



October 18, 2021

The Honorable Kathy Hochul
 Governor of New York
 New York State Capitol Building
 Albany, NY 12224

Dear Governor Hochul:

The undersigned organizations respectfully but urgently request that you veto New York Assembly Bill 5837, which would compel publishers, independently published authors, and others to grant licenses to e-books and other digital text documents to New York libraries immediately after granting commercial licenses. This bill would subvert the federal legal authority of publishers and authors to decide when, under what terms, to what markets, and in what formats they will distribute their books and other copyrighted materials. Not only is the bill preempted by the plain language of the U.S. Copyright Act—which makes clear that the distribution of books and other written works, music, art, photography, film, and software is governed exclusively by federal law—it is also an unjustified attack on the creative industries of New York.

We respectfully submit that this bill is an unlawful attempt by the state to regulate the terms by which copyright owners may exercise their constitutionally protected intellectual property rights. And while this bill pertains only to e-books and similar works, it threatens the important principle of a uniform federal copyright law. It is therefore of grave concern to other creative industries that do significant business and employ tens of thousands of people in New York, including motion pictures, news publishers, music, and software.

Harm to New York Creative Industries

Assembly Bill 5837 would have a significant negative impact on the economy and jobs in New York. As the state aims to rebound from the devastating impact of COVID-19, publishing houses and other New York-based creative industries that are critical to the state’s economic recovery would be substantially harmed by this legislation. Copyright industries create high-paying jobs and employ millions of people, and the copyright economy consistently grows at a faster rate than the overall U.S. economy. Nearly six million people are directly employed by core copyright industries—including books, motion pictures, music, software, newspapers, and magazines—and these industries add more than \$1.5 trillion in annual value to U.S. GDP.

The copyright industry and New York's economy are directly linked. The publishing industry alone provides tens of thousands of jobs in New York, where it has been proudly headquartered for two centuries. In addition, publishing creates numerous jobs for distribution partners, such as booksellers, and works closely with business partners like the motion picture and television industry, which together are directly responsible for more than one hundred thousand jobs in New York and some \$13.1 billion in wages. Hundreds of thousands more New Yorkers have jobs indirectly related to the production and distribution of movies, television, and other video content to consumers. The bill may also have an adverse effect on royalties paid to authors in addition to increasing risks especially for independent bookstores, thereby threatening jobs relying on these local institutions.

It is alarming that this legislation attempts to dictate the licensing decisions of copyright owners, deeply affecting the exclusive rights of publishers, authors, and other members of the creative industries, and yet they were not meaningfully engaged during the drafting or consideration of the bill. Assembly Bill 5837 threatens the very foundation that has governed the disposition of copyrighted works to great success, a foundation upon which both libraries and the New York economy depends.

Preemption

Publishers' and authors' exclusive rights to decide how, when, and to whom to license their works are governed exclusively by federal law. The power of Congress to incentivize authors is one of the few enumerated powers it derives directly from the U.S. Constitution through the "Copyright Clause."¹ It is through this authority that Congress has established a uniform federal system of copyright law, expressly and completely preempting states from expanding or inhibiting the exclusive rights of copyright owners. The Copyright Act's language makes this intent crystal clear: "*all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . are governed exclusively by this title.*"²

Courts have consistently invalidated previous efforts by states—including New York—to abrogate the exclusive rights of copyright owners to determine how, when, to whom, and under what circumstances to distribute their works. For example, in the 1990s, a federal court struck down the provisions of New York's Standardized Testing Act ("STA")³ that mandated publication of (copyright-protected) standardized tests as preempted by the federal Copyright Act, and thus unenforceable.⁴ As the court explained in that case, the challengers to the law

argue that by forcing them to publish copyrighted secure tests, the STA alters the balance struck by Congress between the exclusive rights of copyright owners found in § 106 of the Copyright Act and the exceptions to those exclusive rights found in §§ 107-118 of the same Act.... Thus, the moving plaintiffs assert that "[u]nless the forced publication compelled by the [STA] fits within an exception created by Congress — the fair use doctrine — the [STA] is necessarily at war with, and preempted by, the Copyright Act."

The court agrees....⁵

Likewise, in *Orson, Inc. v. Miramax Film Corp.*, the full Third Circuit, sitting *en banc*, invalidated a Pennsylvania statute limiting exclusive first-run theatrical motion picture licenses to a duration of 42 days, holding that it was preempted "because it prohibits the copyright holder from exercising rights protected by

¹ U.S. Const. Art. 1 Sec. 8 Cl. 8.

² 17 U.S.C. § 301(a). Additionally, Congress may implicitly preempt state laws. See *Oneok, Inc. v. Learjet, Inc.*, 575 U.S. 373, 376-77 (2015).

³ N.Y. Educ. Law §§ 341-42.

⁴ See *College Entrance Examination Bd. v. Pataki*, 889 F. Supp. 554 (N.D.N.Y. 1995).

⁵ *Id.* at 564.

the Copyright Act.”⁶ The court explained that the Pennsylvania Act would require “a distributor to expand its distribution after forty-two days by licensing another exhibitor in the same geographic area, even if such expansion is involuntary and uneconomic.”⁷ Like the law at issue in *Orson*, Assembly Bill 5837 would subject a copyright owner to liability for refusing to grant licenses to third parties.⁸

Similarly, in *Close v. Sotheby’s, Inc.*, the Ninth Circuit invalidated a statute requiring re-sellers of fine art to pay the artist a 5% royalty, holding that the rule conflicted with the exclusive distribution right under Section 106(3) of the Copyright Act, as limited by the first sale doctrine under Section 109(a).⁹ Assembly Bill 5837 creates a similar conflict with the exclusive right of the copyright owner to distribute his or her work by sale or other transfer of ownership.¹⁰

Like the statutes invalidated in *Orson* and *Close*, Assembly Bill 5837 purports to tell the owner of copyright in any “text document that has been converted or published in a digital format that is read on a computer... or electronic device” that it must license its work to libraries on particular terms. Unlike those statutes, however, which focused on specific kinds of works and industry practices, this legislation is stunningly broad and affects almost every kind of work imaginable. Text not only appears in books, but also in learning systems and a variety of software and support materials.

Assembly Bill 5837 impermissibly encroaches on the exclusive rights of copyright owners and is clearly preempted by federal copyright law. If enacted, the legislation would inevitably force publishers, authors, and others into litigation with the state of New York, which would almost certainly result in a decision holding that Assembly Bill 5837 is preempted by the Copyright Act and enjoining its enforcement, at the taxpayers’ expense. In fact, the United States Copyright Office recently agreed - concluding in a detailed response on state e-lending developments, that a court considering state legislation such as Assembly Bill 5837 “would likely find it preempted under a conflict preemption analysis.”¹¹

Chilling Effect on Freedom of Expression

Copyright is the “engine of free expression” and essential to the marketplace of ideas.¹² Authors’ and publishers’ rights under copyright are related to their constitutional rights to free speech and expression. By creating a mandatory license, and compelling publishers and self-published authors to make their works available, Assembly Bill 5837 puts a chilling effect on these vital freedoms. The legislation encroaches upon these freedoms not only by mandating a certain manner of commercial dealing under penalty of law but by mandating when and how authors ought to make their works available.

⁶ 189 F.3d 377 (3rd Cir. 1999) (en banc).

⁷ Id. at 385

⁸ Id.

⁹ 894 F.3d 1061 (9th Cir. 2018).

¹⁰ See also *Author’s Guild v. Google, Inc.*, 770 F. Supp. 2d 666, 681 (S.D.N.Y. 2011) (noting that “[a] copyright owner’s right to exclude others from using his property is fundamental and beyond dispute” and “[t]he owner of the copyright, if he pleases, may refrain from vending or licensing and content himself with simply exercising the right to exclude others from using his property”); *Rodrige v. Rodrigue*, 218 F.3d 432, 436-42 (5th Cir. 2000) (finding that Louisiana’s community property law could not interfere with the copyright author’s right to control his or her work).

¹¹ United States Copyright Office Response to Senator Tillis on eBook Licensing (Aug. 30, 2021) (<https://copyright.gov/laws/hearings/2021-08-30-Response-to-Senator-Tillis-on-eBook-Licensing.pdf>).

¹² See *Harper & Row, Publr. v. Nation Enters.*, 471 U.S. 539, 558 (1985) (“[I]t should not be forgotten that the Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas.”).

Flawed Justification

No publisher or author would dispute the critical importance of our public libraries as both customers for e-books and mission-focused advocates for reading. We are, however, unaware of any demonstrated, pervasive market failure that would justify the systemic market regulation this bill would establish, even if New York was not federally preempted from enacting legislation of this nature.

Notwithstanding the proponents' claims, the fact is that publishers work quite closely with library management, partnering every day to provide valuable formats—both print and digital—on terms that reasonably meet the needs of their particular communities and patrons while ensuring a fair return to the copyright owners.

Publishers of all sizes license annually hundreds of thousands of books in digital format to libraries nationally, while taking equal care to support local bookstores and other business models that are popular with consumers and essential for business. The income generated from licensing and book sales, furthermore, is not only integral to publishers' ability to remain in business, it sustains authors who write those books, and whose incomes have substantially declined over the last decade.¹³ Publishers balance not only their own commercial interests but also the authors' income in making decisions with respect to licensing terms. And even though publishers are committed to widespread access to books and take library resources into account when setting these terms, the bill's vague requirement that publishers offer licenses to libraries "on reasonable terms" would interfere with these decisions, which are solely the copyright owner's prerogative and how copyright markets have always functioned.

This bill threatens to upset the functioning of this delicately balanced system. Indeed, the scope of the bill is sweeping and overbroad—the definition of "electronic book" would encompass not just e-books, but digital newspapers, magazines, self-published e-books, and online publications such as blogs and newsletters. It applies not just to public lending libraries, but also research, school, specialty, and private libraries, all of which comprise discrete publishing markets and advance distinct missions. The definition of "publisher" could also be read to encompass a wide swath of entities within the publishing supply chain, from printers to distributors and even bookstores. Alarming, the bill also makes no distinction between large publishers and small presses, journals, and independently published authors who do not have the ability, sophistication, or resources to manage licensing at scale, and who could face hefty fines for failing to license their content to state libraries.

Supporting Libraries

If New York desires to support libraries and e-books without violating copyright law, the legislature has already engaged in a study on accessibility of e-books by users of public libraries in New York, which has resulted in recommendations worth considering.¹⁴ Those recommendations include "ensuring that all libraries in New York State have the resources and support necessary to subscribe to or purchase e-books and to provide the technology necessary to read them"; exploring and investing "in new technologies that may provide (a) more streamlined access to e-books, (b) access to enhanced free collections, (c) alternatives to existing e-platforms, and (d) sharing of e-book collections"; "exploring possibilities for establishing cost-saving mechanisms at the State level"; and providing "all New Yorkers with free access to a minimum broadband speed of 100mbps at their local public library or neighborhood branch."¹⁵

¹³ Authors Guild, *Authors Guild Survey Shows Drastic 42 Percent Decline in Authors Earnings in Last Decade* (Jan. 5, 2019) (<https://www.authorsguild.org/industry-advocacy/authors-guild-survey-shows-drastic-42-percent-decline-in-authors-earnings-in-last-decade/>).

¹⁴ NY State Library, *Electronic Books and Public Libraries in New York State: A Report to the Legislature and Executive* (May 2016) (<https://www.nysl.nysed.gov/libdev/ebooks/report.pdf>).

¹⁵ *Id.*

Conclusion

For the reasons cited above, we urge you to veto Assembly Bill 5837.

Association of American Publishers	The Authors Guild
American Association of Independent Music	American Photographic Artists
American Society of Composers, Authors & Publishers	American Society of Media Photographers
Broadcast Music Inc	Copyright Alliance
Digital Media Licensing Association	Entertainment Software Association
Graphic Artists Guild	Independent Film & Television Association
Association of Magazine Media	Motion Picture Association
Music Workers Alliance	National Music Publishers' Association
National Press Photographers Association	New York News Publishers Association
News Media Alliance	North American Nature Photography Association
Professional Photographers of America	Recording Industry Association of America
Software & Information Industry Association	