

The Google Library Project: Is Digitization for Purposes of Online Indexing Fair Use Under Copyright Law?

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Summary

The Google Book Search Library Project, announced in December 2004, raised important questions about infringing reproduction and fair use under copyright law. Google planned to digitize, index, and display "snippets" of print books in the collections of five major libraries without the permission of the books' copyright holders, if any. Authors and publishers owning copyrights to these books sued Google in September and October 2005, seeking to enjoin and recover damages for Google's alleged infringement of their exclusive rights to reproduce and publicly display their works. Google and proponents of its Library Project disputed these allegations. They essentially contended that Google's proposed uses were not infringing because Google allowed rights holders to "opt out" of having their books digitized or indexed. They also argued that, even if Google's proposed uses were infringing, they constituted fair uses under copyright law.

The arguments of the parties and their supporters highlighted several questions of first impression. First, does an entity conducting an unauthorized digitization and indexing project avoid committing copyright infringement by offering rights holders the opportunity to "opt out," or request removal or exclusion of their content? Is requiring rights holders to take steps to stop allegedly infringing digitization and indexing like requiring rights holders to use meta-tags to keep search engines from indexing online content? Or do rights holders employ sufficient measures to keep their books from being digitized and indexed online by publishing in print? Second, can unauthorized digitization, indexing, and display of "snippets" of print works constitute a fair use? Assuming unauthorized indexing and display of "snippets" are fair uses, can digitization claim to be a fair use on the grounds that apparently *prima facie* infringing activities that facilitate legitimate uses are fair uses?

On October 28, 2008, Google, authors, and publishers announced a proposed settlement, which, if approved by the court, could leave these and related questions unanswered. However, although a court granted preliminary approval to the settlement on November 17, 2008, final approval is still pending. Until final approval is granted, any rights holder belonging to the proposed settlement class—which includes "all persons having copyright interests in books" in the United States—could object to the agreement. The court could also reject the agreement as unfair, unreasonable, or inadequate. Moreover, on July 2, 2009, the U.S. Department of Justice confirmed that it is investigating whether the terms of the proposed settlement violate antitrust law.

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Introduction

Authors and publishers sued Google Inc. in 2005, shortly after Google announced plans to digitize books in the collections of several major libraries, index them in its search engine (http://www.google.com), and allow searchers to view "snippets" of the digitized books. Google's proposed reproduction and display of copyrighted books was not authorized by the rights holders, who alleged that the Google Library Project infringed their copyrights. Google's counterarguments—that allowing rights holders to "opt out" of having their books digitized or indexed kept its proposed uses from being infringing, or that, if found to be infringing, its proposed uses were fair—raised important questions about reproduction and fair use under copyright law. Namely, does an entity engaged in unauthorized digitization and indexing avoid committing copyright infringement by offering rights holders the opportunity to request removal or exclusion of their content? And, assuming unauthorized indexing and display of "snippets" are fair uses, can digitization claim to be a fair use on the grounds that apparently *prima facie* infringing activities that facilitate legitimate uses are fair uses? The proposed settlement agreement between Google and rights holders could mean that litigation over the Library Project does not help to answer these questions. However, final court approval of the settlement is still pending, and future digitization and indexing projects may raise similar questions.

This report provides background on the Library Project, legal issues raised by digitization and indexing projects, and the proposed settlement. It will be updated as developments warrant. It supersedes CRS Report RS22356, *The Google Book Search Project: Is Online Indexing a Fair Use Under Copyright Law?*, by Robin Jeweler.

The Google Library Project

In December 2004, Google initiated its Library Project by announcing partnerships with five libraries.[1] Under the partnership agreements, the libraries would allow Google to digitize the print books in their collections, and Google would (1) index the contents of the books; (2) display at least "snippets" of the books among its search results; and (3) provide partner libraries with digital copies of the print books in their collections.[2] Google and its partners never planned to make the full text of any digitized and indexed books that are still within their terms of copyright protection available to searchers.[3] Rather, by digitizing and indexing books, Google and its partners sought to make the contents of print books more accessible to searchers, who could potentially buy or borrow books after seeing "snippets" of them among the results of Google searches.[4] Google also intended to sell advertising "keyed" to results lists incorporating the digitized books.[5]

[1] Google Checks Out Library Books, Dec. 14, 2004, *available at* http://www.google.com/press/pressrel/print_library.html. Participating libraries included those at the University of Michigan, Harvard University, Stanford University, and Oxford University, as well as the New York Public Library.

[2] *Id.*

[3] *Id.* Copyright protection for books generally lasts "for a term consisting of the life of the author and 70 years after the author's death." 17 U.S.C. § 302(a).

[4] Google Checks Out Library Books, *supra* note 1.

[5] *Id.*

Google's Library Project was itself part of a larger initiative initially known as Google Print and later renamed Google Book Search.[6] The Google Partner Program was also part of this initiative.[7] The Partner Program allowed authors and publishers to submit copies of their books for indexing in Google's search engine.[8] However, because rights holders affirmatively chose to have their books digitized or indexed through the Partner Program, the Program was not subject to allegations of copyright infringement like those made against the Library Project.

The Litigation and the Parties' Positions

Authors and publishers objected to the Google Library Project from its inception on the grounds that it infringed their copyrights.[9] Generally, copyrights in books initially vest in the books' authors.[10] Many authors later transfer their copyrights to publishers under contract in exchange for payment and the publisher's manufacturing and selling copies of the book.[11] Regardless of whether they are the books' authors or publishers, however, copyright holders have exclusive rights "to reproduce the copyrighted work in copies," or, in the case of literary works such as books, "to display the copyrighted work publicly."[12] The authors and publishers who objected to the Library Project claimed that Google infringed these exclusive rights by making digital copies of print books and presenting snippets from the digitized books without rights holders' permission.[13] Google initially responded to these concerns by allowing rights holders who did not want their books included in Google Book Search to "opt out."[14] If rights holders notified Google, Google would ensure that digitized versions of their books were not included in its database.

The ability to "opt out" of the Library Project did not satisfy authors and publishers, however. They sued to enjoin Google's digitization and indexing and to recover monetary damages for Google's alleged copyright infringement. In September 2005, the Authors Guild filed a class action suit in U.S. District Court for the Southern District of New York on behalf of "all persons or entities that hold the copyright to a literary work that is contained in the library of the University of Michigan."[15] Shortly thereafter, five publishing companies also sued in the

[6] Association of American University Presses, Google Book Search, Neé Google Print, *available at* http://www.aaupnet.org/aboutup/issues/gprint.html.

[7] Google Books Partner Program: Promote Your Books on Google—For Free, 2009, *available at* http://books.google.com/googlebooks/book_search_tour.

[8] *Id.*

[9] *See, e.g.*, Anandashankar Mazumdar, University Press Group Expresses Concern Over Google Print's Digitization of Works, 70 *Pat., Trademark & Copyright J.* 109 (June 3, 2005).

[10] 17 U.S.C. § 201(a). There are exceptions to this general rule, such as when a book is "made for hire" or is a "work of the United States Government." *See* 17 U.S.C. § 105 & 201(b).

[11] *See, e.g.*, Example Author Contract, *available at* http://www.writecontent.com/Publishing_Tools/Author_Contract_/author_contract_.html ("The Author hereby grants to the Publisher exclusive rights to reproduce and/or publish or adapt and sell, and/or license third parties to publish or adapt and sell said Work.").

[12] 17 U.S.C. § 106(1) & (5).

[13] *See, e.g.*, Mazumdar, *supra* note 9.

[14] *See, e.g.*, Christine Mumford, Google Library Project Temporarily Halted to Allow Copyright Owner Response, 70 *Pat., Trademark & Copyright J.* 461 (Aug. 19, 2005).

[15] Authors Guild v. Google Inc., Class Action Complaint, No. 05 CV 8136 (S.D.N.Y. Sept. 20, 2005) at ¶ 20. The University of Michigan's library was the focus because Google began digitizing its books first. *Id.* at ¶ 31. Under copyright law, "literary works" are any "works, other than audiovisual works, expressed in words." 17 U.S.C. § 101.

Southern District of New York.[16] The suits were consolidated, and additional plaintiffs, including the Association of American Publishers, joined the suit. Because the consolidated case was a class action, the court must approve any settlement of it.[17]

In responding to the suit, Google essentially contended that its conduct was not infringing because it gave rights holders the opportunity to "opt out" of having their books digitized and indexed.[18] Google also claimed that, even if a court found its conduct to be infringing, this conduct represented a fair use of the rights holders' works.[19] Google and supporters of its Library Project specifically cited the decision by the U.S. Court of Appeals for the Ninth Circuit in *Kelly v. Arriba Soft Corporation* as support for the proposition that the indexing activities of Internet search engines constitute fair uses.[20]

Legal Issues Raised by the Litigation

The litigation over the Google Library Project raised important questions about infringing reproduction and fair use under copyright law. Namely, can an entity engaging in unauthorized digitization and indexing avoid liability for copyright infringement by offering rights holders the opportunity to request removal or exclusion of their content from its database? And, assuming unauthorized indexing and display of "snippets" of digitized works are fair uses, can digitization itself claim to be a fair use on the grounds that apparently *prima facie* infringing activities that facilitate legitimate uses are fair uses? These questions will arguably persist, and their answers remain important, even if the parties ultimately settle the litigation over the Library Project.

"Opt Out" Programs and Liability for Infringement

Google's first line of defense against the authors and publishers was essentially that it was not liable for copyright infringement because it gave rights holders the opportunity to "opt out" of having their works digitized and indexed. In making this argument, Google relied on the related claim that no one would conduct multi-library digitization and indexing projects like the Library Project if they had to clear the copyrights for every book with the rights holders.[21] Identifying and locating the rights holder(s) for one book can be difficult enough, supporters of the Google Library Project noted, without repeating this process millions of times, as would be necessary with a major library collection.[22] The publishers, in contrast, noted that Google's offer to let rights holders "opt out" of having their books digitized and indexed "stands copyright law on its head."[23] They argued that one cannot generally announce one's intention to infringe multiple

[16] McGraw Hill Cos. v. Google Inc., Complaint, No. 05 CV 8881 (S.D.N.Y. Oct. 19, 2005). These companies were McGraw-Hill Companies; Pearson Education; Penguin Group; Simon & Schuster; and John Wiley and Sons.

[17] Fed. R. Civ. P. 23(e).

[18] *See, e.g.*, Susan Wojcicki, Google Print and the Authors Guild, Sept. 20, 2005, *available at* http://googleblog.blogspot.com/2005/09/google-print-and-authors-guild.html.

[19] *Id.*

[20] *See* 336 F.3d 811 (9th Cir. 2003). For more background on *Kelly*, see CRS Report RL33810, *Internet Search Engines: Copyright's "Fair Use" in Reproduction and Public Display Rights*, by Robin Jeweler and Brian T. Yeh.

[21] *See, e.g.*, Wojcicki, *supra* note 18.

[22] The Harvard University Libraries (HUL), for example, contain over 15 million books. HUL, About the HOLLIS Catalog, June 25, 2007, *available at* http://lib.harvard.edu/catalogs/hollis.html.

[23] Anandashankar Mazumdar, Publishers: Value of Book Search Project Shows That Scanning Is Not Fair Use, 71 *Pat.,* (continued...)

copyrighted works and collectively offer rights holders the opportunity *not* to have their works infringed.[24]

It is impossible to predict what a court would find based on such arguments, and this report does not attempt to do so. This report does, however, highlight some of the considerations that could factor in the court's consideration of the issue. On the one hand, the requirement that a copyright owner act affirmatively to stop non-willful infringement is not without precedent. The "notice and takedown" procedures of the Digital Millennium Copyright Act (DMCA),[25] for example, require content owners to notify Internet Service Providers (ISPs) of the existence of infringing content and can immunize ISPs from liability for infringement when they serve as "passive conduits" for infringing content transmitted by third parties.[26] Similarly, at least one court has found that content owners are responsible for taking affirmative measures, such as using meta-tags within the computer code of a Web page, to prevent Internet search engines from automatically indexing and displaying their content.[27] On the other hand, plaintiffs could argue that comprehensive digitization projects, like that proposed by Google, willfully infringe copyright[28] and differ from the "passive conduits" protected by the DMCA. Likewise, rights holders in print books could argue that their situations differ from that of Web page authors because Google had to digitize their books before indexing them. They could claim that they took sufficient affirmative measures to protect their works by not making them available for free on the Web.[29]

Digitization, Indexing, and Display as Fair Uses

Google also attempted to defend against the rights holders' allegations of copyright infringement by claiming that the Library Project, if found to be infringing, constituted a fair use.[30] The "fair use" exemption within copyright law limits rights holders' exclusive rights by providing that uses for "certain purposes"—including, but not limited to, criticism, comment, news reporting, teaching, scholarship, and research—do not infringe copyright *even if* they are made without the rights holders' consent.[31] In determining whether challenged conduct constitutes a fair use, a court considers the following factors, which were developed under the common law and later codified in the Copyright Act of 1976:

> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(...continued)

Trademark & Copyright J. 94 (Nov. 25. 2005).

[24] *Id.*

[25] P.L. 105-304. For more information on the DMCA generally, see CRS Report 98-943, *Digital Millennium Copyright Act, P.L. 105-304: Summary and Analysis*, by Dorothy M. Schrader.

[26] 11 U.S.C. § 512(b)-(c).

[27] *See* Field v. Google Inc., 412 F. Supp. 2d 1106 (D. Nev. 2006).

[28] *See, e.g.,* Class Action Complaint, *supra* note 15, at ¶ 23.d and ¶ 41 (alleging Google's infringement was willful); Complaint, *supra* note 16, at ¶ 2 (same).

[29] *See, e.g.*, Complaint, *supra* note 16, at ¶ 29 (arguing that Web pages differ from print books because rights holders in Web pages can rely on technological measures to prevent indexing, while authors of print books can take no such measures to prevent digitization).

[30] *See, e.g.*, Wojcicki, *supra* note 18.

[31] 17 U.S.C. § 107.

(2) the nature of the copyrighted work;

(3) the 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.[32]

These four factors must not be "treated in isolation, one from another."[33] Rather, "[a]ll are to be explored, and the results weighed together, in light of the purposes of copyright,"[34] which is to "Promote the Progress of Science and useful Arts" and serve the public welfare.[35] Also, because fair use is an "equitable rule of reason" to be applied in light of copyright law's overall purposes, other relevant factors may be considered.[36] The court hearing the case makes findings of fact and assigns relative value and weight to each of the fair use factors. The court can also look to prior cases for guidance even though determining whether a challenged activity constitutes a fair use "calls for a case-by-case analysis."[37]

Although it is impossible to predict what a court would find when confronted with an actual case, and this report will not attempt to do so, it does highlight some of the many questions that the Google Library Project raised regarding each of the four statutory "fair use" factors. The report does so in order to illustrate the potential importance of the Library Project—or similar digitization and indexing projects—in establishing the scope of infringing reproduction and fair use under copyright law.

The Purpose and Character of the Use

First, as regards the purpose and character of the use, copyright law generally presumes that commercial uses are not fair,[38] and that transporting a work to a new medium is not a fair use.[39] These presumptions would seem to work against digitization and indexing projects like the Library Project. The Project was implemented by a for-profit corporation that proposed, among other things, to sell ads "keyed" to the digitized content. The Project was also intended to migrate content from print to digital format. These presumptions can, however, be overridden when the use is sufficiently transformative.[40] A copy's use of the original is transformative when the copy does not "merely supersede[]" the original but rather "adds something new, with a further purpose or a different character" to the original.[41]

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[32] *Id.*

[33] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 578 (1994).

[34] *Id.*

[35] Perfect 10, Inc. v. Amazon.com, Inc., 487 F.3d 701, 720 (9th Cir. 2007) (quoting the U.S. Constitution, art. I, § 8, cl. 8, as well as *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 n.10 (1984)).

[36] Stewart v. Abend, 495 U.S. 207, 237 (1990).

[37] Campbell, 510 U.S. at 577-78.

[38] *See, e.g.*, Sony, 464 U.S. at 451 ("Every commercial use of copyrighted materials is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright.").

[39] *See, e.g.*, Infinity Broad. Corp. v. Kirkwood, 150 F.3d 104, 108 (2d Cir. 1998) (retransmission of radio broadcast over telephone lines not a fair use); UMG Recordings, Inc. v. MP3.com, Inc., 92 F. Supp. 2d 349, 351 (S.D.N.Y. 2000) (reproducing analog audio CDs as MP3s not a fair use).

[40] Campbell, 510 U.S. at 578-79.

[41] *Id.* at 579.

The transformative nature of the Library Project would arguably be more easily established if it merely indexed books and displayed "snippets" of them. Were Google's uses so limited, it could probably rely on the precedent of two cases from the U.S. Court of Appeals for the Ninth Circuit which found that indexing and abridged displays of copyrighted content were fair uses. In the first case, *Kelly v. Arriba Soft Corporation*, the court held that a company operating a search engine, which had indexed a rights holder's online photographs and displayed "thumbnail" versions of them, was not liable for copyright infringement because its uses were fair.[42] Key to this holding was the court's finding that indexing represented a transformative use of the original photographs. While the original photographs were intended "to inform and to engage the viewer in an aesthetic experience," Arriba used its copies of them for a different function: "improving access to information on the internet."[43] The court also emphasized that Arriba indexed and displayed "thumbnail" versions of the photographs.[44] The thumbnails had much lower resolution than the originals and thus could not substitute for them because "enlarging them sacrifices their clarity."[45] The Ninth Circuit reached a similar conclusion in *Perfect 10, Inc. v. Amazon.com, Inc*.[46] There, the court also considered a use's benefit to society in finding the use to be transformative. The court noted that "a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool."[47]

The digitization involved in the Library Project complicates the analysis, however. Admittedly, the prior cases that found indexing and abridged displays of copyrighted content to be fair uses also involved copying of originals.[48] However, in these cases, the copying was of originals posted on the Internet and resulted in copies that were "inferior" to the originals for all purposes except their use in indexing. The first difference is potentially significant because courts have held that rights holders confer limited licenses to copy their content for purposes of indexing and abridged display by posting it on the Internet without taking affirmative measures to prevent copying.[49] The second difference could also be significant because digitized books are arguably superior to print ones when it comes to locating specific information within them.[50]

Because digitization was so central to the Library Project, and arguably could not be directly paralleled to the copying in cases involving indexing and display of Internet materials, Google might have had to rely on the proposition that apparently *prima facie* infringing activities (such as digitization) that facilitate legitimate uses (such as indexing and limited displays) are fair uses. The Supreme Court's decision in *Sony Corporation of America v. Universal City Studios* could arguably provide broad support for this principle.[51] In *Sony*, the Court held that the sale of the

[42] 336 F.3d 811 (9th Cir. 2003).

[43] *Id.* at 818-19.

[44] *Id.* at 818.

[45] *Id.* at 819.

[46] 487 F.3d 701, 721 (9th Cir. 2007), *rev'g* Perfect 10, Inc. v. Google Inc., 416 F. Supp. 2d 828 (C.D. Cal. 2006) (holding that Google's use of thumbnail versions of Perfect 10's copyrighted photographs was not fair, in part, because Google's thumbnails could potentially substitute for the reduced-size versions of these photographs that Perfect 10 had licensed another company to reproduce and distribute for display on cell phones).

[47] Perfect 10, Inc., 487 F.3d at 721.

[48] *See, e.g.*, Kelly, 336 F.3d at 816.

[49] Field, 412 F. Supp. 2d at 1115-16.

[50] A digital version of a print book would display poorer resolution than the original. However, it would enable researchers to locate specific content more easily by using the "search" or "find" functions of their Web browsers.

[51] 464 U.S. 417 (1984).

video recording machine, which was used to "time shift" broadcast television for personal home viewing, was not contributory copyright infringement.[52] Although the factual underpinnings and legal precedent of *Sony* are not particularly relevant to or controlling in a case like Google's, the *Sony* decision itself stands as a landmark in copyright law demonstrating the willingness of the Court to balance new technological capabilities against traditional principles of copyright law and to recognize new categories of fair use. Many copyright experts saw analogies to the technological considerations inherent in *Sony* in Google's case.[53] Such experts noted that Google's allegedly infringing activity in digitizing print books was incidental to the valid and socially useful function of indexing.

The analogy to *Sony* might not be enough to persuade a court that digitizing for purposes of non-infringing indexing constitutes a fair use, however. Digitizing and indexing print books are arguably far removed from making and selling devices that consumers use to record broadcast television programming and replay it later. Additionally, courts have shown little inclination to recognize categories of judicially created fair uses other than time shifting. In *UMG Recordings v. MP3.com, Inc*., for example, a U.S. district court rejected out-of-hand the defendant's proffered fair use defense as a justification for unauthorized copying of plaintiffs' audio CDs.[54] The defendant had claimed that its unauthorized copying enabled CD owners to "space shift" because they could access the music on their CDs from any location through MP3.com's subscription service.[55]

The Nature of the Copyrighted Work

Comprehensive digitization and indexing projects, such as the Google Library Project, raise similar questions when the second fair use factor is considered. Projects that digitize library collections potentially encompass diverse types of materials. Some of these materials may be works of fiction, which are among the creative works accorded the highest level of copyright protection.[56] Other materials may be reference books or compendiums of facts, which are afforded the "thinnest" copyright protection.[57] Yet other materials may be nonfiction and mix unprotected ideas with protected expressions of these ideas.[58] This diversity of materials makes possible the arguments of both proponents and opponents of the view that projects like Google Book Search constitute fair uses. The nature of the work can, however, be less important than the purpose and character of the use, at least in situations where the use can be clearly recognized as transformative.[59]

[52] *Id.* at 442.

[53] *See, e.g.*, Jonathan Band, The Google Print Library Project: Fair or Foul?, 9 *J. of Internet L.* 1, 4 (Oct. 2005); Christopher Heun, Courts Unlikely to Stop Google Book Copying, *InternetWeek* (Sept. 2, 2005), *available at* http://internetweek.cmp.com/showArticle.jhtml?articleID=170700329.

[54] 92 F. Supp. 2d 349, 352 (S.D.N.Y. 2000) ("[D]efendant's 'fair use' defense is indefensible and must be denied as a matter of law.").

[55] *Id.*

[56] Kelly, 336 F.3d at 820.

[57] *See, e.g.*, Feist Publ'ns, Inc. v. Rural Tel. Serv., 499 U.S. 340 (1991) (requiring originality in the selection or arrangement of facts for copyrightability).

[58] *See, e.g.*, Baker v. Selden, 101 U.S. 99 (1879) (distinguishing non-protectable ideas from their protectable expressions).

[59] Campbell, 510 U.S. at 577-78.

The Amount and Substantiality of the Portion Used

The amount and substantiality of the portion used in relation to the copyrighted work as a whole is another factor that could potentially cut either way in cases involving digitization and indexing projects. As a general rule, "[w]hile wholesale copying does not preclude fair use *per se*, copying an entire work militates against a finding of fair use."[60] Copying entire works can, however, be found to constitute a fair use when doing so is reasonable given the purpose and character of the use.[61] Digitization projects, such as the Google Library Project, would clearly be engaged in wholesale copying, including copying any segments comprising the "heart" of the copied work.[62] The question would thus become whether such wholesale copying was reasonable for an indexing project. Proponents of the project could argue that courts have found copying entire works in order to digitize them reasonable,[63] and that searchers would see only "snippets" of the work in any case. Opponents, in contrast, could argue that, in all cases where courts protected wholesale copying for purposes of indexing, the authors had placed their works online, thereby creating implied licenses for others to copy and index them.[64] Moreover, in at least some of these cases, the copies were deleted after the indexing was completed.[65] In no case did the copier propose to give copies to third parties, as Google did when contracting to provide digital copies of the books in their collections to libraries.

The Effect of the Use Upon the Potential Market or Value of the Work

Finally, digitization and indexing projects could be seen as either promoting or inhibiting the potential markets or values of the copyrighted works. Proponents of digitization could argue that indexing and display of "snippets" of print books increases the markets for the originals by alerting researchers to books on their topics. If researchers purchase books of which they would otherwise have been unaware, the markets for these books could potentially be improved by the unauthorized digitization. Opponents, in contrast, could argue that unauthorized digitization and indexing usurps markets that the rights holders are developing;[66] that viewing "snippets" of print books sometimes can substitute for purchases of them; and that rights holders should be free to determine whether, when, and how their print works are digitized.[67] The outcome of any findings by the court on this factor may hinge upon the degree of harm to their markets that plaintiffs must show. Some courts have required plaintiffs to show only that the markets in which they alleged harm are "likely to be developed,"[68] while others have required proof of actual losses in

[60] Worldwide Church of God v. Philadelphia Church of God, Inc., 227 F.3d 1110, 1118 (9th Cir. 2000) (internal quotations omitted).

[61] *See, e.g.*, Kelly, 336 F.3d at 821; Sega Enters., Ltd. v. Accolade, Inc., 977 F.2d 1510, 1523 (9th Cir. 1992).

[62] *See, e.g.*, Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 564 (1985).

[63] *See, e.g.,* Kelly, 336 F.3d 811; Perfect 10, Inc., 487 F.3d 701.

[64] *See* Field, 412 F. Supp. 2d at 1115-16.

[65] *See* Kelly, 336 F.3d at 816.

[66] *See* Complaint, *supra* note 16, at ¶ 5 (noting that publishers were already making their print books available online in various ways, including a partnership with the search engine Yahoo!).

[67] *Cf.* BMG Music v. Gonzalez, 430 F.3d 888, 891 (7th Cir. 2005) ("Copyright law lets authors make their own decisions about how best to promote their works.").

[68] *See, e.g.*, Bill Graham Archives, LLC v. Dorling Kindersley, Ltd., 386 F. Supp. 2d 324, 332 (S.D.N.Y. 2005).

established markets.[69] The fact that a use is transformative can, however, outweigh even inhibition of or harm to plaintiffs' markets.[70]

The Proposed Settlement Agreement

On October 28, 2008, Google and the rights holders announced a proposed settlement agreement.[71] Under this agreement, Google would compensate rights holders for prior and future uses of their work.[72] Google would also fund the establishment and initial operations of a not-for-profit entity, called the Registry, which would represent rights holders in negotiating future uses of their content with Google.[73] Google, in turn, would receive a non-exclusive license[74] to (1) "Digitize all Books and Inserts" published before January 5, 2009, and (2) make certain uses of the digitized materials, including displaying "snippets" of them among its search results, subject to the terms of the agreement.[75] By allowing Google to digitize and display books, the agreement would pave the way for Google to expand Google Book Search, selling subscriptions to institutions and electronic versions of books to individuals.[76] The agreement would also create certain rights and responsibilities for libraries that allow Google to digitize their books,[77] as well as make certain provisions for institutional subscribers to, or individual users of, commercialized versions of Google's Book Search database.[78]

The agreement will not take effect until certain conditions are met, one of which requires final court approval of the settlement agreement.[79] The court granted preliminary approval of the agreement on November 17, 2008.[80] Final approval is still pending, however. Class members

[69] Perfect 10, Inc., 487 F.3d at 725.

[70] *See, e.g.*, Campbell, 510 U.S. at 591.

[71] Authors Guild, Inc. v. Google Inc., Settlement Agreement, Case No. 05 CV 8136-JES (S.D.N.Y. Oct. 28, 2008).

[72] *Id.* at ¶ 2.1(a) (providing that Google would pay 70% of the net revenue earned from uses of Google Book Search in the United States to rights holders); ¶ 2.1(b) (providing that Google would pay at least $45 million into a "Settlement Fund," whose proceeds would pay rights holders whose books or "inserts" were digitized prior to January 5, 2009).

[73] *Id.* at ¶ 2.1(c). Among other functions, the Registry could negotiate the terms of "New Revenue Models" (e.g., print-on-demand) with Google and negotiate pricing categories and percentages for sale of digitized materials to users.

[74] Because this license is non-exclusive, the Registry could license other entities to digitize, index, or display the works of rights holders. However, if the Registry were to enter into a similar agreement within 10 years of the settlement's effective date, it must extend comparable economic and other terms to Google. *Id.* at ¶ 3.8(a).

[75] *Id.* at ¶ 3.1. Google's rights to use books within their terms of copyright protection would hinge upon whether they were "commercially available," or available "for sale new through one or more then-customary channels of trade in the United States." *See id.* at ¶ 1.28. If a book is commercially available, Google could not make "display uses" without the copyright holders' consent. *Id.* at ¶¶ 3.3-3.5. Conversely, if a book is not commercially available, Google could make "display uses" unless the rights holder objects. *Id.* This distinction between commercially available and non-commercially available books would significantly vary the legal protections of copyright law, which protects all works equally, regardless of their commercial availability, during their terms of copyright protection. *See* 17 U.S.C. § 106 and § 302.

[76] *See, e.g.*, Settlement Agreement, *supra* note 71, at ¶ 3.7.

[77] *Id.* at ¶ 7.2(f)(i)-(ii) and Article X.

[78] *See, e.g.*, James Grimmelmann, Principles and Recommendations for the Google Book Search Settlement, Nov. 8, 2008, *available at* http://www.laboratorium.net/archive/2008/11/08/principles_and_recommendations_for_the_google_book (noting the existence, as well as the potential inadequacy, of provisions regarding users).

[79] Settlement Agreement, *supra* note 71, at ¶1.49.

[80] Authors Guild, Inc. v. Google Inc., Order Granting Preliminary Settlement Approval, Case No. 05 CV 8136-JES

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presently have until September 4, 2009, to file objections with the court.[81] The court will then consider these objections, as well as conduct its own review of the proposed agreement, in determining whether to grant final approval to the settlement.[82]

Commentators have voiced numerous concerns about the proposed settlement, some of which could recur in class members' objections or the court's review of the agreement. One major concern is that the settlement would effectively grant Google an exclusive license to digitize the books covered by the agreement and display them to individual users and libraries.[83] The settlement states that Google's digitization and display rights under the agreement are non-exclusive,[84] and nothing, under the settlement or otherwise, would preclude another entity from undertaking a digitization and indexing project like Google Book Search.[85] However, some commentators worry that these factors might not suffice to prevent Google's effectively monopolizing the book-search field given that the settlement agreement (1) includes a clause granting Google the right to any more favorable terms that the Registry negotiates with third-parties over the next ten years[86] and (2) protects Google from the litigation risks likely to confront those initiating new book-digitization projects. These factors could significantly diminish the willingness of potential competitors to enter the field and could result in a monopolized market where individual consumers and libraries, in particular, are vulnerable to price increases.[87] On July 2, 2009, the U.S. Department of Justice confirmed that it is conducting an antitrust investigation into the Google settlement because of such concerns. [88] The Justice Department

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(S.D.N.Y. Nov. 17, 2008). The final hearing is presently scheduled to be held on October 4, 2009. It was originally set for June 11, 2009, but the court changed the date in an order issued on April 28, 2009. *See* Court Delays Google Book Search Settlement Hearing, Extends Opt-Out Period, 78 *Pat., Trademark & Copyright J.* 9 (May 1, 2009).

[81] Court Delays Google Book Search Settlement Hearing, *supra* note 80. The deadline for filing objections was originally May 5, 2009. *See* Order Granting Preliminary Settlement Approval, *supra* note 80.

[82] Under the Federal Rules of Civil Procedure, judges must ensure that settlements in class action lawsuits are "fair, reasonable, and adequate." Fed. R. Civ. P. 23(e). In conducting this review, the court could reject a proposed settlement because of concerns not raised by class members or other parties to the agreement. *See, e.g.,* Muchnick v. Thompson Corp., 509 F.3d 116 (2d Cir. 2007) (quashing the proposed settlement agreement resolving the litigation in *Tasini v. New York Times* because some members of the proposed settlement class had not registered their works with the U.S. Copyright Office and so lacked standing to bring suit in federal court). The district court had previously approved the settlement, and no class member or party had raised this objection.

[83] *See, e.g.*, James Gibson, Google's New Monopoly? How the Company Could Gain by Paying Millions in Copyright Fees, *Wash. Post*, Nov. 3, 2008, at A21 ("[S]ettling probably puts Google in a better position than it would have been in if it had won its case in court. ... Google's concession has made it more difficult for *anyone* to invoke fair use for book searches [and] [b]y settling the case, Google has made it much more difficult for others to compete with its Book Search service.").

[84] *See, e.g.*, Settlement Agreement, *supra* note 71, at ¶ 3.1(a).

[85] *See, e.g.*, Miguel Helft, Some Raise Alarms as Google Resurrects Out-of-Print Books, *New York Times*, Apr. 4, 2009, at A1 ("Nothing prevent[s] a potential rival from following in [Google's] footsteps—namely, by scanning books without explicit permission, waiting to be sued and working to secure a similar settlement."). Microsoft, for example, has explored offering book-search capabilities in the past. *See* Andrea L. Foster, Microsoft's Book-Search Project Has a Surprise Ending, *Chron. of Higher Educ.*, May 29, 2008, *available at* http://chronicle.com/free/2008/05/3022n.htm.

[86] *See, e.g.*, Settlement Agreement, *supra* note 71, at ¶ 3.8(a) ("The Registry ... will extend economic and other terms to Google that, when taken as a whole, do not disfavor or disadvantage Google as compared to any other substantially similar authorizations granted to third parties by the Registry.").

[87] *See, e.g.*, Laura G. Mirviss, Harvard-Google Online Book Deal at Risk, *The Harvard Crimson*, Oct. 30, 2008, *available at* http://www.thecrimson.com/article.aspx?ref=524989 ("The settlement provides no assurance that the prices charged for access will be reasonable.").

[88] *See, e.g.*, Miguel Helft, U.S. Inquiry Is Confirmed into Google Books Deal, *N.Y. Times*, July 2, 2009, *available at*
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reportedly has written a letter to the federal judge reviewing the proposed settlement indicating that the settlement's terms could violate the Sherman Act of 1890, which prohibits, among other things, any "contract, combination ... or conspiracy" that constitutes a "restraint of trade or commerce."[89]

Another related concern focuses upon the settlement's potential effects on "orphan works," or copyrighted works whose owners are difficult or impossible to identify or locate.[90] Some commentators worry that the settlement would grant Google a "unique lock"[91] on orphan works by making the Registry, which is to be created under the agreement, the effective trustee of rights in "orphaned" books.[92] The Registry has already opted to deal with Google regarding these books, and some commentators are concerned that the absence of known or identifiable rights holders effectively means that these books could not be further used without the agreement of the Registry and/or Google.[93] Commentators concerned about orphan works also suggest that the settlement agreement's treatment of them constitutes "a kind of legislation, stepping on congressional prerogatives."[94] The 110th Congress considered, but did not enact, orphan works legislation that would have authorized use of orphan works under certain conditions and would have made the U.S. Copyright Office responsible for receiving and recording notices tracking users and uses of orphan works.[95] Similar legislation may be introduced in the 111th Congress. Some commentators feel that any "changes" involving orphan works of the magnitude allegedly made in the settlement agreement ought to be made by Congress, not the federal courts.[96]

Other concerns center upon the settlement agreement's effects on public welfare, especially its reliance on a private Registry instead of the Copyright Office and its provisions regarding user privacy.[97]

Rejection of the proposed settlement agreement could place the parties' claims and defenses back before the court. Moreover, even if eventually approved by the courts, the settlement agreement only governs claims against Google over its Library Project within the United States. Litigation in other jurisdictions remains possible.[98]

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http://www.nytimes.com/2009/07/03/technology/companies/03google.html?_r=1&ref=technology.

[89] 15 U.S.C. § 1.

[90] *See, e.g.*, Anandashankar Mazumdar, Internet Archive Warns of Online Book Market Consolidation from Google Settlement, *Pat., Trademark & Copyright L. Daily*, Apr. 23, 2009. For more on orphan works generally, see CRS Report RL33392, *"Orphan Works" in Copyright Law*, by Brian T. Yeh.

[91] Grimmelmann, *supra* note 78.

[92] *See, e.g.*, Mazumdar, *supra* note 89.

[93] *Id.*

[94] *See, e.g.*, Anandashankar Mazumdar, Google Books Settlement Prompts Questions about Effect on Readers, Libraries, Others, *Pat., Trademark & Copyright L. Daily*, Mar. 18, 2009 (quoting Marybeth Peters, Register of Copyrights).

[95] Orphan Works Act of 2008, H.R. 5889, 110th Cong. There was a similar bill in the Senate, but it did not include the notice requirements of the House bill. *See* Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong.

[96] *See, e.g.*, Helft, *supra* note 85 ("They are doing an end run around the legislative process.") (quoting Brewster Kahle, founder of the Internet Archive and the Open Content Alliance).

[97] *See, e.g.*, Mazumdar, *supra* note 93.

[98] *See, e.g.*, Editions du Seuil v. Google Inc., Tribunal de Grand Instance de Paris (alleging that Google Book Search infringes copyright under French law); Joe Kirwin, EU States Urge Investigation into Google's Digital Book Plan, *Pat., Trademark & Copyright L. Daily*, May 29, 2009 (noting that the Federation of European Publishers has also raised (continued...)

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concerns about the potential anticompetitive effects of the Google Library Project with the European Commission).