



Docket No. USTR-2017-0006

**COMMENTS OF THE LIBRARY COPYRIGHT ALLIANCE ON
NAFTA NEGOTIATIONS**

The Library Copyright Alliance (“LCA”) consists of three major library associations—the American Library Association, the Association of College and Research Libraries, and the Association of Research Libraries—that collectively represent over 100,000 libraries in the United States employing more than 350,000 librarians and other personnel. An estimated 200 million Americans use these libraries over two billion times each year. LCA appreciates the opportunity to comment on the upcoming negotiations on NAFTA.

LCA believes the following issues must be addressed in any intellectual property chapter that may be included in NAFTA:

1. Exceptions and Limitations. Copyright exceptions and limitations are critical to the operations of libraries. These exceptions and limitations—either library specific exceptions such as 17 U.S.C. § 108 or flexible, open ended privileges such as the fair use right, 17 U.S.C. § 107—enable libraries to perform their mission of preserving our cultural heritage and making it accessible to the public.

For this reason, LCA appreciated the introduction of exceptions language by the United States in the TPP negotiations during the summer of 2012. This language obligated parties to seek to achieve an appropriate balance in their copyright system through exceptions for legitimate purposes such as criticism, comment, news reporting, teaching, scholarship, and research. This list of legitimate purposes derives directly from 17 U.S.C. § 107.

In an August 2012 letter to Ambassador Kirk, LCA welcomed the inclusion of this language in TPP. Our reasons for supporting this language in TPP apply with equal force to its inclusion in NAFTA. First, the language would insure that nothing in NAFTA would in any direct or indirect way undermine the fair use right. As the U.S. Supreme Court stated in *Golan v. Holder*, 132 S. Ct. 873 (2012), fair use is one of the “traditional contours of copyright protection” that acts as a “built-in First Amendment accommodation.” Fair use is essential to the functioning of libraries and the activities of their users, and no international agreement should ever abridge it in any manner.

Second, this language would lead to improvements in Mexican copyright law. The Mexican copyright law does not contain the robust framework of exceptions for libraries and educational institutions found in the U.S. Copyright Act (or in the Canadian

copyright law). Broader exceptions in Mexico would not only allow libraries in Mexico to better serve their users, but it would also enable them to engage in more cross-border activities that benefit U.S. users.

Third, this language demonstrates U.S. leadership in the promotion of exceptions and limitations. Until now, copyright exceptions have been addressed in international IP agreements largely through repetition of the Berne three-step test. Inclusion of this language places a uniquely American stamp on an international IP agreement.

Accordingly, LCA strongly supports inclusion in NAFTA a provision based on the following language from TPP Article 18.66:

Each Party shall endeavor to achieve an appropriate balance in its copyright and related rights system, inter alia by means of limitations or exceptions that are consistent with Article 18.65 (Limitations and Exceptions), including those for the digital environment, giving due consideration to legitimate purposes such as, but not limited to: criticism; comment; news reporting; teaching, scholarship, research, and other similar purposes; and facilitating access to published works for persons who are blind, visually impaired, or otherwise print disabled. 78, 79

78 As recognized by the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled, June 27, 2013 (Marrakesh Treaty). The Parties recognize that some Parties facilitate the availability of works in accessible formats for beneficiaries beyond the requirements of the Marrakesh Treaty.

79 For purposes of greater clarity, a use that has commercial aspects may in appropriate circumstances be considered to have a legitimate purpose under Article 18.65 (Limitations and Exceptions).

This language should be strengthened by replacing “shall endeavor to achieve” with “shall achieve.” Alternatively, we would support inclusion of a revision of this language reportedly proposed by Australia in the RCEP negotiations:

Each party shall endeavour to provide an appropriate balance in its copyright and related rights system by providing limitations and exceptions, consistent with paragraph 1, for legitimate purposes including education, research, criticism, comment, news reporting, libraries and archives and facilitating access for persons with disability.

For greater certainty, each Party may adopt or maintain limitations or exceptions to the rights described in paragraph 1 for fair use, as long as any such limitation or exception is confined as stated in the previous paragraph.

2. Exhaustion. One of the most basic functions of libraries is lending books and other materials to the public. Section 106(3) of the U.S. Copyright Act grants the copyright holder the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by . . . lending.” 17 U.S.C. § 106(3). However, the first sale right, codified at

section 109(a) of the Copyright Act, exhausts the copyright holder's distribution right in a particular copy "lawfully made under this title" after the first sale of that copy. 17 U.S.C.

§ 109(a). The first sale right thus is critical to the operation of libraries: "[w]ithout this exemption, libraries would be unable to lend books, CDs, videos, or other materials to patrons." Carrie Russell, *Complete Copyright: An Everyday Guide for Librarians* 43 (2004).

The U.S. Supreme Court in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013), explained that first sale "is a common-law doctrine with an impeccable historic pedigree." The Court quoted a 17th century articulation of "the common law's refusal to permit restraints on the alienation of chattels," *id.*, and observed that "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.'" *Id.* The Court underscored "the importance of leaving buyers of goods free to compete with each other when reselling or otherwise disposing of these goods." *Id.* Competition, "including the freedom to resell, can work to the advantage of the consumer." *Id.* Just last month, Chief Justice Roberts, writing for the Court in *Impression Products, Inc. v. Lexmark International, Inc.*, ___ U.S. ___ (2017), reaffirmed these principles in the patent context.

Kirtsaeng adopted an international exhaustion rule—that is, the distribution right in a particular copy is exhausted upon the first authorized sale of that copy, regardless of where that copy is manufactured or sold. This permits U.S. libraries to import copies they purchase for their collections without the possibility of infringing the copyright holders' importation rights. Additionally, it reduces the uncertainty libraries would otherwise face concerning the permissibility of lending materials in their collection because they often do not know where a particular copy was manufactured. It also reduces the incentive for manufacturers to locate their facilities outside of the United States so that they can engage in price discrimination against U.S. consumers. (*Lexmark* also adopted an international exhaustion rule.)

One of the weaknesses of TPP is that it left the issue of copyright (and patent) exhaustion to the Parties. *See* TPP Article 18.11. LCA believes that NAFTA should include a strong exhaustion provision (including international exhaustion) based on U.S. law. This would ensure that manufacturers would not have the ability to game the trade system to their benefit and to the detriment of U.S. worker, consumers, and libraries.

3. Intermediary Safe Harbors. Libraries have benefited significantly from the safe harbors provided by the Digital Millennium Copyright Act, 17 U.S.C. § 512. The section 512(a) "mere conduit" safe harbor in section 512(a) has enabled libraries to provide Internet access to its users; the section 512(c) "hosting" safe harbor has permitted to research libraries to serve as institutional repositories for open access materials; and the section 512(d) "linking" safe harbor has allowed libraries to provide information location services to users.

Accordingly, LCA supported the inclusion of safe harbor provisions based on the DMCA in the U.S. free trade agreements as well as the TPP. Because Mexico has not yet

adopted safe harbors, NAFTA should include an obligation to enact liability limitations for Internet intermediaries. This obligation should contain the flexibility to adopt either the U.S. or Canadian safe harbor framework. Internet intermediary safe harbors in Mexico would encourage cross border activities that benefit U.S. libraries and their users.

4. Copyright Term. The lengthy term of copyright protection overburdens the copyright system. It contributes to the orphan works problem and it leads to windfall profits for the great-grandchildren of authors without incentivizing the creation of new works. The term contained in existing multilateral agreements—life of the author plus 50 years in the Berne Convention and the TRIPS agreement—is more than sufficient to protect the legitimate interests of copyright holders. Including in NAFTA a life plus 70 term of protection, as was included in TPP Article 18.63, would limit the flexibility of Congress to shorten the term of protection in the future. Accordingly, NAFTA should require no more than a term of life plus 50.

5. Other Matters. The TPP IP chapter contains other positive, balancing language that LCA believes should be included in NAFTA. This language includes:

18.2: Objectives

This article states that the protection and enforcement of IP rights “should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare and a balance of rights and obligations.” This reflects an American, utilitarian (rather than author’s or natural rights) approach to IP. The reference to users and balance also is positive.

18.3: Principles

In paragraph 1, Parties may adopt appropriate measures necessary to “promote the public interest in sectors of vital importance to their socio-economic and technological development.” Paragraph 2 recognizes that appropriate measures may be needed to “prevent abuse of intellectual property rights by rights holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.”

18.4: Understandings

Parties recognize the need to “facilitate the diffusion of information, knowledge, technology, culture and the arts” and to “foster competition and open and efficient markets.”

18.5: Nature and Scope of Obligations

This article provides that “each Party shall be free to determine the appropriate method of implementing the provisions of this chapter within its own legal system and practice.” Thus, build some flexibility into the agreement.

18.9: Transparency

This article provides that each Party shall endeavor to make available on the Internet laws and regulations relating to IP, as well as information concerning applications and registrations for trademarks, geographical indicators, and patents. This transparency and accessibility is important to an informed and engaged citizenry.

18.10: Application to Existing Subject Matter

This article provides that Parties are not required to restore protection in subject matter that had already fallen into the public domain.

18.15: Public Domain

This article states that Parties “recognize the importance of a rich and accessible public domain” and “acknowledge the importance of informational material...that assist in the identification of subject matter that has fallen into the public domain.”

18.21: Trademark Exceptions

The trademark exception language includes “fair use of descriptive terms.”

18.67: Contractual Transfers

Footnote 80 states that nothing in this article prevents a Party from establishing “reasonable limits to protect the interests of the original rights holders,” such as termination rights.

18.68 Technological Protection Measures

LCA has long opposed the inclusion of overly prescriptive provisions concerning technological protection measures (“TPMs”) in free trade agreements. The TPM provision in TPP is an improvement over similar provisions in previous FTAs in that it allows parties much greater flexibility in adopting exceptions. A Party can adopt any exception so long as it does not undermine the effectiveness of the TPM requirement. Thus, as a practical matter, a Party could limit liability to situations where there is a nexus between circumvention and infringement. In addition, footnote 94 allows Parties to limit the “trafficking” restriction to the sale or rental of circumvention devices (thereby permitting development of devices for internal use) or where the trafficking “prejudice[s] the interests of the right holder of the copyright.” The latter clause allows the manufacture and sale of circumvention devices that do not result in infringement, *e.g.*, that allow access to embedded software.

18.71: General Obligations

Paragraph 1 provides that enforcement procedures “shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.” Paragraph 3 provides that enforcement procedures shall be “fair and equitable.” Paragraph 5 contains the ACTA language on “the need for proportionality between the seriousness of the

intellectual property infringement, and the applicable remedies and penalties, as well as the interests of third parties.”

18.74: Civil Procedures

Paragraph 15 provides that each Party shall ensure that its judicial authorities can take measures against IP owners who have “abused enforcement procedures” so as “to provide the party wrongfully enjoined or restrained adequate compensation for the injury suffered because of such abuse.”

The language in Paragraph 8 concerning the standards for awarding pre-established damages is an improvement over the language over the parallel provision in KORUS language in that the TPP language is more tightly focused on compensation for harm than deterring future infringement.

18.75: Provisional Measures

Paragraph 2 requires Parties to give their judicial authorities the power to impose a bond or other security requirement on a right holder seeking provisional measures in order “to prevent abuse.”