



# OLR RESEARCH REPORT

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## **LIBRARIES' ACCESS TO E-BOOKS**

By: Daniel Liston, Legislative Analyst II

You asked (1) how electronic books (e-books) are sold and distributed to libraries, (2) how libraries lend e-books to patrons, (3) to what degree the top six U.S. publishers make their e-book titles available to libraries, and (4) to what degree patrons are borrowing e-books.

### **SUMMARY**

Publishers do not sell e-books like traditional, bound books, but rather license e-books to readers. The license limits how a reader can use the e-book and prevents resale.

A library generally accesses e-books through a distributor, who aggregates e-book offerings from various publishers and provides an online platform to manage library patrons' interaction with the library's e-book collection. The library pays the distributor a service fee for access to the platform and, usually, a fee for access to each e-book title.

Library patrons generally borrow an e-book by accessing their library's web-portal on the distributor's platform. There, patrons search the library's collection and download the e-books they wish to read. A patron's use of the e-book is controlled by Digital Rights Management (DRM) technology, which removes the e-book from the patron's reading device when the lending period ends.

Currently, two of the top six U.S. publishers do not provide their e-book titles to distributors that serve libraries. Of those top publishers who do provide libraries with e-books, some limit the way libraries can use the e-books and all charge a higher price to license titles to libraries than to license those titles to retail readers.

Only about one eighth of U.S. e-book readers borrow library e-books, and the majority of Americans do not know if their library offers e-books.

Most information in this report on e-book distribution and licensing comes from *E-Books in Libraries, A Briefing Document Developed in Preparation for a Workshop on E-Lending in Libraries*, published by the Berkman Center for Internet & Society at Harvard University, July 1, 2012. Information on borrowing trends comes from *Libraries, Patrons, and E-books*, published by the Pew Research Center's Internet & American Life Project, June 22, 2012.

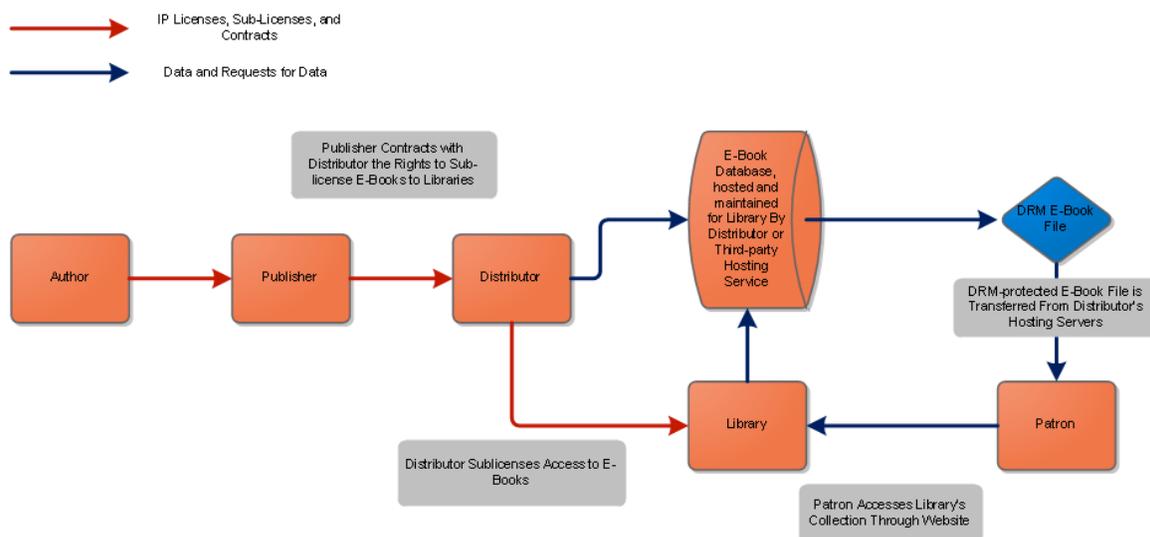
## **E-BOOK DISTRIBUTION TO LIBRARIES**

E-books are not sold, but rather licensed from the copyright holder to the reader. Traditional bound book sales are governed by the "First Sale Doctrine," which makes the first buyer of a book the owner of that book, able to freely resell, lend, destroy, or otherwise use it. E-book license agreements are not governed by the "First Sale Doctrine," and the reader is not the owner of the e-book. Rather, the license defines the way the reader can use the e-book, and the reader owns the right to use the e-book in accordance with the license.

Libraries access e-books through a distributor. Generally, e-book license transactions are not between the publisher and the reader, but directed through a distributor. When a reader buys an e-book from Amazon, for instance, the publisher has licensed the material to Amazon, under a broad distribution license and Amazon licenses the material to the reader, under a limited use license. Amazon aggregates e-book titles from many publishers, provides the technology to support the e-book (the Kindle software), and the sales platform on which the reader shops (the Amazon website).

Libraries access e-books much in the same way that a reader buys an e-book from Amazon. However, because libraries intend to lend their e-books to their patrons, they need license agreements that allow for such lending and distributors with technology platforms that support and manage this lending. Figure 1 shows a typical licensing chain for a library's e-book.

**Figure 1: Typical Library E-Book Licensing Chain**



Source: *E-Books in Libraries, A Briefing Document Developed in Preparation for a Workshop on E-Lending in Libraries*, The Berkman Center for Internet & Society at Harvard University, available online at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2111396](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2111396).

## **LIBRARY E-BOOK LENDING MODELS**

Libraries' e-book distributors structure their licensing according to one of three models: perpetual access, subscription, or pay-per-view.

### ***Perpetual Access***

This model is the most similar to buying a bound book. The library pays one price, once, for ongoing access to the e-book title. The library has access to the title until, and unless, the terms of the license are violated or terminated (as when a HarperCollins e-book with a 26-loan cap license is loaned 26 times).

According to the Berkman Center report, this is the predominate model for trade titles (non-academic publications).

Patrons borrow e-books under this model as they would bound books—only one patron can borrow the e-book at a time for the borrowing period. For popular titles, the library buys several copies of the same e-book, each of which circulates separately.

According to the Berkman Center report, 68% of libraries access e-books under a perpetual access model and almost all libraries that offer e-books have a distributor that offers perpetual access licenses for e-books.

## ***Subscription***

This model is akin to general subscription services. The library pays a recurring fee for access to a set of e-books for a fixed period of time. At the end of the subscription period, the library either pays the fee again or loses access to the e-books.

This model is generally used for academic and reference titles, allowing an academic or specialized library to purchase access to a set of e-books covering a particular topic.

The cost of the subscription is well below the cost of purchasing perpetual access to all the e-books available under the subscription.

Patrons can access any e-book within the subscription while the subscription is active and can access an e-book concurrently with another patron.

According to the Berkman Center report, 27% of libraries access e-books under a subscription model.

## ***Pay-Per-View***

This model is similar to pay-per-view cable television. The library has access to a set of e-books for an ongoing fee and pays an additional fee, or “rent,” when a patron actually views an e-book.

The ongoing service fees are generally much lower than the fees charged under the subscription model and the rental fees are around 10% to 15% the cost of a perpetual access license. Moreover, some pay-per-view distributors provide that an e-book that has been rented a certain number of times is automatically licensed to the library for perpetual access, a rent-to-own arrangement.

Under this model, libraries make unpopular titles available to patrons without bearing the full perpetual access cost of the title, without accumulating “digital dust.”

Patrons borrow pay-per-view e-books as they would perpetual access e-books—one at a time, for the borrowing period, no concurrent borrowing.

According to the Berkman Center report, only 1% of libraries access e-books under a pay-per-view model.

## **PUBLISHERS' APPROACH TO LIBRARY E-BOOKS**

The top six U.S. publishers are Random House, Macmillan, Simon & Schuster, Penguin, Hachette, and HarperCollins. Table 1 summarizes the stance of the top six U.S. publishers to offering e-book licenses to libraries.

**Table 1: Top Six U.S. Publishers' Policies on Licensing E-Books to Libraries for Lending**

<b>PUBLISHER</b>	<b>E-BOOK LENDING STATUS</b>
Random House	Allows unrestricted e-book lending, priced higher than retail e-books
Macmillan	Does not license any e-books
Simon & Schuster	Does not license any e-books
Penguin	Pilot program launched in June 2012 in New York City
Hachette	Allows limited licensing of "back list," not new releases
HarperCollins	Allows lending, with 26-loan cap per license

Source: *E-BOOKS IN LIBRARIES, A Briefing Document developed in preparation for a Workshop on E-Lending in Libraries*, The Berkman Center for Internet & Society at Harvard University, available online at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2111396](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2111396).

## **BORROWING TRENDS**

According to the Pew Research Center report, 12% of U.S. e-book readers report borrowing an e-book from their library in the past year. 62% of Americans 16 or older reported not knowing if their library lent e-books and about half of U.S. e-book readers reported not knowing if their library lent e-books.

Generally, 20% of a libraries book collection accounts for 80% of its circulation and this 80/20 rule is true for e-book collections, as well.

In 2011, 82% of U.S. libraries offered access to e-books. In 2011, public libraries, on average, spent 4% of their budgets on e-books and librarians expect their e-book spending to double by 2016.

## **RESOURCES**

*E-Books In Libraries, A Briefing Document Developed In Preparation For A Workshop On E-Lending In Libraries*, The Berkman Center for Internet & Society at Harvard University (July 1, 2012), available online at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2111396](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2111396).

*Libraries, Patrons, and E-Books*, Pew Research Center's Internet & American Life Project (June 22, 2012), available online at <http://libraries.pewinternet.org/2012/06/22/libraries-patrons-and-e-books/>.

Digital Book World website, <http://www.digitalbookworld.com/>.

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