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Copyright Compliance for Law Firms¹

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This paper is about the use of copyright protected textual works in a law firm setting. Computer technology has made copying and distributing documents much easier than it used to be. Nowadays, with one click, you can easily send copies of an electronic email bulletin to everyone in your practice group. But is it legal? Probably not – not unless you have permission from the copyright owner.

Copyright law limits the extent that law firms may copy and distribute copyright protected works. Penalties can be stiff so it is important for firms to develop copyright compliance policies and adhere to them. Special provisions in the copyright law will shield your firm from liability if you use your library when distributing copyright protected works. Your firm's law library deals with copyright compliance regularly; see your law librarian when you need copyright solutions.

Penalties for violations

Violations of copyright laws can bring stiff penalties; copyright owners may recover statutory damages up to \$150,000 for each act of willful infringement.³ Lower statutory damages may apply for non-willful infringing activities. A good way to avoid statutory damages for copyright infringement when you need to copy or send copyright protected works is to have your library staff take care of it for you. Statutory damages do not apply to library employees who believe their actions are in compliance with fair use provisions of copyright law.⁴

In 1991, a publisher sued a mid-size Washington D.C. law firm, Collier Shannon Scott, for copyright infringement, claiming statutory damages exceeding \$ 14 million.⁵ The firm asserted a

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² See <http://www.jehobu.com>.

³ 17 U.S.C. § 504(c)(2). Although criminal charges rarely apply in copyright matters, willful and egregious violations of copyright law are a felony under 17 U.S.C. §506(a) and 18 U.S.C. § 2319.

⁴ Under 17 U.S.C. § 504(c)(2)(i), statutory damages are not applicable when "an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment" believes that his or her infringing activity was fair use under section 107 of the law. The author did not find any cases via Shepard's or KeyCite that discuss situations where companies who are defendants in copyright actions have used the librarian fair use exception under § 504(c)(2)(i) to claim that they are not liable for statutory damages. Nimmer on Copyright § 14.04[B][2][b] (2007) provides some discussion of this exception.

⁵ *Washington Business Information, Inc. v. Collier Shannon & Scott*, Case No. 91-00305 (E.D. Va. filed February 26, 1991).

fair use defense, but eventually settled for an undisclosed amount after both sides racked up more than \$ 1 million in attorneys' fees.⁶

In 1999, LeBoeuf Lamb Green & MacRae, a large New York firm, agreed to pay an undisclosed sum after publishers threatened to sue for unauthorized reproduction of their copyrighted works. The firm entered a blanket license agreement with the Copyright Clearance Center, to avoid future copyright infringement. The agreement has cost LeBoeuf an estimated \$ 115,000 a year.⁷

In October 2003, a jury awarded \$ 20 million to a publisher who sued Legg Mason, a financial services firm, for copyright infringement and breach of contract. The case focused on the behavior of Legg Mason employees who distributed copies of an electronic newsletter, *Lowry's New York Stock Exchange Market Trend Analysis*, without the consent of its copyright owner. The employees routinely faxed and emailed complete copies the newsletter to many of their fellow employees and routinely posted the newsletter on their firm-wide intranet. The district court held that Legg Mason willfully engaged in copyright infringing activities.⁸ Legg Mason appealed the district court's decision but ended up settling before the Fourth Circuit ruled on it.⁹

Copyright Basics

The Constitution grants Congress the authority "to 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."¹⁰ Title 17 of the United States Code, the copyright law, guarantees that authors have exclusive rights to authorize reproduction and distribution of their works.¹¹ The "fair use" doctrine and other exceptions limit the exclusive rights of copyright owners.¹² The exclusive rights begin at the creation of a work and last for the rest of the author's life plus seventy years.¹³ If the author is a corporate entity, the duration of copyright is generally ninety-five years.¹⁴ With the use of contracts, authors are free to sell or otherwise transfer ownership of their exclusive rights to others.¹⁵ Copyright owners who have registered their works with the Copyright Office of the Library of Congress may go to court to stop unauthorized use of their works and to claim damages if someone infringes on their exclusive rights.¹⁶

⁶ James S. Heller, *Copyright, Fair use and the For-Profit Sector*, 5 Information Outlook 6 (May 2002).

⁷ Thomas Scheffey, *Licensing Fees; Copyright Protection Gives Rise to the Copy Machine Police*, 13 Accounting For Law Firms 7 (October 2000).

⁸ Laura Gasaway, *Copyrighted Newsletter Infringed by Posting on Corporate Intranet; Copyright Corner; Lowry's Reports, Inc.*, 5 Information Today 40 (May 1, 2004). See also *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 271 F. Supp. 2d 737 (D. Md. 2003).

⁹ *Lowry's Reports, Inc. v. Legg Mason, Inc.*, Case No. 04-1433 (4th Cir. filed April 12, 2004). See also *Legg Mason settles Lowry's copyright suit*, LitWatch Story (June 10, 2005).

¹⁰ U.S. Const., Art. I, § 8, cl. 8.

¹¹ 17 U.S.C. § 106.

¹² 17 U.S.C. § 107 to § 122.

¹³ 17 U.S.C. § 302(a).

¹⁴ 17 U.S.C. § 302(c).

¹⁵ 17 U.S.C. § 201 et seq.

¹⁶ 17 U.S.C. § 411.

The copyright law only covers works that have been “fixed in a tangible form of expression”, e.g., print on paper or a webpage on a server. It does not cover ideas or thoughts.¹⁷ Copyright law does not apply to documents that are in the public domain, including government publications and works whose copyrights have expired.¹⁸ Generally, works created prior to 1923 are in the public domain. It is sometimes tricky to determine whether copyright law covers works created between 1923 and 1976.¹⁹ While government publications are public domain materials, publishers’ annotations and headnotes in case law reporters are protected by copyright law.²⁰

Generally, contracts with copyright owners trump copyright law. “The terms of a license agreement supersede the provisions of copyright law. Parties can generally waive their legal rights (including fair use) as long as such waiver is not against public policy.”²¹ Your firm’s license agreements with publishers such as Lexis and Westlaw govern your use of the content they provide through their websites. Your firm should negotiate vendor agreements that allow you to maintain rights guaranteed under copyright law.

Use of Documents in Judicial Proceedings

Generally, attorneys do not require the consent of copyright owners when using reproductions of copyrighted works in judicial proceedings.²² Courts have held such use to be fair use.²³ After the O.J. Simpson murder trial, a photography company sued Mr. Simpson’s counsel for displaying its copyright protected photograph of Mr. Simpson without its permission. The court accepted the defendants’ assertion of fair use even though the copyrighted photograph had been broadcasted via television.²⁴

Fair Use

The fair use doctrine, codified at 17 U.S.C. § 107, is a limitation to the exclusive rights of copyright owners. Under fair use, anyone may reproduce and distribute copyrighted works without the copyright owner’s consent if they can affirmatively defend such use based on four factors: (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

¹⁷ 17 U.S.C § 102(b).

¹⁸ 17 U.S.C § 105; 17 U.S.C § 302. See also Wikipedia, *Public Domain* (February 26, 2005), available at http://en.wikipedia.org/wiki/Public_domain.

¹⁹ See Peter B. Hirtle, *Copyright Term and the Public Domain in the United States* (January 1, 2005), available at http://www.copyright.cornell.edu/training/Hirtle_Public_Domain.htm.

²⁰ See Nimmer on Copyright § 5.12[B] (2003).

²¹ Duncan E. Alford, *Negotiating and Analyzing Electronic License Agreements*, 94 Law Libr. J. 621, 636 (2002) (citation omitted).

²² See Nimmer on Copyright § 13.05[D][2] (2003).

²³ Religious Technology Ctr. v. Wollersheim, 971 F.2d 364 (9th Cir. 1992); Jartech, Inc. v. Clancy, 666 F.2d 403 (9th Cir.), cert. denied, 459 U.S. 826 (1982).

²⁴ Kulik Photography v. Cochran, 975 F. Supp. 812 (E.D. Va. 1997).

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.²⁵

When a defendant asserts a fair use defense in a copyright infringement action, a court will weigh these four factors according to the specific fact situation of the alleged infringement. Because of its fact specific nature, there is no standard rule for the application of this defense. This makes it difficult for a party to ascertain whether a fair use defense may apply prior to going to trial. Generally, educational use of a small portion of a fact-oriented work that has little market value is OK according to the fair use doctrine.²⁶

The most important fair use case relating to the in-house copying practices in business settings is American Geophysical Union v. Texaco Inc., 60 F.3d 913 (2d Cir. 1994), cert. dismissed, 516 U.S. 1005 (1995). In this case, publishers brought an infringement action against a company, Texaco, whose few hundred scientists engaged in systematic copying and archiving of scientific journal articles. The parties agreed to limit the matter by examining the behavior of one randomly selected Texaco scientist whose copyright related practices would be assumed to be representative of Texaco scientists as a whole.

Texaco asserted a fair use defense on the grounds that its copying practices were (1) for research purposes without a direct correlation to a profit motive; (2) of factual works; (3) of single articles and not whole journals; and (4) of little impact on the market for such publications. The circuit court held that only factor two weighed in favor of Texaco. After this phase of litigation, Texaco settled with the publishers for a seven-figure sum, agreed to pay retroactive licensing fees to the Copyright Clearance Center (CCC) and agreed to enter a blanket licensing agreement with the CCC for subsequent in-house copying.²⁷ Further discussion of the CCC is provided below.

Although fair use factors are case specific, any law firm that engages in behavior similar to Texaco's is likely to receive a similar outcome before a court.

The First Sale Doctrine

The first sale doctrine, codified at 17 U.S.C. § 109, is another limitation to the exclusive rights of copyright owners. Basically, it allows the owner of any legally obtained copy of a work to do as he wishes with that copy.²⁸ Without the first sale doctrine, bookstores would not be allowed to sell books and libraries would not be allowed to lend them.²⁹ This limitation allows your firm's library to borrow books from other libraries for you. In the same way that your library provides you with print materials, copyright law allows your firm's library to provide you with electronic copies of works, e.g., articles in PDF format. Keep in mind that license agreements with vendors sometimes waive § 109 rights and limit the distribution of electronic documents.

²⁵ An 1841 Massachusetts circuit court developed the fair use doctrine and this four-factor approach. Folsom v. Marsh, 9 F. Cas. 342 (C.C.D. Mass. 1841). Courts had been applying these four factors for years before congress codified them in the Copyright Act of 1976. 17 U.S.C. § 107.

²⁶ For an in-depth discussion of the fair use defense, see Nimmer on Copyright § 13.05 (2003).

²⁷ Jonathan S. Jennings, *Copyright Pitfalls for Law Firms*, 10 CBA Record 42 (June-July, 1996).

²⁸ 17 U.S.C. § 109. This limitation does not apply to the lending of computer programs. 17 U.S.C. § 109(b)(1)(A).

²⁹ Kenneth D. Crews, *Copyright Essentials for Librarians and Educators*, 45 (2000).

The Library Exemption

Another limitation that applies to law firms with libraries is the “library exemption” codified at 17 U.S.C. § 108. Under this exemption, library employees may reproduce and distribute a single copy of a protected work at the request of a library patron without the consent of the copyright owner if the library meets certain criteria.³⁰ To qualify for § 108, your firm’s library should participate in a reciprocal interlibrary loan program.³¹

Library reproduction or distribution of copyright protected works is covered by § 108 only if “the reproduction or distribution is made without any purpose of direct or indirect commercial advantage.”³² Law firms, however, are for-profit entities. Libraries of profit-making entities may qualify for § 108 exemptions according to congressional testimony:

“Isolated, spontaneous making of single photocopies by a library in a for-profit organization, without any systematic effort to substitute photocopying for subscriptions or purchases, would be covered by section 108, even though the copies are furnished to the employees of the organization for use in their work. Similarly, for-profit libraries could participate in interlibrary arrangements for exchange of photocopies, as long as the reproduction or distribution was not ‘systematic.’ These activities, by themselves, would ordinarily not be considered ‘for direct or indirect commercial advantage,’ since the ‘advantage’ referred to in this clause must attach to the immediate commercial motivation behind the reproduction or distribution itself, rather than to the ultimate profit-making motivation behind the enterprise in which the library is located.”³³

Section 108 only applies to libraries that do not seek immediate commercial advantage for their reproduction and distribution of copyright protected works. Your firm should not bill clients to profit from copy-and-send services that your firm’s library provides.

To qualify for the § 108 library exemption, your firm’s library needs to meet these criteria as well: when making a copy at a library patron’s request, the copy must become the property of the patron, that is, the library cannot keep such copies for its own collection; a notice of copyright, e.g., ©, must accompany every reproduction your firm’s library makes; the library must not engage in systematic copying of any single publication;³⁴ and the library must post

³⁰ Libraries are permitted to reproduce or distribute one copy of the same work on multiple unrelated and separate occasions so long as the reproduction of the same work is not systematic. 17 U.S.C. § 108(g).

³¹ The language of § 108 indicates that qualifying libraries must be open to the public or at least open to researchers in a specialized field. Section 1.4 of the American Association of Law Libraries Guidelines on the Fair Use of Copyrighted Works by Law Libraries (2001) maintains that participation in an interlibrary loan program weighs in favor of qualification for the § 108 exception. The Guidelines cite H.R. Rep. No. 1476, 94th Cong., 2d Sess. (1976) as grounds for this conclusion.

³² 17 U.S.C. § 108(a)(1).

³³ See H.R. Rep. No. 94-1476, 94th Cong., 2d Sess., September 3, 1976, pages 74-79 reprinted in part in U.S. Copyright Office, *Circular 21: Reproductions of Copyrighted Works by Educators and Librarians* (June 1998), available at <http://www.copyright.gov/circs/circ21.pdf>. Circular 21 also provides testimony from an earlier senate report that states that libraries of for-profit entities are not eligible to qualify for § 108. But, Circular 21 also provides testimony from a later joint conference committee report that states that libraries of for-profit entities are eligible to qualify for § 108.

³⁴ To clarify § 108(g)(2), a congressional entity, The National Commission on New Technological Uses of Copyright Works (CONTU) adopted Guidelines on Photocopying Under Interlibrary Loan Arrangements, which indicate that libraries engage in “systematic copying” if they reproduce five or more documents from the same publication within a year. *Report of the Conference Committee on the New Copyright Law*, H.R. No. 1733, 94th Cong., 2d Sess., at 71-73, reprinted in 1976 U.S.C.C.A.N. 5812-14.

“warning of copyright” notices at copy request locations and on copy request forms.³⁵ When making copies for patrons, the library exemption generally applies only to the copying and distribution of textual works, which may include images and charts, and news-related audiovisual works.³⁶ Although not specified in § 108, your firm’s library should maintain records of its interlibrary loans and document distribution for at least three years.³⁷

If Texaco had been in compliance with § 108, using its library to copy and distribute articles for its scientists, it is likely that the court would not have been able to hold Texaco liable for copyright infringement.

In March 2008, the Section 108 Study Group, a group of copyright experts assembled by the Library of Congress’s National Digital Information Infrastructure and Preservation Program and the U.S. Copyright Office, released a report that provides recommendations for legislative changes to § 108.³⁸ These recommendations, if implemented, would have little effect on the way that law firm libraries operate.

The Copyright Clearance Center

The Copyright Clearance Center is a clearinghouse for licensing the use of copyrighted works. It formed in 1978 at the suggestion of Congress.³⁹

“Copyright Clearance Center manages the rights to over 1.75 million works and represents more than 9,600 publishers and hundreds of thousands of authors and other creators. The company’s streamlined, convenient compliance solutions enable more than 10,000 corporations and subsidiaries, including most of the Fortune 100, and thousands of government agencies, law firms, document suppliers, libraries, academic institutions, copy shops and bookstores to respect the rights of copyright holders and lawfully reuse the copyright-protected information they need to drive their business.”⁴⁰

³⁵ 37 C.F.R. Part 201.14 (2008) states that warning of copyright notices shall be prominently displayed in size 18 point font or greater at copying locations and in 8 point font or greater on copy request forms and shall contain the following language:

NOTICE WARNING CONCERNING COPYRIGHT RESTRICTIONS

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material.

Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specific conditions is that the photocopy or reproduction is not to be “used for any purpose other than private study, scholarship, or research.” If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of “fair use,” that user may be liable for copyright infringement.

This institution reserves the right to refuse to accept a copying order if, in its judgment, fulfillment of the order would involve violation of copyright law.

³⁶ “The rights of reproduction and distribution under this section do not apply to a musical work, a pictorial, graphic or sculptural work, or a motion picture or other audiovisual work other than an audiovisual work dealing with news...” 17 U.S.C. § 108(i).

³⁷ Lee M. Nemchek, *Practical Considerations for Copyright Law Compliance in Private Law Firms: The Librarian’s Role in Education and Policy Enforcement*, 335 PLI/Pat 175, 191 (1992). Ms. Nemchek provides some discussion about compliance with CONTU Guidelines.

³⁸ See the Section 108 Study Group site, <http://www.section108.gov>. Last visited June 15, 2008.

³⁹ Steven D. Smit, “*Make A Copy For The File ...*”: *Copyright Infringement by Attorneys*, 46 Baylor L. Rev. 1, 22 and fn. 105 (1994).

⁴⁰ This description of the Copyright Clearance Center comes from its Corporate Overview page, <http://www.copyright.com/ccc/do/viewPage?pageCode=au1>. Last visited on November 16, 2005.

Many publications that law firms use are registered with the CCC. If your firm wants to reproduce or distribute articles from any of these publications in excess of fair use or the library exemption, you may check the CCC's website, www.copyright.com, and, if available, purchase a license agreement online. Law firms may also negotiate with the CCC for annual blanket licensing agreements for use of all publications registered with the CCC.

Unfortunately, some important publishers have not registered all of their publications with the CCC. Washington State attorneys would be dismayed to see that permissions for the use of Washington Practice, a West Group publication, are not immediately available through the CCC website. If your firm wants to use an article in excess of fair use or the library exemption from a publication that has not registered with the CCC, you should obtain permission directly from the publisher to ensure compliance with copyright law.⁴¹ Your librarian should be able to help you with this process.

Copyright Policies

All firms should have current copyright policies that require attorney and staff education about copyright matters. If your firm lacks a current copyright policy or if it is apparent that your firm is not complying with copyright law, this should be brought to the attention of the your risk management committee or its equivalent.⁴² Penalties for noncompliance may end up costing a lot of money and malpractice insurance policies generally do not cover copyright infringement. No firm would want to see its name in the news for infringement allegations. It only takes one disappointed employee to let the CCC know that a firm is in noncompliance. Publishers offer "bounties" to whistleblowers that are willing to turn their firms in.⁴³ The American Association of Law Libraries provides two model policies that may be helpful in drafting a firm's copyright compliance policy: The AALL Model Law Firm Copyright Policy⁴⁴ and AALL Guidelines on the Fair Use of Copyrighted Works by Law Libraries.⁴⁵

⁴¹ The CCC is not your only option for obtaining copyright permissions for copyright protected works in excess of fair use and the library exemption; services such as Scoop ReprintSource, <http://www.scoopreprintsource.com>, and Valeo IP, <http://www.icopyright.com>, offer copyright solutions as well. Your firm may want to contact one of these services for the purpose of posting a copyright protected news article on your firm website.

⁴² Nemchek, *supra* note 36, at 196.

⁴³ From the CCC website: "How do publishers and other rightsholders become aware of infringements of their copyrights? Many times a disgruntled employee at a particular company reports the unlawful use of content to the publisher or Copyright Clearance Center. Many publications place "whistleblower" or "bounty" ads in their own publications that highlight the issue of copyright infringement and offer cash payments for reporting illegal activity." CCC, *Frequently Asked Questions*, #14, available at <http://www.copyright.com/ccc/do/viewPage?pageCode=cr11-n#copyfaq14>. Last visited on November 16, 2005.

⁴⁴ The Copyright Committee of the AALL approved the AALL Model Law Firm Copyright Policy in January of 2001. It is available online at http://www.aallnet.org/about/model_law.asp. Last visited on June 15, 2008.

⁴⁵ The Copyright Committee of the AALL approved the AALL Guidelines on the Fair Use of Copyrighted Works by Law Libraries in January of 2001. They are available online at http://www.aallnet.org/about/policy_fair.asp. Last visited on June 15, 2008.