

## ***Golan v. Holder*: A Farewell to Constitutional Challenges to Copyright Laws**

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On January 13, 2012, the Supreme Court by a 6-2 vote affirmed the Tenth Circuit decision in *Golan v. Holder*. (Justice Kagan recused herself, presumably because of her involvement in the case while she was Solicitor General.) The case concerned the constitutionality of the Uruguay Round Agreements Act (URAA), which restored copyright in foreign works that had entered into the public domain because the copyright owners had failed to comply with formalities such as notice; or because the U.S. did not have copyright treaties in place with the country at the time the work was created (*e.g.*, the Soviet Union). The petitioners were orchestra conductors, musicians, and publishers who enjoyed free access to works removed by URAA from the public domain. The Court in its decision made clear that constitutional challenges to a copyright statute would not succeed so long as the provision does not have an unlimited term, and does not tread on the idea/expression dichotomy or the fair use doctrine.

Justice Breyer wrote a strong dissent that contains many interesting observations concerning the economic theory of copyright; how the URAA reflects a European rather than American approach to copyright; orphan works; and the causes of infringement.

The American Library Association (ALA), the Association of Research Libraries (ARL), and the Association of College and Research Libraries (ACRL) joined an amicus brief written by Electronic Frontier Foundation in support of reversal. This brief, referred to as the ALA brief, received significant attention in both the majority and dissenting opinions.

### **Reference to the ALA Brief**

The dissent argued that the decision would exacerbate the orphan works problem, and cited the ALA brief as authority for that proposition. The dissent mentioned HathiTrust's estimate of the \$1 million cost of determining the public domain status of works published between 1923 and 1963. Moreover, the dissent cited the Library Copyright Alliance's comments during the Copyright Office's orphan works proceeding concerning examples of libraries' reluctance to use orphan works.

In response, the majority indicated that the orphan works problem is not limited to foreign works pursuant to URAA. The Court went on to say that orphan works are not "a matter appropriate for judicial, as opposed to legislative, resolution," citing Judge Chin's rejection of the Google Books Settlement.

### **Majority Opinion**

All this discussion of orphan works, however, was a side issue. The main thrust of the Court's decision was that URAA is constitutional. Petitioners repeatedly tried to

demonstrate how this case was different from *Eldred v. Ashcroft*, where the Court in 2003 found the extension of the copyright term of existing works to be constitutional. The Court here rejected this attempt to distinguish *Eldred*.

Petitioners argued that the Copyright Clause posed “an impenetrable barrier to the extension of copyright protection to authors whose writings, for whatever reason, are in the public domain.” The Court answered by saying: “We see no such barrier in the text of the Copyright Clause, historical practice, or our precedents.” Neither the words of that Clause, nor the way it has been understood since Congress passed the first U.S. copyright law in 1790, supported the claim that the public domain is “inviolable.”

The Court found that URAA complies with the “limited times” requirement in the Copyright Clause because the copyright still expires. There is no indication that Congress would restore copyright in works indefinitely so that protection in effect would be unlimited. The restoration in URAA is consistent with historical practice because the 1790 Copyright Act applied to works in the public domain. Similarly, Congress has passed several “private bills” applying copyright to specific works in the public domain, and authorized the President to restore copyright to works that had fallen into the public domain during World War I and II.

The Court then turned to the Petitioners' argument that URAA does not promote the progress of science because it could not possibly provide the incentive to the creation of new works. The Court responded that URAA might encourage the dissemination of existing works, and this might in turn promote science. Additionally, Congress had reason to believe that URAA “would expand the foreign markets available to U.S. authors and invigorate protection against piracy of U.S. works abroad, thereby benefiting copyright intensive industries stateside and inducing greater investment in the creative process.”

Next, the Court discussed whether the First Amendment constrained Congress's power to enact URAA. The Court reviewed its decision in *Eldred*, where it found that the traditional contours of copyright included two built in accommodations to the First Amendment -- the idea/expression dichotomy and the first sale doctrine. The Court restated and thus reaffirmed its support for fair use:

The second “traditional contour,” the fair use defense, is codified at 17 U.S.C. §107: “[T]he fair use of a copyrighted work, including such use by reproduction in copies . . . , for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.” This limitation on exclusivity “allows the public to use not only facts and ideas contained in a copyrighted work, but also [the author’s] expression itself in certain circumstances.” *Eldred*, 537 U. S., at 219; see *id.*, at 220 (“fair use defense affords considerable latitude for scholarship and comment, . . . even for parody” (internal quotation marks omitted)).

The Court here found that URAA did nothing to disturb the idea/expression dichotomy or fair use, and this did not warrant any additional First Amendment scrutiny. The Court stressed that there was nothing in the historical record, congressional practice, or the Court's jurisprudence "to warrant exceptional First Amendment solicitude for works that were once in the public domain."

### **Dissenting Opinion**

Justice Breyer wrote a sharp dissent that Justice Alito joined. I quote liberally from it because it is so compelling. At the outset, the dissent states:

The statute before us, however, does not encourage anyone to produce a single new work. By definition, it bestows monetary rewards only on owners of old works – in the American public domain. At the same time, the statute inhibits the dissemination of those works, foreign works published after 1923, of which there are many millions, including films, works of art, innumerable photographs, and of course, books – books that (in the absence of the statute) would assume their rightful place in computer-accessible databases, spreading knowledge throughout the world.

The dissent begins with a detailed review of the history of the economic philosophy of U.S. copyright law: “That philosophy understands copyright’s grant of limited monopoly privileges to authors as private benefits that are conferred for a public reason -- to elicit new creation.”

Yet, as the Founders recognized, monopoly is a two-edged sword. On the one hand, it can encourage production of new works. In the absence of copyright protection, anyone might freely copy the products of an author’s creative labor, appropriating the benefits without incurring the nonrepeatable costs of creation, thereby deterring authors from exerting themselves in the first place. On the other hand, copyright tends to restrict the dissemination (and use) of works once produced either because the absence of competition translates directly into higher consumer prices or because the need to secure copying permission sometimes imposes administrative costs that make it difficult for potential users of a copyrighted work to find its owner and strike a bargain. Consequently, the original British copyright statute, the Constitution’s Framers, and our case law all have recognized copyright’s resulting and necessary call for balance.

The dissent reviewed how the 1710 Statute of Anne in Britain limited the existing perpetual monopoly of booksellers, and it premised a limited monopoly on the need to provide authors (rather than booksellers) and incentive to write books. The booksellers tried to minimize their losses by arguing that authors had a perpetual common law copyright in their works deriving from their natural rights as creators. The House of

Lords, however, in 1774 ruled that the Statute of Anne transformed this perpetual common-law copyright into a copyright of a limited term designed to serve the public interest.

The dissent's historical review turned to the colonies and the drafting of the Constitution:

Thomas Jefferson ... initially expressed great uncertainty as to whether the Constitution should authorize the grant of copyrights and patents at all, writing that “the benefit even of limited monopolies is too doubtful” to warrant anything other than their “suppression.” James Madison also thought that “Monopolies . . . are justly classed among the greatest nu[i]sances in Government.” But he argued that “in certain cases” such as copyright, monopolies should “be granted” (“with caution, and guarded with strictness against abuse”) to serve as “*compensation for a benefit actually gained to the community . . . which the owner might otherwise withhold from public use.*” Jefferson eventually came to agree with Madison, supporting a limited conferral of monopoly rights but only “*as an encouragement to men to pursue ideas which may produce utility.*”

This leads to perhaps the most important passage in the dissent.

This utilitarian view of copyrights and patents, embraced by Jefferson and Madison, stands in contrast to the “natural rights” view underlying much of continental European copyright law—a view that the English booksellers promoted in an effort to limit their losses following the enactment of the Statute of Anne and that in part motivated the enactment of some of the colonial statutes. ... That view, though perhaps reflected in the Court’s opinion, runs contrary to the more utilitarian views that influenced the writing of our own Constitution’s Copyright Clause. This utilitarian understanding of the Copyright Clause has long been reflected in the Court’s case law.

The dissent asks whether the Copyright Clause

empower[s] Congress to enact a statute that withdraws works from the public domain, brings about higher prices and costs, and in so doing seriously restricts dissemination, particularly to those who need it for scholarly, educational, or cultural purposes -- all without providing any additional incentive for the production of new material?

The dissent says the answer is no.

The majority in a footnote had a curious response to the dissent's suggestion that URAA was not consistent with the Anglo-American utilitarian approach.

The dissent suggests that the “utilitarian view of copyright[t]” embraced by Jefferson, Madison, and our case law sets us apart from continental Europe and inhibits us from harmonizing our copyright laws with those of countries in the civil-law tradition. See *post*, at 5–6, 22. For persuasive refutation of that suggestion, see Austin, Does the Copyright Clause Mandate Isolationism? 26 Colum. J. L. & Arts 17, 59(2002) (cautioning against “an isolationist reading of the Copyright Clause that is in tension with . . . America’s international copyright relations over the last hundred or so years”).

This sounds like the Supreme Court is suggesting that it is fine for Congress to cause copyright law to depart from its utilitarian roots in the Constitution!

The dissent then explained the negative impact of the URAA, focusing in particular, as noted above, on orphan works.

But Congress has done nothing to ease the administrative burden of securing permission from copyright owners that is placed upon those who want to use a work that they did not previously use, and this is a particular problem when it comes to “orphan works”—older and more obscure works with minimal commercial value that have copyright owners who are difficult or impossible to track down. Unusually high administrative costs threaten to limit severely the distribution and use of those works—works which, despite their characteristic lack of economic value, can prove culturally invaluable.

There are millions of such works. For example, according to European Union figures, there are 13 million orphan books in the European Union (13% of the total number of books in-copyright there), 225,000 orphan films in European film archives, and 17 million orphan photographs in United Kingdom museums. How is a university, a film collector, a musician, a database compiler, or a scholar now to obtain permission to use any such lesser known foreign work previously in the American public domain? Consider the questions that any such individual, group, or institution usually must answer: Is the work eligible for restoration under the statute? If so, who now holds the copyright—the author? an heir? a publisher? an association? a long-lost cousin? Whom must we contact? What is the address? Suppose no one answers? How do we conduct a negotiation?

To find answers to these, and similar questions, costs money. The cost to the University of Michigan and the Institute of Museum and Library Services, for example, to determine the copyright status of books contained in the HathiTrust Digital Library that were published in the United States from 1923 to 1963 will exceed \$1 million. Brief for American Library Assn. et al. as *Amici Curiae* 15.

It is consequently not surprising to learn that the Los Angeles Public Library has been unable to make its collection of Mexican folk music publicly available because of problems locating copyright owners, that a Jewish cultural organization has abandoned similar efforts to make available Jewish cultural music and other materials, or that film preservers, museums, universities, scholars, database compilers, and others report that the administrative costs associated with trying to locate foreign copyright owners have forced them to curtail their cultural, scholarly, or other work-preserving efforts. *See, e.g.*, Comments of the Library Copyright Alliance in Response to the U.S. Copyright Office's Inquiry on Orphan Works 5 (Mar. 25, 2005)....

The dissent next observed that these administrative costs could induce infringement.

These high administrative costs can prove counterproductive in another way. They will tempt some potential users to “steal” or “pirate” works rather than do without. And piracy often begets piracy, breeding the destructive habit of taking copyrighted works without paying for them, even where payment is possible. Such habits ignore the critical role copyright plays in the creation of new works, while reflecting a false belief that new creation appears by magic without thought or hope of compensation.

While condemning infringement, this passage suggests that infringement is often the rightsholders' fault by not providing users with affordable legitimate alternatives.

The dissent continues to discuss the special free speech harm that results from the removal of works from the public domain. It says that URAA “restricts, and thereby diminishes, Americans' preexisting freedom to use formerly public domain material in their expressive activities.” It later adds, “By removing material from the public domain, the statute, in literal terms, ‘abridges’ a preexisting freedom to speak.”

The dissent explored in depth URAA's failure to promote creative activity:

This statute does not serve copyright's traditional public ends, namely the creation of monetary awards that “motivate the creative activity of authors,” “encourag[e] individual effort,” and thereby “serve the cause of promoting broad public availability of literature, music, and the other arts.” The statute grants its “restored copyright[s]” *only* to works *already produced*. It provides no monetary incentive to produce anything new. Unlike other American copyright statutes from the time of the Founders onwards, including the statute at issue in *Eldred*, it lacks any significant copyright-related *quid pro quo*.

The dissent rejected the majority's argument that the URAA promotes the progress of science by encouraging the dissemination of works.

The industry experts to whom the majority refers argue that copyright protection of already existing works can help, say, music publishers or film distributors raise prices, produce extra profits and consequently lead them to publish or distribute works they might otherwise have ignored. But ordinarily a copyright—since it is a *monopoly* on copying—*restricts* dissemination of a work once produced compared to a competitive market. And simply making the industry richer does not mean that the industry, when it makes an ordinary *forward-looking* economic calculus, will distribute works not previously distributed. The industry experts might mean that temporary extra profits will lead them to invest in the development of a market, say, by advertising. But this kind of argument, which can be made by distributors of all sorts of goods, ranging from kiwi fruit to Swedish furniture, has little if anything to do with the nonrepeatable costs of initial creation, which is the special concern of copyright protection.

The dissent continued to observe that “it is the kind of argument that could justify a legislature’s withdrawing from the public domain the works, say, of Hawthorne or of Swift or for that matter the King James Bible in order to encourage further publication of those works...” Furthermore, accepting such a rationale “would read the Copyright Clause as if it were a blank check made out in favor of those who are not themselves creators.

The dissent refuted the rationales offered by industry supporters of the legislation – the only witnesses Congress heard from.

Industry witnesses testified that withdrawing such works from the American public domain would permit foreign copyright owners to charge American consumers more for their products; and that, as a result, the United States would be able to persuade foreign countries to allow American holders of preexisting copyrights to charge foreign customers more money for their products. This argument, whatever its intrinsic merits, is an argument that directly concerns a private benefit: how to obtain more money from the sales of existing products. It is not an argument about a public benefit, such as how to promote or to protect the creative process.

Additionally, to the extent that the majority believed that the URAA gives authors “nothing more than the benefit of their labors during whatever time remains before the normal copyright term expires,” this reflects a European, rather than American, approach. “[I]nsofar as it suggests that copyright should in general help authors obtain greater monetary rewards than needed to elicit new works, it rests upon primarily European, but

not American, copyright concepts.”

The dissent closes by listing less restrictive ways by which the U.S could have complied with the Berne Convention, *e.g.*, when the U.S. joined the Berne Convention, it could have secured as reservation permitting it to keep some or all of the restored works in the public domain. Additionally, “Congress could have alleviated many of the costs that the statute imposes by, for example, creating forms of compulsory licensing, requiring ‘restored copyright’ holders to provide necessary administrative information as a condition of protection, or insisting upon ‘reasonable royalties.’”

Justice Breyer concludes his dissent by writing “The fact that, by withdrawing material from the public domain, the statute inhibits an important preexisting flow of information is sufficient, when combined with the other features of the statute that I have discussed, to convince me that the Copyright Clause, interpreted in the light of the First Amendment, does not authorize Congress to enact this statute.”

### **Conclusion**

The majority opinion in *Golan* closes the door on constitutional challenges to copyright statutes unless those statutes contain absolutely no time limits or directly undermine the idea/expression dichotomy or fair use. Justice Breyer failed to convince the Court that under the Constitution Congress had the authority to enact only utilitarian copyright statutes that incentivized the creation of new material. The majority opinion leaves Congress as the sole venue for fighting draconian copyright laws.

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