹⁵⁰ The production director for one of the plaintiffs in the case even stated that it was almost impossible to tell which articles may or may not be covered by a copyright.¹⁵¹ This led Judge Jacobs to conclude, in a statement that epitomizes the heart of his dissent, that "the transactional scheme would seem to require that an intellectual property lawyer be posted at each copy machine."¹⁵² According to the dissenting opinion, it may just be easier to copy the material by hand.¹⁵³

Prior to analyzing the annual license, Judge Jacobs noted that this type of license did not offer a safe harbor to an institutional photocopier, including Texaco.¹⁵⁴ Individual publishers of the literally thousands of scientific

146. *Id.*

147. *Id.*

148. *Id.*

149. *Id.*

150. *Id.* Of course, it should be noted that at least some of these inquiries can now be completed online. See discussion *infra* Part II.D.

151. *Texaco*, 60 F.3d at 937 (Jacobs, J., dissenting).

152. *Id.*

153. *Id.*

154. *Id.*

publications in circulation remain free to stand on their own rights.¹⁵⁵ An individual institution cannot possibly negotiate with each of them.¹⁵⁶ Because each publisher's licensing rights have not been made to depend upon whether that publisher participates in the CCC's registration system, the dissent warned of the "beginnings of a total market failure."¹⁵⁷

The dissent also soundly rejected the annual license by addressing each of the main reasons for market viability given by the district court and the majority of the court of appeals. In response to the claim that many of the largest corporations involved in research have CCC annual licenses, Judge Jacobs pointed out that until this case was decided, they had little choice but to be either licensees or defendants.¹⁵⁸ Next, Judge Jacobs rejected the district court's view that the CCC's annual license permits photocopying without the burden of recordkeeping or reporting,¹⁵⁹ by stating that the validity of this argument ignored the rights of the majority of publishers who are not registered with the CCC.¹⁶⁰ Finally, the dissent also rejected the argument that institutions have developed private licensing agreements with individual publishers,¹⁶¹ as not administratively tolerable.

The dissent also rejected the majority's method for avoiding the problem of circular reasoning when analyzing the fourth factor. Judge Jacobs stated that the majority claimed to avoid circular reasoning by not allowing the availability of payment to be conclusive against fair use, but then it declined to decide how fair use would be resolved if no license were available for *Catalysis* articles.¹⁶² The majority found the fourth factor to favor the publishers, not based on lost subscription revenues, but solely because payment was available through the CCC. Thus, the majority fell into its own narrow definition of the vice of circular reasoning.

The dissent then assessed the impact of the majority's decision by stating that "[t]his Court has ended fair-use photocopying with respect to a large population of journals, but the CCC mechanism allows fair-use photocopying only of some of them."¹⁶³ Judge Jacobs criticized the majority opinion for requiring a would-be

155. *Id.*

156. *Id.*

157. *Id.* According to the CCC's own admissions in a February 1992 correspondence between counsel for the CCC and the Antitrust Division of the Justice Department, the mechanism for negotiating a photocopy license often was not even in place and had not adequately met the needs of the market. *Id.* at 938 & n.1.

158. *Id.* at 938.

159. *American Geophysical Union v. Texaco Inc.*, 802 F. Supp. 1, 25 (S.D.N.Y. 1992), *aff'd*, 37 F.3d 881 (2d Cir. 1994), *amended and superseded*, 60 F.3d 913 (2d Cir. 1994).

160. *Texaco*, 60 F.3d at 938 (Jacobs, J., dissenting).

161. For example, AT&T Bell Labs, which is a CCC member, has over 200 private photocopying agreements with publishers covering 350 journals that are not registered with the CCC. Therefore, holders of a blanket license still must deal with AT&T with respect to these journals. *Texaco*, 802 F. Supp. at 25.

162. *Texaco*, 60 F.3d at 938 (Jacobs, J., dissenting).

163. *Id.* at 938-39.

photocopier to always look for a CCC registration, search for private agreements that must be satisfied, copy articles for which licenses are unavailable in either longhand, typescript, or partial photocopy, or just ignore the majority opinion as unworkable.¹⁶⁴ Judge Jacobs ended his dissent by summarizing that the fourth factor favored Texaco because (1) there was no impairment of the publishing revenue from subscriptions or sales, (2) the publishers had already captured additional revenue by charging double the subscription price to institutions, and (3) the market for licensing through the CCC or otherwise was cumbersome and unrealized.¹⁶⁵

C. *Effect of the Decision*

After the court of appeals handed down its decision, most observers thought this case was destined for the Supreme Court. However, on May 15, 1995, the parties announced a settlement in which Texaco conceded no wrongdoing but agreed to pay a seven-figure dollar amount and a retroactive licensing fee to the CCC.¹⁶⁶ Even though the parties have settled their dispute, speculation about the effect of the Second Circuit's decision has not ended. Obviously the decision will encourage other corporations conducting research to subscribe to a CCC annual license.¹⁶⁷ Beyond that, opinions concerning the scope of the decision vary.

Taken literally, the language of the majority opinion limited the decision to "the particular circumstances of this case"¹⁶⁸ However, shortly after the decision was last amended, at least one article proclaimed a "major victory for copyright owners, particularly publishers of reference materials that have long been routinely copied."¹⁶⁹ Most authors seem to agree that this decision should at least cause corporate employees to give more consideration to their use of the company photocopiers.

Some authorities see a much wider impact.¹⁷⁰ Recall Judge Jacobs' warning that the majority's decision had ended fair use photocopying with respect to a large population of journals.¹⁷¹ Even more extreme are the "parade of horrors"

164. *Id.* at 937-38.

165. *Id.* at 939.

166. *Settlement Reached in Photocopying Suit*, N.Y. L.J., May 16, 1995, at 4. The settlement was announced while Texaco's petitions for certiorari and for rehearing en banc were still pending. Patry, *supra* note 89, at 451. Texaco also agreed to enter into a standard annual agreement with the CCC for the next five years. *Id.*

167. Patry, *supra* note 89, at 450.

168. *Texaco*, 60 F.3d at 914.

169. Linda Pickering, *Texaco Trims "Fair Use" Doctrine*, N.J. L.J., July 24, 1995, at Supp. 17, 17 (quoting David E. Sloan & Bob Kahrl, *Rear Window*, MULTIMEDIA L. REP., July 1995, at 16).

170. See Laura N. Gasaway, *Wide Impact Seen For Photocopying Case*, NAT'L L.J., Aug. 16, 1993, at 21, 21; Gloria C. Phares, *The Unlicensed Photocopying of Copyrighted Works: 'Texaco' Deals Blow to For-Profit Businesses*, J. PROPRIETARY RTS., Sept. 1992, at 11.

171. See *supra* text accompanying note 163.

type possibilities found in the appellate briefs of the case itself:

- (a) corporate libraries could cancel journal subscriptions wholesale;
- (b) academic and public libraries could be flooded with researchers from the corporate world because business libraries have been closed;
- (c) public libraries will be forced to exclude business users from reproducing single photocopies of articles because they work at for-profit companies.¹⁷²

Regardless of the view taken, the importance of the *Texaco* decision seems clear. This case has altered the relationship between photocopying and fair use to a large segment of users, and this decision will not provide the final word on this issue.

D. *The Copyright Clearance Center*

At the center of the debate over the analysis of the effect on the market for the copyrighted work in the *Texaco* decision is the CCC. The CCC was established by authors, publishers, and photocopy users in 1977 as a nonprofit Reproduction Rights Organization ("RRO") for the United States.¹⁷³ It was created in response to a Congressional recommendation that an efficient mechanism be set up to license photocopying.¹⁷⁴ The CCC, headquartered in Massachusetts, was essentially established to provide a means for collecting royalties for the duplication of articles from scientific and technical journals.¹⁷⁵ The Board of Directors of the CCC includes publishers, corporate executives, authors, and educators.¹⁷⁶

The CCC operates collective licensing systems that facilitate compliance with the copyright law and attempt to promote the constitutional purposes of copyright law.¹⁷⁷ According to the CCC's own Statement of Mission, the organization's purpose is threefold:

1. to act as an agent for domestic/foreign authors and publishers by

172. Gasaway, *supra* note 170, at 21.

173. COPYRIGHT CLEARANCE CTR., *Statement of Mission* (visited May 27, 1997) <<http://www.copyright.com>> [hereinafter *Statement of Mission*]. The CCC is one of 21 national RROs around the world. Joseph S. Alen, *Message from the President* (visited May 27, 1997) <<http://www.copyright.com>>.

174. S. REP. NO. 93-983, at 122 (1974).

175. Jonathan A. Franklin, *Digital Image Reproduction, Distribution and Protection: Legal Remedies and Industrywide Alternatives*, 10 SANTA CLARA COMPUTER & HIGH TECH. L.J. 347, 361 (1994). See STANLEY M. BESEN & SHEILA N. KIRBY, *COMPENSATING CREATORS OF INTELLECTUAL PROPERTY: COLLECTIVES THAT COLLECT* 47 (1989).

176. COPYRIGHT CLEARANCE CTR., *Board of Directors* (visited May 27, 1997) <<http://www.copyright.com>>.

177. *Statement of Mission*, *supra* note 173, at 1.

providing them with the efficiencies of collective services through equitable collection and distribution of royalties for photocopying and electronic uses of their copyrighted printed works;

2. to provide all types of users with an efficient single source for licensed access to as broad a repertory of copyrighted works as possible; and
3. to continue development of collective licensing systems that meet the challenges of emerging information technologies.¹⁷⁸

Currently the CCC offers four different licensing services. The first, the Academic Permissions Service, provides a centralized system for academic coursepacks and classroom handouts.¹⁷⁹ The second, the Photocopy Authorizations License, caters specifically to companies with fewer than 500 employees.¹⁸⁰ The next two, the Transactional Reporting Service and the Annual Authorization Service, are more applicable to large research oriented corporations, such as Texaco.¹⁸¹

The Transactional Reporting Service ("TRS") was the first service offered by the CCC beginning in 1978.¹⁸² The TRS is actually intended for the occasional photocopier and requires that the user report each article copied and the number of copies made.¹⁸³ The TRS license provides photocopiers with permission to copy from any CCC-registered publication for a fee of approximately three dollars per article.¹⁸⁴ These fees are individually set by the copyright owners. Users are billed based on their reported amount of photocopying. Currently, a TRS license provides users with immediate authorization to make photocopies of articles found in over 1.75 million publications from over 9200 publishers worldwide.¹⁸⁵

The TRS requires users to determine which photocopying transactions demand a payment of royalties and report those transactions via a log sheet to the CCC.¹⁸⁶ The CCC then aggregates all of the reports, sends a monthly invoice to the user and distributes the collections to the appropriate rightsholders after deducting transactional expenses.¹⁸⁷ Originally, the TRS required users to identify the

178. *Id.*

179. COPYRIGHT CLEARANCE CTR., *Creating Copyright Solutions* (visited May 27, 1997) <<http://www.copyright.com>> [hereinafter *Creating Copyright Solutions*].

180. *Id.*

181. *Id.*

182. *American Geophysical Union v. Texaco, Inc.*, 802 F. Supp. 1, 7 (S.D.N.Y. 1992), *aff'd*, 37 F.3d 881 (2d Cir. 1994), *amended and superseded*, 60 F.3d 913 (2d Cir. 1994).

183. Franklin, *supra* note 175, at 361.

184. *Texaco*, 802 F. Supp. at 7.

185. *Creating Copyright Solutions*, *supra* note 179.

186. Katina Strauch, *Interview with Joseph S. Alen*, in *AGAINST THE GRAIN*, Feb. 1995, at 20, 20.

187. *Id.*

specific articles being copied, but users objected to this requirement because they feared it could give information to their competition as to where their research efforts were being concentrated.¹⁸⁸ The CCC has since eliminated this requirement.¹⁸⁹ Today, a user must report the journal's International Standard Serial Number, publication year, and the fee set by the publisher.¹⁹⁰

The Annual Authorization Service ("AAS") was developed at the request of some corporate users to reduce the administrative hassles of the TRS. The AAS is intended for larger corporations that engage in large amounts of photocopying. Currently, over 6000 corporations hold an AAS license.¹⁹¹ This list includes more than 75% of the "Fortune 100" companies.¹⁹²

The CCC worked with a group of MIT and Harvard econometric experts to develop the AAS license.¹⁹³ This license is based upon the following: taking a sample of photocopy activity at machines in each user company, combining the results by industry, and using those results to estimate an individual corporation's amount of use.¹⁹⁴ This complex statistical model uses industry averages and the prices set by the copyright holders to calculate a single, annual license fee for each user entity.¹⁹⁵ Payment of this single fee permits the corporation to photocopy any of the titles registered with the CCC, which then distributes the licensing fees based on the model.¹⁹⁶ An AAS license is valid for one year and may be renewed for another year.¹⁹⁷ After this two-year period, a new AAS license may be obtained.¹⁹⁸

Interestingly, the CCC is unique in that foreign RROs operate under national statutes which allow them to license almost 100% of published titles.¹⁹⁹ For example, Germany's licensing system is based upon a levy that is placed on each photocopy machine which is paid by the machine's manufacturer to the RRO.²⁰⁰ The CCC operates on a purely contractual basis, which is the reason that it has taken so many years to become fully operational.²⁰¹

188. *Texaco*, 802 F. Supp. at 7.

189. *Id.*

190. *Id.* at 8.

191. *Creating Copyright Solutions*, *supra* note 179.

192. COPYRIGHT CLEARANCE CTR., ANNUAL REPORT TO RIGHTSHOLDERS 3 (1995) [hereinafter CCC ANNUAL REPORT]. A sampling of companies holding an AAS license include the following: Exxon, Mobil Oil, Amoco, Marathon Oil, Phillips Petroleum, Allied Signal, Dupont, Eastman Kodak, Dow Corning, General Electric, IBM, Polaroid, 3M, and Texas Instruments. *Texaco*, 802 F. Supp. at 8-9.

193. Strauch, *supra* note 186, at 20.

194. *Id.*

195. *Id.*

196. *Id.*

197. *Texaco*, 802 F. Supp. at 8.

198. *Id.*

199. Strauch, *supra* note 186, at 22.

200. *Id.* at 24.

201. *Id.* at 22.

The CCC has enjoyed a strong pattern of growth recently, with Fiscal Year ("FY") 1994 being its best ever.²⁰² The CCC distributed over \$18 million in royalties in FY 1994.²⁰³ To demonstrate the unprecedented growth experienced by the CCC, the \$32 million of royalties distributed in FY 1993 and 1994, combined, represent 60% of all such royalties paid since the CCC began in 1978.²⁰⁴ With the *Texaco* decision, these figures should continue to grow at an even faster rate.

III. EXAMINING THE FOURTH FACTOR AND DEFINING THE MARKET

As stated previously, the fourth statutory fair use factor consists of "the effect of the use upon the potential market for or value of the copyrighted work."²⁰⁵ After examining the *Texaco* decision, the definition of "the market" used in the analysis seems even more unclear. More importantly, whether the licensing system now provided by the CCC qualifies as a market, which was the issue on which the *Texaco* decision turned, is a debatable point. This section will examine the fourth factor and seek a definition of "the market" by analyzing the legislative intent behind the statutory language, discussing the relevant case law, and summarizing the view of a leading authority on copyright law.

A. Legislative Intent

Unfortunately, the "legislative history of the 1976 Copyright Act is, at the very least, a troublesome aid in determining the statute's meaning."²⁰⁶ Generally, the credit for any given provision's language belongs more to interested parties²⁰⁷ than to the members of Congress who debated the bill.²⁰⁸ The process was actually set up so that viable compromises could emerge from among the various parties with interests in copyright revision.²⁰⁹ Therefore, by the time the House and Senate subcommittees began holding hearings on copyright revision, these interested parties, who had participated in the pre-legislative meetings, had already agreed upon the basic structure and approach.²¹⁰ However, specifics regarding the language of certain sections, including the section on fair use, remained hotly contested topics.

Because the judicially created doctrine of fair use was difficult to define generally and required the balancing of competing interests, in 1958, Congress

202. CCC ANNUAL REPORT, *supra* note 192, at 1.

203. *Id.*

204. *Id.*

205. 17 U.S.C. § 107(4) (1994).

206. Litman, *supra* note 47, at 870.

207. See *Blanchard v. Bergeron*, 489 U.S. 87, 98 (1989) (Scalia, J., concurring) (arguing that one danger of judges using committee reports and the like is the potential for lobbyists to have favorable language inserted in them).

208. Litman, *supra* note 47, at 870.

209. *Id.* at 872.

210. *Id.*

authorized the Latman Study to examine codification of fair use.²¹¹ Of the nine experts who reviewed this study, eight believed that fair use should not even be codified.²¹² Based on the study, these experts believed that fair use defied definition and that it would be better left to the courts to apply such a doctrine.²¹³ Others, including Melville Nimmer and the Register of Copyrights, believed that the new act should contain express recognition of the fair use doctrine because it arose so frequently.²¹⁴

The specific problem addressed in *Texaco* was recognized by the Register's initial report in 1961.²¹⁵ This report, which recommended that the statute include a provision affirming and indicating the scope of fair use, recognized that:

Researchers need to have available, for reference and study, the growing mass of published material in their particular fields. This is true especially, though not solely, of material published in scientific, technical, and scholarly journals. . . .

On the other hand, the supplying of photocopies of any work to a substantial number of researchers may diminish the copyright owner's market for the work.²¹⁶

By 1966, the same committee purposefully emphasized that the inclusion of a fair use doctrine was intended only "to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way."²¹⁷ Also, the committee noted that the doctrine should not be frozen in the statute, especially during periods of rapid technological change.²¹⁸ These themes were echoed throughout the revision process.

With regard to the fourth factor, the committee stated that even though it is often the most important of the criteria of fair use, it must always be judged with the other criteria.²¹⁹ The committee also pointed out that "a use which supplants any part of the normal market for a copyrighted work would ordinarily be considered an infringement."²²⁰ The committee added that "[i]solated instances of minor infringements, when multiplied many times, become in the aggregate a

211. Kasunic, *supra* note 63, at 277.

212. *Id.*

213. *Id.*

214. *Id.* at 278.

215. HOUSE COMM. ON THE JUDICIARY, 87TH CONG., 1ST SESS., COPYRIGHT LAW REVISION: REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW (1961), reprinted in 3 GEORGE S. GROSSMAN, OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY 25 (1976).

216. *Id.*

217. H.R. REP. NO. 89-2237 (1966), reprinted in 11 GROSSMAN, *supra* note 215, at 61.

218. *Id.*

219. *Id.* at 64.

220. *Id.*

major inroad on copyright that must be prevented."²²¹ Each of these statements is useful for gaining an understanding of the fourth factor, and each was repeated verbatim in later Senate reports on Copyright revision.

The 1975 House Committee report contained no direct reference to the meaning of the fourth factor.²²² The report was careful to point out, however, that "since the doctrine [of fair use] is an equitable rule of reason, no generally applicable definition is possible . . ."²²³ The 1976 Senate report also provided little if any guidance on the meaning of the fourth factor. Although this report addressed the fourth factor directly, it did so by adopting language of the committee reports, as previously noted.²²⁴

Because the House and Senate passed different versions of the fair use doctrine,²²⁵ the language used was forced once again to be amended through compromise.²²⁶ Although compromise language was finally agreed upon by all parties with an interest in the fair use doctrine, no agreement existed on exactly what that language meant and Congress adopted the compromise language verbatim.²²⁷ As stated at the beginning of this section, the legislative history provides little guidance for determining the meaning of "the market" that is referred to in the fourth statutory factor. Therefore, the relevant case law must be analyzed to aid in determining the meaning.

B. Case Law

1. *Supreme Court Cases.*—The Supreme Court has issued decisions in only four fair use cases.²²⁸ Each of these cases will be examined with a focus on the Court's treatment of the fourth statutory factor.

The first case, *Sony Corp. of America v. Universal City Studios, Inc.*,²²⁹ involved a copyright infringement action brought by owners of copyrights on television programs against manufacturers of home videotape recorders. The Court held that private, noncommercial home taping of television programs was fair use, and the sale of the recorders to the public was not contributory infringement.²³⁰

In discussing the fourth statutory factor, the Court quickly pointed out that the purpose of copyright law is to provide incentives for creative effort and that even copying for noncommercial purposes may impair a copyright holder's ability to

221. *Id.*

222. H.R. REP. NO. 94-1476 (1975), *reprinted in* 17 GROSSMAN, *supra* note 215, at 65-67.

223. *Id.* at 65.

224. S. REP. NO. 94-473 (1975), *reprinted in* 5 NIMMER, *supra* note 54, app. 4a, at 115.

225. *See* THE CONFERENCE REPORT ON THE COPYRIGHT ACT OF 1976, H.R. REP. NO. 94-1733 (1976), *reprinted in* 5 NIMMER, *supra* note 54, app. 5, at 3-4.

226. Litman, *supra* note 47, at 876.

227. *Id.* at 877.

228. Frank & Higgins, *supra* note 28, at *6.

229. 464 U.S. 417 (1984).

230. *Id.* at 456.

obtain the rewards Congress intended the owner to have.²³¹ However, the Court added that “a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author’s incentive to create.”²³²

The Court in *Sony* also brought the for-profit/nonprofit distinction from the first statutory fair use factor squarely into its fourth factor analysis.²³³ The Court held that a commercial use was presumptively unfair.²³⁴ The Court then distinguished a noncommercial use by stating that “[a] challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work.”²³⁵ According to the Court, neither actual present harm, nor certainty that future harm would result needed to be shown.²³⁶ The majority only required a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists.²³⁷ If the use was for commercial gain, the court would presume that likelihood, but if the use was for a noncommercial purpose, as was the case in *Sony*, such a likelihood would have to be demonstrated.²³⁸

In 1985, the Supreme Court considered its second fair use case, *Harper & Row, Publishers, Inc. v. Nation Enterprises*.²³⁹ A divided Court held that a magazine’s unauthorized publication of verbatim quotes from President Ford’s unpublished memoirs, which supplanted the copyright holder’s right of first publication, was not fair use.²⁴⁰ The defendant magazine had secretly obtained the memoirs and published an article including excerpts from the memoirs before another magazine which had executed a prepublication agreement, could run its own story. The contracting magazine then canceled its agreement, thus diminishing the value of the copyright.

When discussing the effect on the potential market, the majority declared that “[t]his last factor is undoubtedly the single most important element of fair use.”²⁴¹ Quoting *Nimmer*, the majority also noted that fair use is limited to copying by others which does not materially impair the marketability or adversely affect the value of the rights of the work which is copied.²⁴² In this case, the trial court found not just a potential, but an actual effect on the market of the copyright because the magazine that had contracted for the use of the material refused payment once the

231. *Id.* at 450.

232. *Id.*

233. *Id.* at 451.

234. *Id.*

235. *Id.*

236. *Id.*

237. *Id.*

238. *Id.*

239. 471 U.S. 539 (1985).

240. *Id.* at 542.

241. *Id.* at 566.

242. *Id.* at 566-67.

defendant published its story.²⁴³ Thus the majority found this factor weighed in favor of the plaintiffs.²⁴⁴

The dissent in *Harper & Row* argued that the defendant had every right to seek to be the first to publish new information on Ford's work because copyright does not protect information, it protects literary form.²⁴⁵ According to the dissent, even though the plaintiff had every right to monopolize the market with a contractual agreement, it could not do so with a copyright because a copyright does not protect information alone.²⁴⁶

The Supreme Court did not consider fair use again until 1990, when it decided *Stewart v. Abend*.²⁴⁷ In this case, the writer of a short story sold the film rights to his story and agreed to sell the same rights upon the renewal of the copyright. The writer died prior to the renewal, and the holders of the film rights, by this time a group that included Alfred Hitchcock and Jimmy Stewart, continued to exploit the film even though their rights had not been renewed when the writer's executor renewed the copyright. Although the principal issue was whether the owners of the derivative work had infringed the rights of the successor owner of the original work, the Court also held that the filmmakers' use of the short story as a basis for the derivative motion picture was not fair use.²⁴⁸

The majority opinion, which provided only a brief analysis of the fourth fair use factor, reiterated that the fourth factor was the most important to be considered.²⁴⁹ The majority then succinctly concluded that the re-release of the film impinged on the ability to market new versions of the story, thus weighing this factor against fair use.²⁵⁰

The last fair use case considered by the Supreme Court was *Campbell v. Acuff-Rose Music, Inc.*²⁵¹ In this case, the copyright holders of the song, "Oh, Pretty Woman" sued a music group for infringement based on a rap version of the song that it had created. The Supreme Court held, in a unanimous decision, that the rap parody of the original qualified as fair use.²⁵²

Noticeably absent from the Court's analysis of the fourth factor in *Campbell* was any reference to its supremacy over the other three factors. Instead, the Court noted that all of the factors should be explored and the results weighed together in light of the purposes of copyright.²⁵³ This represented a rather significant shift

243. *Id.* at 567.

244. *Id.* at 569.

245. *Id.* at 603 (Brennan, J., dissenting).

246. *Id.*

247. 495 U.S. 207 (1990).

248. *Id.* at 238.

249. *Id.*

250. *Id.*

251. 510 U.S. 569 (1994).

252. *Id.* at 594.

253. *Id.* at 578; see also *American Geophysical Union v. Texaco, Inc.*, 802 F. Supp. 1, 20-21 (S.D.N.Y. 1992), *aff'd*, 37 F.3d 881 (2d Cir. 1994), *amended and superseded*, 60 F.3d 913 (2d Cir. 1994).

away from the “undoubtedly the single most important element of fair use” language of *Harper & Row*.²⁵⁴

In a second major shift in fourth factor analysis, the Court in *Campbell* also distinguished the presumption of a likelihood of significant market harm if an intended use is for a commercial gain, which was first announced in the *Sony* decision.²⁵⁵ According to *Campbell*, “[n]o ‘presumption’ or inference of market harm that might find support in *Sony* is applicable to a case involving something beyond mere duplication for commercial purposes.”²⁵⁶ The Court additionally stated:

what *Sony* said simply makes common sense: when a commercial use amounts to mere duplication of the entirety of an original, it clearly “supersede[s] the objects,” of the original and serves as a market replacement for it, making it likely that cognizable market harm to the original will occur. But when, on the contrary, the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred.²⁵⁷

The Court noted that the market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop.²⁵⁸ Under the facts of *Campbell*, for example, the Court explained that the law recognized no derivative market for critical works because of the unlikelihood that copyright owners will license critical reviews of their works.²⁵⁹

2. *Other Federal Cases.*—Only a few other cases have aided in clarifying the analysis of the fourth factor. One such case, *Princeton University Press v. Michigan Document Services, Inc.*, was recently decided en banc by the Sixth Circuit.²⁶⁰ In that case, publishers of copyrighted works brought an infringement action against a commercial copying service that produced “coursepacks” for university students without paying the permission fees that the publishers had been charging. In ruling against fair use, the court specifically held that evidence of lost permission fees suffered by the publishers demonstrated a diminution in potential market value of the copyrights.²⁶¹ The court also flatly rejected the defendants’ “circularity argument” by relying on the reasoning of the court of appeals majority in *Texaco* and finding a viable licensing market already in existence.²⁶²

In *Twin Peaks Productions, Inc. v. Publications International, Ltd.*, the court stated that in cases where it had found the fourth factor to favor the defendant, the

254. See *supra* note 241.

255. *Campbell*, 510 U.S. at 591.

256. *Id.*

257. *Id.* (citations omitted).

258. *Id.* at 592.

259. *Id.*

260. 99 F.3d 1381 (6th Cir. 1996).

261. *Id.* at 1386-87; see also *Basic Books, Inc. v. Kinko’s Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991) (holding on similar facts that such copying was not fair use).

262. *Princeton Univ. Press*, 99 F.3d at 1387-88.

defendant's work had filled a "market niche" that the plaintiff simply had no interest in occupying.²⁶³ The court in *Pacific & Southern Co. v. Duncan* added that some uses might not threaten an original work because the user profits from an activity that the copyright owner could not possibly take advantage of anyway.²⁶⁴ Both of these cases were noted by the court of appeals majority in *Texaco*.²⁶⁵

C. *Nimmer's Evaluation*

Nimmer on Copyright is one of the definitive works of copyright law. This work, which has been cited several times in this Note, is often cited in cases involving copyright issues.²⁶⁶

Nimmer makes several observations concerning the fourth fair use factor. First, *Nimmer* notes that this factor has been characterized as striking a balance between the benefit that the public will gain from the use and the personal gain that the copyright owner will obtain if the use is denied.²⁶⁷ Only the impact of the use of material that is actually protected by the copyright should be considered under the fourth factor.²⁶⁸ Therefore, "a court need not take into account the adverse impact on the potential market for plaintiff's work by reason of defendant having copied from plaintiff noncopyrightable factual material."²⁶⁹

Nimmer also recognizes the danger of circularity, which was raised in *Texaco*. *Nimmer* characterizes this circularity in the following manner:

a potential market, no matter how unlikely, has always been supplanted in every fair use case, to the extent that the defendant, by definition, has made some actual use of plaintiff's work, which use could in turn be defined as the relevant potential market. In other words, it is a given in every fair use case that plaintiff suffers a loss of a *potential* market if that potential is defined as the theoretical market for licensing the very use at bar.²⁷⁰

Even the characterization by the Court in *Twin Peaks* of filling a niche that the plaintiff has no interest in occupying does not completely solve the problem, because a plaintiff can always claim that he or she wished to reserve the future

263. 996 F.2d 1366, 1377 (2d Cir. 1993).

264. 744 F.2d 1490, 1496 (11th Cir. 1984), *on remand*, 618 F. Supp. 469 (N.D. Ga. 1985), *aff'd*, 792 F.2d 1013 (11th Cir. 1986).

265. *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913, 930 (2d Cir. 1994).

266. *See generally* *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985); *American Geophysical Union v. Texaco Inc.*, 802 F. Supp. 1, 17 (S.D.N.Y. 1992), *aff'd*, 37 F.3d 881 (2d Cir. 1994), *amended and superseded*, 60 F.3d 913 (2d Cir. 1994)..

267. 3 NIMMER, *supra* note 54, § 13.05[A][4] at 13-185 (quoting *MCA, Inc. v. Wilson*, 677 F.2d 180 (2d Cir. 1981)).

268. 3 *id.*

269. 3 *id.* at 13-185 to 13-186.

270. 3 *id.* at 13-188 to 13-191 (emphasis in original) (citations omitted).

right to enter that niche.²⁷¹ *Nimmer* acknowledges that the district court's opinion in *Texaco*, which inquired into the existence of a convenient and reasonably priced procedure to obtain the copies sought and a failure to use that procedure, is one possible solution to the problem.²⁷²

IV. PROPOSAL FOR FOURTH FACTOR ANALYSIS WITH REGARD TO PHOTOCOPYING

Where does this analysis of the fourth statutory fair use factor lead with respect to photocopying? The current analysis leads to the problems raised in *Texaco*. These problems focus on whether the CCC presents a traditional, reasonable, or likely to be developed market. Also, the problem of circular reasoning when analyzing the fourth factor for photocopy licensing does not appear to be solved by the *Texaco* decision. In fact, as the first major corporate defendant in this type of action, *Texaco* may have been surprised by the initial lawsuit. More specifically, *Texaco's* claim that such photocopying was reasonable and customary was a valid and strong argument. *Texaco* was not just claiming ignorance of the copyright law; it was claiming fair use.

As mentioned, in addressing the issue of the photocopying of scientific or technical material and fair use, *Nimmer* recognizes the current licensing procedure as an issue which remains open to see whether market forces will lead to a fully effective system.²⁷³ One possible solution addressed by *Nimmer* is an attempt by Congress to strike a more satisfactory balance between the interests of authors and users in the photocopying sphere.²⁷⁴ In fact, almost two years before the enactment of the Copyright Act of 1976, Congress created the National Commission on New Technological Uses of Copyrighted Works ("CONTU").²⁷⁵ The purpose of CONTU was to study and compile data on the reproduction and use of copyrighted material by various forms of machine reproduction and to make recommendations as to such changes in copyright law that may be necessary.²⁷⁶ CONTU's Final Report, issued in 1978, supported a "wait-and-see attitude toward recommending major changes in [the new Act's] photocopying provisions."²⁷⁷ To date, Congress has followed that recommendation.

Therefore, under the existing law, what can be done to help resolve some of the problems that currently exist when the fair use doctrine is applied to photocopying of scientific articles? Although no simple solution exists, the author offers the following recommendation as one way to clarify the analysis of the

271. 3 *id.* at 13-189.

272. 3 *id.* § 13.05[A][5], at 13-194 (citing *American Geophysical Union v. Texaco, Inc.* 802 F. Supp. 1, 18 (S.D.N.Y. 1992)).

273. 3 *id.* § 13.05[E], at 13-258.

274. 3 *id.*

275. 3 *id.* at 13-258 to 13-259.

276. 3 *id.*

277. 3 *id.* (quoting FINAL REPORT OF THE NATIONAL COMMISSION ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS 48 (1978)).

fourth fair use factor.

Participation in the CCC, as either a copyright holder or a photocopier, should be the sole criteria examined by the courts when analyzing the effect on the potential licensing market for photocopying scientific or technical articles. From the perspective of the copyright owners, generally the publishers of the articles, courts should treat participation in the CCC as a kind of “constructive notice” to potential photocopiers of the owner’s intention to enforce its rights.²⁷⁸ Conversely, from the perspective of a potential photocopier, if that party demonstrates that it attempted to locate the particular publication within the CCC’s system to pay a licensing fee but found that it was not registered, then the fourth statutory factor should weigh in favor of the photocopier. Photocopying documents not registered with the CCC could be likened to filling a market niche that the copyright owner has shown no interest in occupying.²⁷⁹

Although this proposal, like any other, has its disadvantages,²⁸⁰ it does at least address both of the problems outlined by the dissent in *Texaco*,²⁸¹ namely that the market for licensing provided by the CCC is cumbersome and not fully realized.²⁸² First, as pointed out by the *Texaco* dissent, the licensing system of the CCC is cumbersome because users are not guaranteed a “safe harbor” just because they have determined a particular publication is not registered with the CCC. Currently, users must still check with individual publishers to determine if they wish to exercise their rights under the copyright. The transaction costs of such a venture for large corporations would be intolerable.²⁸³

278. “[T]he propriety of the defendant’s conduct is relevant to the character of the use at least to the extent that it may knowingly have exploited a purloined work for free that could have been obtained for a fee.” *Los Angeles News Serv. v. KCAL-Channel 9*, 108 F.3d 1119, 1121 (9th Cir. 1997) (internal quotation marks and citations omitted).

279. See *supra* note 263 and accompanying text.

280. One such disadvantage could occur if authors or publishers holding copyrights begin to charge outrageous prices, through the CCC, for copies of their works. However, a court would be free to consider in its fourth factor analysis the reasonableness of the price. If, on the other hand, an author wishes to discourage or prevent photocopying at any price, he could register his work with the CCC with specific instructions not to allow any photocopying. This would protect the author’s rights and put would be photocopiers on notice of the author’s intentions.

281. *American Geophysical Union v. Texaco, Inc.* 60 F.3d 913, 937 (2d Cir. 1994) (Jacobs, J., dissenting).

282. Because *Catalysis* was registered with the CCC at the relevant time, and *Texaco* did not attempt to obtain a license for its photocopying or register this photocopying under its TRS license, under this proposal, the court of appeals decision was correct. *But see* Karen L. Still, Comment, *American Geophysical Union v. Texaco, Inc.: Expanding the Copyright Monopoly*, 29 GA. L. REV. 1233, 1252-57 (1995) (criticizing the decision and the court’s analysis of the fourth factor).

283. The dissent in *Texaco* actually pointed out that:

[u]nless each publisher’s licensing rights are made to depend upon whether or not that publisher participates in the CCC, we have the beginnings of a total market failure: with many thousands of scientific publications in circulation, a user cannot negotiate licensing fees individually with numerous publishers—unless it does nothing else.

Under this proposal of looking only to CCC registration in the fourth factor analysis, the cumbersome aspects of the current system would be greatly reduced. Potential photocopiers would no longer have to worry about infringing the rights of non-registered copyright holders because the courts would presume these holders do not wish to exercise their rights. Of course, this proposal could be viewed as presenting an impediment to the copyright owner's freedom to contract and license his rights privately. However, even when the copyright owner registers with the CCC, that owner retains the right to name the price per copy that is to be charged. The copyright owner would also still be free to enter into individual agreements; however, the owner of a non-registered work could not claim infringement by a photocopier who had checked for registration with the CCC.

By reducing the worry of private enforcement of rights, only the internal system of the CCC would need to be examined for ease of use. Although the CCC system is still evolving, the strides it has made recently to become more user friendly indicate that in the near future ease of operation would not pose any significant problems. Currently, a potential user can register with the CCC online, which can instantly provide the user with a transactional license. This represents a major improvement, even from the time of the *Texaco* district court decision in 1992. For large corporations, the annual license eliminates the need to oversee each photocopying transaction and can be complied with by a simple yearly payment. These systems promise to improve with time; therefore, with an eye on the future, they should not be considered too cumbersome to utilize now.

Considering only CCC registration when analyzing the fourth factor would also allow the market to become fully realized. The *Texaco* dissent pointed out that only 30% of scientific and technical journals are even registered with the CCC.²⁸⁴ Although that percentage is increasing every day, and is sure to increase at an even faster rate following the *Texaco* decision, those publications not registered would no longer pose a problem because non-registration would be viewed as consent to photocopying. In other words, if courts adopted this method of fourth factor analysis, the market would be fully realized instantly. However, even though the CCC is a nonprofit organization, this proposal could dramatically increase the demand for its services. Eventually, this could require congressional action to regulate this licensing system and ensure that copyright holders are charging reasonable fees for the photocopies.

Another advantage of this proposal is that it will eliminate the danger of circular reasoning. Recall that this circularity can be described as occurring because the market will not crystallize unless courts reject the fair use argument, but such a use cannot be an infringement unless there is a market to be harmed.²⁸⁵ The proposal accepts the existence of a non-cumbersome, fully realized licensing market, and determines the outcome of the fourth fair use factor based on registration alone. Therefore, by shifting the focus of the analysis to registration,

Texaco, 60 F.3d at 937 (Jacobs, J., dissenting).

284. *Id.*

285. *Id.*

a finding of infringement is no longer necessary to crystallize the market.

This Note is not advocating completely ignoring additional subscriptions and sales of articles through means outside of licensing. Both the district court and court of appeals in *Texaco* properly considered each of these under the fourth factor. However, each court also found these elements provided little guidance in weighing the fourth factor because the licensing of photocopies was the emerging market.²⁸⁶ Also, this proposal is limited to cases factually similar to *Texaco*. This only includes situations where a for-profit corporation is making photocopies of scientific or technical articles as part of its ongoing research. Although this type of photocopying would encompass a large portion of CCC users, the CCC also caters to educational users, an area which is beyond the scope of this Note.²⁸⁷ Neither this proposal nor any other proposal will solve all the problems facing fair use analysis with respect to corporate photocopying. However, the instant proposal is one way of protecting the rights of copyright owners who want those rights protected, and reducing the burden on entities that want to photocopy legally.

CONCLUSION

The fair use defense to copyright infringement does not contain a bright line test. Instead, it is a doctrine that must be applied on a case-by-case basis. *Texaco* unsuccessfully claimed this defense in a case that involved corporate photocopying of scientific articles for use in research conducted by that corporation. As demonstrated by that case, the fourth statutory factor of fair use, the effect of the use upon the potential market, is one of the main issues for debate when the fair use defense is raised. However, the development of the CCC, which provides a market for licensing the photocopying of such articles, is narrowing the application of the fair use defense to photocopying by corporations. In order to protect the rights of copyright holders and the right of the public to dissemination of the information contained in these articles, the CCC licensing system should be recognized as a legitimate market and should be the sole criteria examined by courts when weighing the fourth statutory fair use factor in cases of corporate photocopying of scientific articles.

286. See generally Martin, *supra* note 55, at 392 (advocating a narrow application of the fair use defense to photocopying if rights can be acquired via a reasonable licensing fee).

287. See generally Mary R. Barry, *Multiple Photocopying by Educators and the Fair Use Doctrine: The Court's Role in Reducing Transaction Costs*, 1994 U. ILL. L. REV. 387, 414 (advocating courts weighing CCC participation heavily in determining damages to provide incentives for both educators and copyright owners to participate which will result in efficient allocation of resources).